

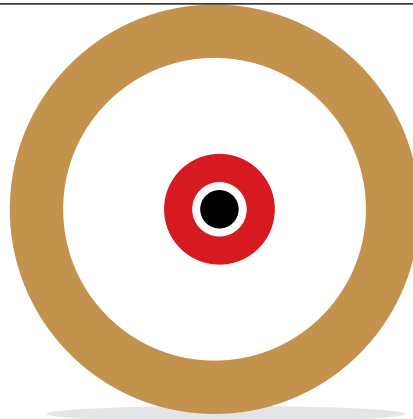
STRIKING

MUTHOOT FINANCE LIMITED



BALANCE

ANNUAL REPORT 2013-14



Muthoot Finance

Forward-looking statement

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

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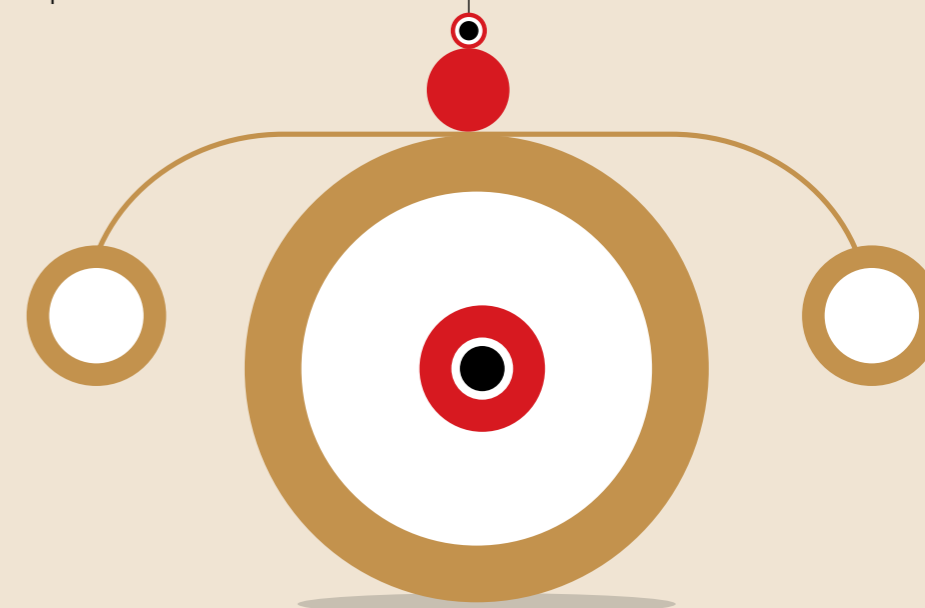
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STRIKING A PRUDENT BALANCE BETWEEN MULTIPLE REALITIES IS AT THE HEART OF OUR BUSINESS MODEL.

It enables us to grow sustainably, create more value for a diverse stakeholder fraternity and strengthen the organised industry, as we move forward. Our long-term mandate is to take the message of financial inclusion to India's remote corners and help transform lives in more ways than one.

Call it an intricate art or a pragmatic science, striking a balance remains the cornerstone of our long-term strategy across industry cycles, economic volatilities, shifting regulatory landscapes and growing stakeholder aspirations.



For more details please visit
www.muthootfinance.com

INSPIRING VISION



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

- Late M. George Muthoot

“Unchanging values...
in changing times.”

Gold loan financing in India was first envisioned by Shri M. George Muthoot in 1939. That legacy has not just lived on, but has gathered momentum across decades.

Today, with more than seven decades of existence, we are one of the country's largest gold loan ‘Systemically Important Non-deposit taking NBFC’*.

*As per RBI guidelines

DIVERSITY DELIVERS VALUE

India's gold loan business is an important tool for accessing short-term capital by those who need fast access to capital, and may not necessarily be part of the formal channels of credit. It is also a great way of unlocking the latent value of India's domestic gold, and using it to fund economic activity and augmenting capital flows.

We believe we are more than an NBFC. Our customer base represents the diversity that India is famed for. Our semi-urban and rural reach demonstrates the untapped potential of our towns and villages. Our ability to design products around the needs of our customers means that we are their trusted ally and a go-to friend. The trust of our growing customer base represents their faith in our business and the de-risked nature of our borrowings. Being so many things to so many people means that we have to strike a balance between catering to aspirations, running a value-accretive business, adhering to propriety standards, and proactively complying with regulations.

4,270

Branches Across 26 states and Union Territories

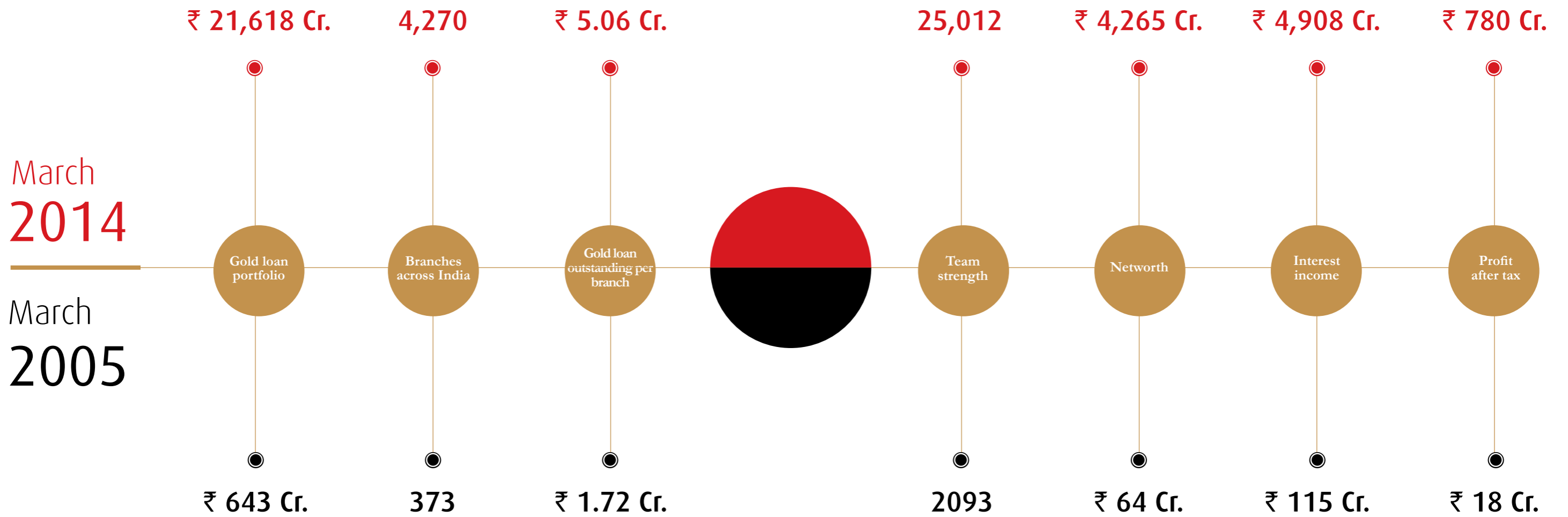
75%

Promoter shareholding in the Company

5 lakhs+

Debenture holders in the Company

MOMENTUM THAT DEFINES LEADERSHIP



MESSAGE FROM THE CHAIRMAN



M.G. George Muthoot
Chairman

Across India's cities, small towns and villages, people are aspiring to change their destiny through courage and fast access to capital. At Muthoot, it is both an honour and a responsibility for us to help people in their hour of need.

Dear Shareholders,

It gives me great pleasure to present the 17th Annual report of Muthoot Finance Limited.

We have come a long way since we commenced our journey decades ago, when the industry structure, customer requirements and regulatory framework were different. However, ever since that time our commitment to drive financial inclusion by investing in the aspirations of people has remained the cornerstone of our business model. We have grown the business around the core values of time-honoured ethics, responsible governance, stakeholder integrity and unwavering focus on value creation.

Across India's cities, small towns and villages, people are aspiring to change their destiny through courage and fast access to capital. At Muthoot, it is both an honour and a responsibility for us to help people in their hour of need. By doing so, we are enabling people to achieve their ambitions, and at the same time partnering the nation towards socio-economic prosperity in a modest way. As we move forward, we strike a judicious balance between challenges and opportunities, between external factors and our own internal commitment to create value and finally between the sterling legacy that inspires us, and contemporary pragmatism that helps us stay on course.

Performing encouragingly

Despite regulatory restrictions and subdued investment and consumer activity in FY 2013-14, Muthoot Finance delivered a stable performance and recorded revenues to the tune of ₹ 4947 Crores. Significant shareholder value was created with our basic earnings per share at ₹ 20.99 for FY 2013-14. Our book value per share increased to ₹ 114.73.

We welcome the recent regulatory clarity in our gold loan business. This measure has helped us gain a level-playing field vis-a-vis banks and create more value for a large cross-section of the population. However, it must be admitted that regulatory uncertainties during the year had considerably impacted our mandate for financial inclusion. In addition, there were other challenges, such as volatility in gold prices triggering a wave of baseless speculation on business model of the company, low investor confidence about the viability of gold loan business and the discouraging macro-economic environment. Notwithstanding the headwinds, we continued to remain profitable and immensely relevant to the industry in which we operate.

We continued to provide high-quality customer service with robust operating systems. Our in-house training initiatives were also geared to strike a balance between growing customer expectations and the shifting regulatory landscape. Besides, we strengthened our risk mitigation practices to emerge as a credible player with a long-term commitment to financial inclusion.

We are successfully managing the transition process of our investors who were hitherto investing in our privately placed non-convertible debentures, which got stopped consequent to RBI regulations restricting investments below ₹ 25 lakhs from an investor through Private Placement route, by convincing them to invest in our listed and credit-rated non-convertible debentures issued under the Public Issuance mode. Our strong retail investor base reposed trust in the robustness of our business model and their faith made the transition possible.

Building competencies

We remain focused on strengthening our market leadership across South India (comprising 59% of our total gold loan portfolio) and the entire country. We are committed to expand our reach to under-served rural and semi-urban markets. We have expanded branches to exploit opportunities across unbanked regions, enabling greater presence.

This outreach across India is backed by our technological excellence. We have developed and integrated our technology platform that strengthens our operations, productivity and efficiency. This is aptly supported by our core management team, who oversee the

day-to-day operations, strategy and growth of the business. The combination of state-of-the-art operating systems and experienced manpower has enabled the Company to emerge as stronger in a competitive and dynamic business environment.

The resilience is visible in our financial numbers, helping us strengthening our network.

Progressing with people

We believe in a simple dictum: 'progressing with people at the core'. We align our training mechanism to shifting industry dynamics in order to ensure that our people can meet and exceed customer expectations.

With growing competition, we are focusing our energies on what matters most to customers, employees and investors. A robust business model that can be value-accretive for the long term. As a part of that strategy, we are focusing on certain key areas: strengthening our brand recall; training employees; generating awareness about gold loans across a wider customer cross-section; and finally innovating more products and services with an eye on local aspirations of a particular region.

The strength of our business model is validated by the trust of our stakeholders. Our strong market capitalisation is backed by a net worth of ₹ 42.65 Billion as on 31st March, 2014.

Being socially responsible

Social responsibility is deeply embedded in our corporate ethos. In FY 2013-14, we continued to contribute, through 'Muthoot M George Foundation' to provide healthcare and education to the disadvantaged sections of society. We will continue to strike a balance between business priorities and financial inclusion with focus on value creation for those at the bottom of the social pyramid. Muthoot will stay true to the inspiring vision of Shri M. George Muthoot who laid the foundation of our enterprise.

As the nation is geared towards enhanced economic growth and social empowerment through policy initiatives, we are happy to drive our mandate of financial inclusion, taking customers, investors and the greater community of stakeholders along with us.

Regards
M.G. George Muthoot
Chairman

5 million+

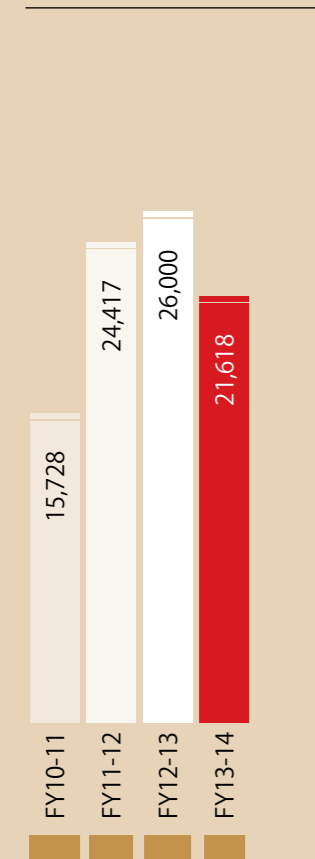
Customers

75 Years

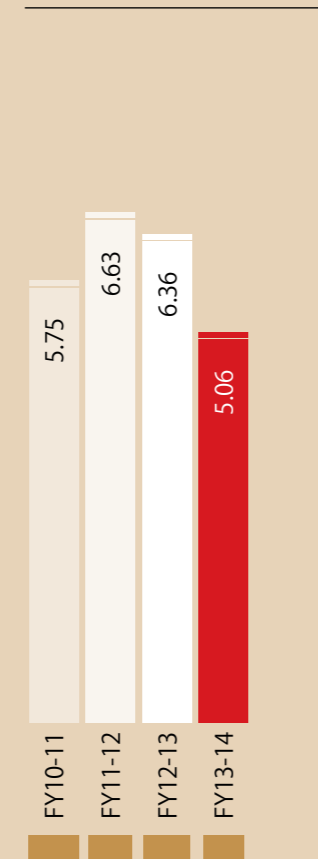
Unblemished Track Record

FINANCIAL PERFORMANCE 2013-14

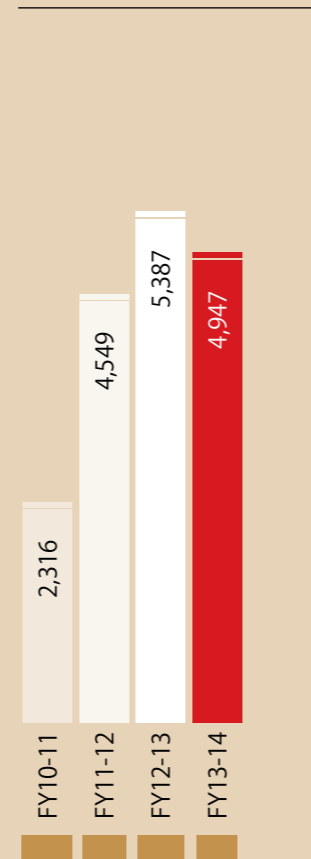
Gold Loan Assets (₹ Crores)



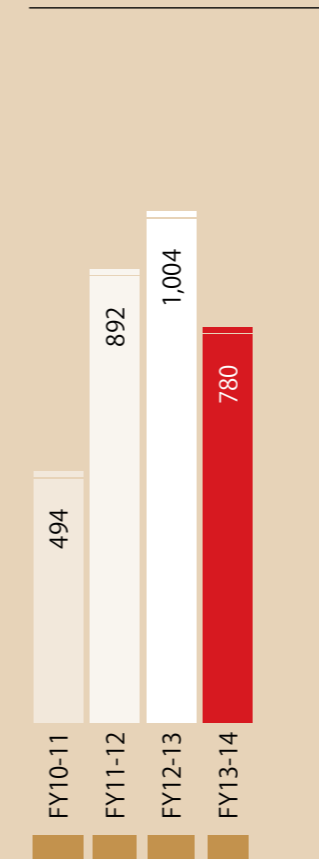
Average Gold Loan Outstanding per Branch (₹ Crores)



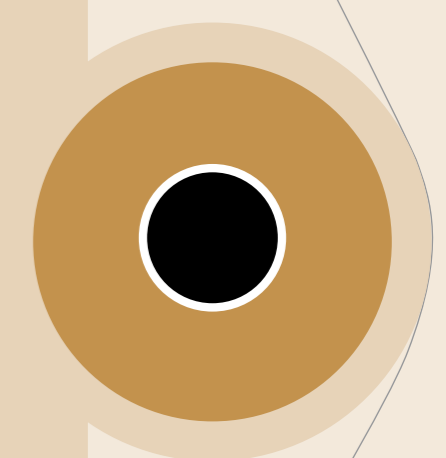
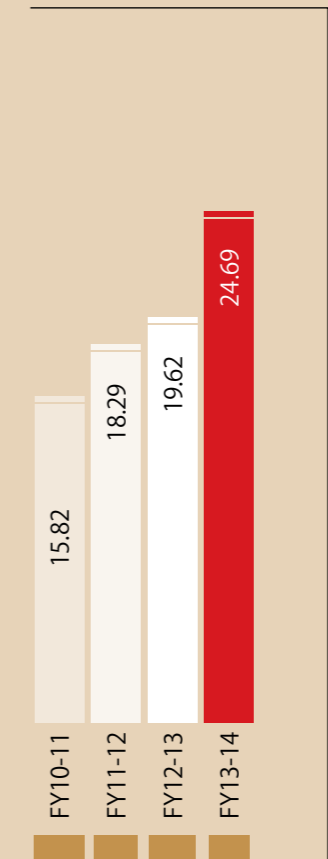
Revenue (₹ Crores)



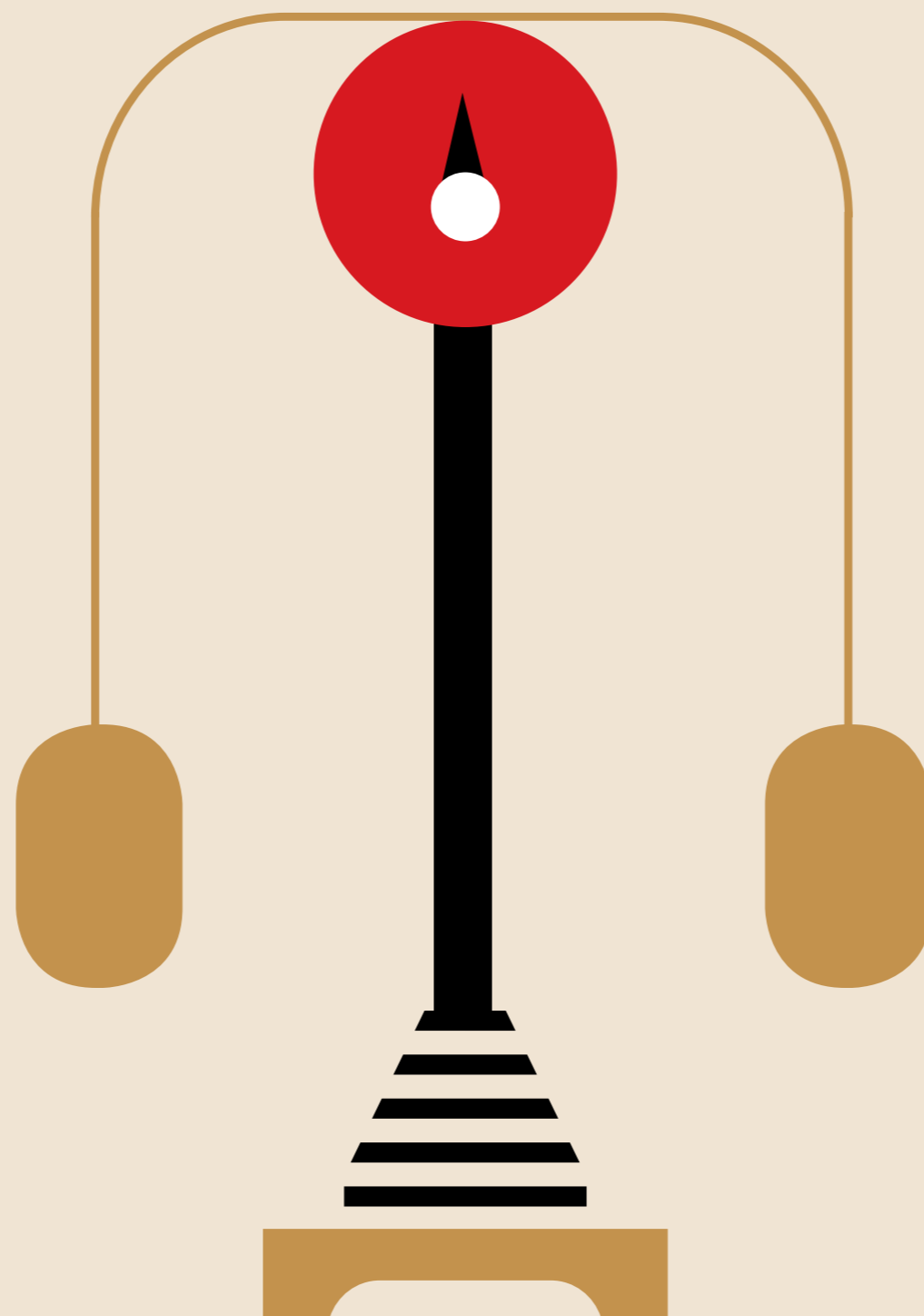
Profit After Tax (₹ Crores)



Capital Adequacy Ratio (%)



DURING FY 2013-14, THE GOLD LOAN INDUSTRY WAS SEVERELY IMPACTED BY A SET OF THREE DISTINCT FACTORS. FIRST, IT WAS REGULATORY ACTION, DESIGNED TO INFUSE GREATER CREDIBILITY AND GOVERNANCE IN THE SECTOR IN THE LONG RUN. SECOND, IT WAS THE FALL IN THE PRICE OF GOLD, UNLEASHING A FRESH WAVE OF SPECULATIONS ON THE BUSINESS MODEL, LEADING TO AN UNCERTAIN ENVIRONMENT. THIRD, IT WAS THE OVERALL DOWNTURN IN THE CORE ECONOMIC SECTORS, WHICH LED TO A SOBERING OF DEMAND.



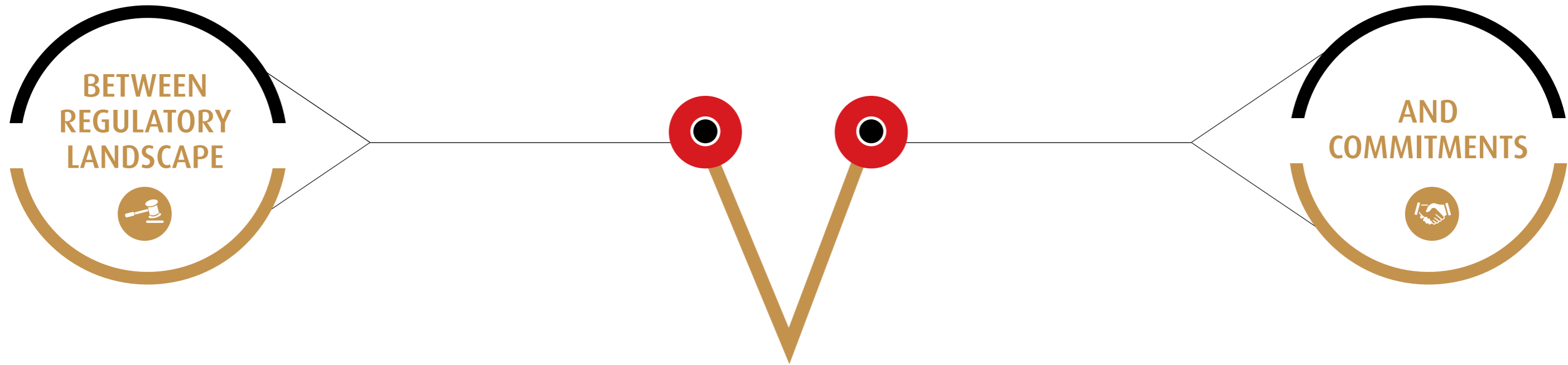
Regulatory action first reduced the maximum loan-to-value allowed on gold loans by NBFCs to 60% of gold price, thereby making them uncompetitive vis-a-vis banks and unorganised players depriving NBFCs of a level playing field. This led to a significant erosion in customer base and consequently fall in loan portfolio. Subsequently, however, this cap was revised upwards to 75% for NBFCs and simultaneously made this cap applicable for banks, which paved the way for a level playing field. The fall in gold prices triggered a wave of speculation on business model leading to suspicion in the minds of various stakeholders inspite of clarifications on the risk management practices of the company. Finally, demand for credit also got affected due to the poor state of affairs in the economy.

Overall, therefore, the sector is now stronger, allowing for only those with focus, commitment, strong internal control systems, capital base, governance and values to survive and grow. It is also a vote of confidence in the viability and importance of this business from a regulatory and policy angle, which adds to its relevance. Lastly, it will enable higher innovation and better product design to ensure that customers are able to access capital in the quickest possible time, in the safest possible manner, from reliable providers at a reasonable and transparent cost.

Therefore, striking a balance between adhering to evolving regulation and changing as well as growing customer expectations remains a key focus area. At Muthoot Finance, this is exactly what FY 2013-14 was all about

**STRIKING A
BALANCE.**

STRIKING A BALANCE



AT MUTHOOT, WE WELCOME THE CLARITY OF THE REGULATORY LANDSCAPE BECAUSE IT WILL PAVE THE WAY FOR OUR BUSINESS SUSTAINABILITY AND GROWTH, GOING FORWARD. SUCH A SCENARIO WILL ENSURE THAT ONLY QUALITY PLAYERS WITH CREDIBILITY AND STRENGTH OF BALANCE SHEET WILL BE ABLE TO COMPETE AND STAY RELEVANT TO THE INDUSTRY FOR THE LONG TERM. IT WILL ALSO REASSURE CUSTOMERS, INVESTORS AND STAKEHOLDERS AND ENABLE US, ALONG WITH OTHER ORGANISED PLAYERS TO CREATE MORE VALUE FOR THE ECONOMY AND SOCIETY.

The regulatory clarity came following a period of uncertainty, which engulfed the gold loan industry, with intermediate rules making banks capable of lending at a higher LTV than NBFCs. In addition, the disbursement of loans of ₹ 1 lakh and above compulsorily by cheque also affected the interest of customers as a normal cheque collection usually takes about three days even now. Though it's easier to obtain PAN card now-a-days, insistence of PAN card for loans of ₹ 5 lakhs and above was another regulatory norm, which a gold loan customer was required to comply with.

₹4,383 Cr.
Fall in gold loan portfolio

₹458 Cr.
Contribution to exchequer

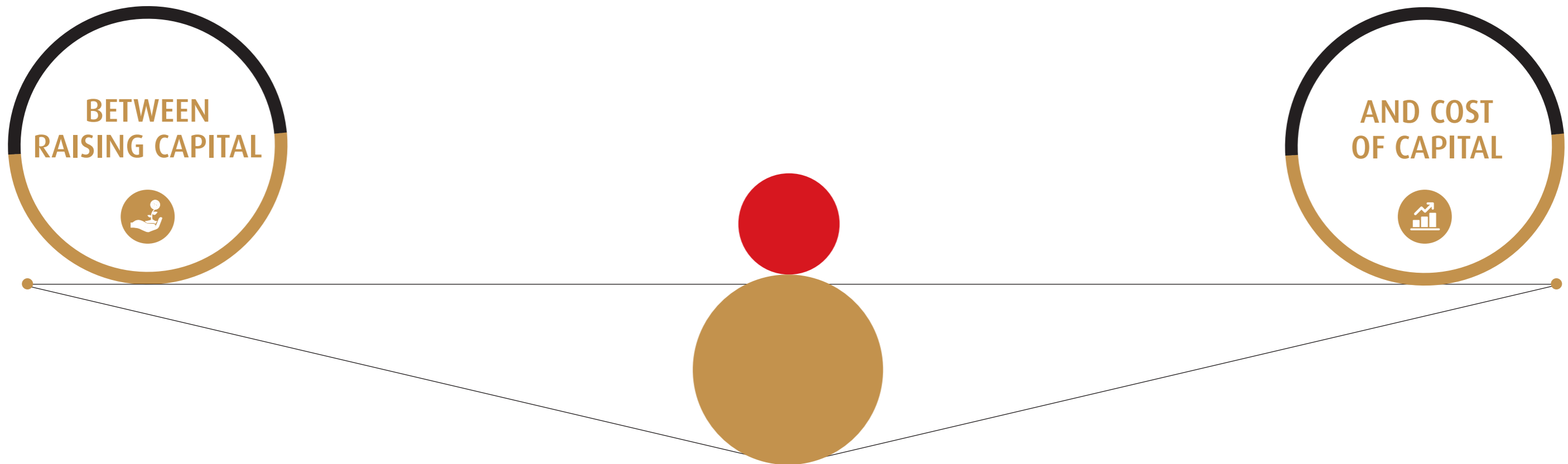
AT MUTHOOT, WE ARE COMMITTED TO TRANSFORM THE COUNTRY'S LARGELY UNORGANISED GOLD LOAN MARKET INTO AN ORGANISED SECTOR, DESPITE CHALLENGES. SUCH A STRATEGY DRIVES FINANCIAL INCLUSION AND HELPS MILLIONS OF PEOPLE ACHIEVE THEIR ASPIRATIONS.

As the largest industry player in the gold loan business, we are firmly focused on gold loan financing with widening reach, customised products and services, and above all deepening relationships and trust of a growing fraternity of customers, investors and other stakeholders. We stand by our customers when it matters most, bringing millions of people within the ambit of organised financing. We have achieved our commitment levels with a strong workforce of 25,012 employees across 4,270 branches.

89%
Of the loan portfolio is less than ₹ 3 lakhs with an average ticket size of ₹ 35,011 across 55 lakhs borrowers

₹1,128 Cr.
Cost of operations

STRIKING A BALANCE



ONE OF THE MOST SIGNIFICANT CHALLENGES IN THE CURRENT UNCERTAIN TIMES IS RAISING CAPITAL. IN THE BACKGROUND OF CHANGING REGULATIONS, MOBILISING FUND WAS NOT AN EASY TASK. OUR TIME-HONOURED LEGACY OF ETHICAL BUSINESS MANAGEMENT AND TRANSPARENCY HAS ENABLED US TO RAISE CAPITAL WITHOUT MUCH HASSLE.

Since our inception, we have relied on the proceeds of non-convertible debentures placed through our branches under private placement mode subscribed primarily by retail investors with an average ticket size of around ₹ 1.5 lakhs. This constituted about 49% of our total funding source at the beginning of FY 2013-14. We believe that mobilisation through this mode was possible on account of our industry leadership, goodwill, trust, reputation, track record, performance, stability in our business and strong quality asset portfolio.

Regulatory restriction on raising funds through this mode for less than ₹ 25 lakhs per investor as well as limiting the number of investors in an issuance to 49 virtually closed this route of fund raising, denying retail investors option for a safe investment.

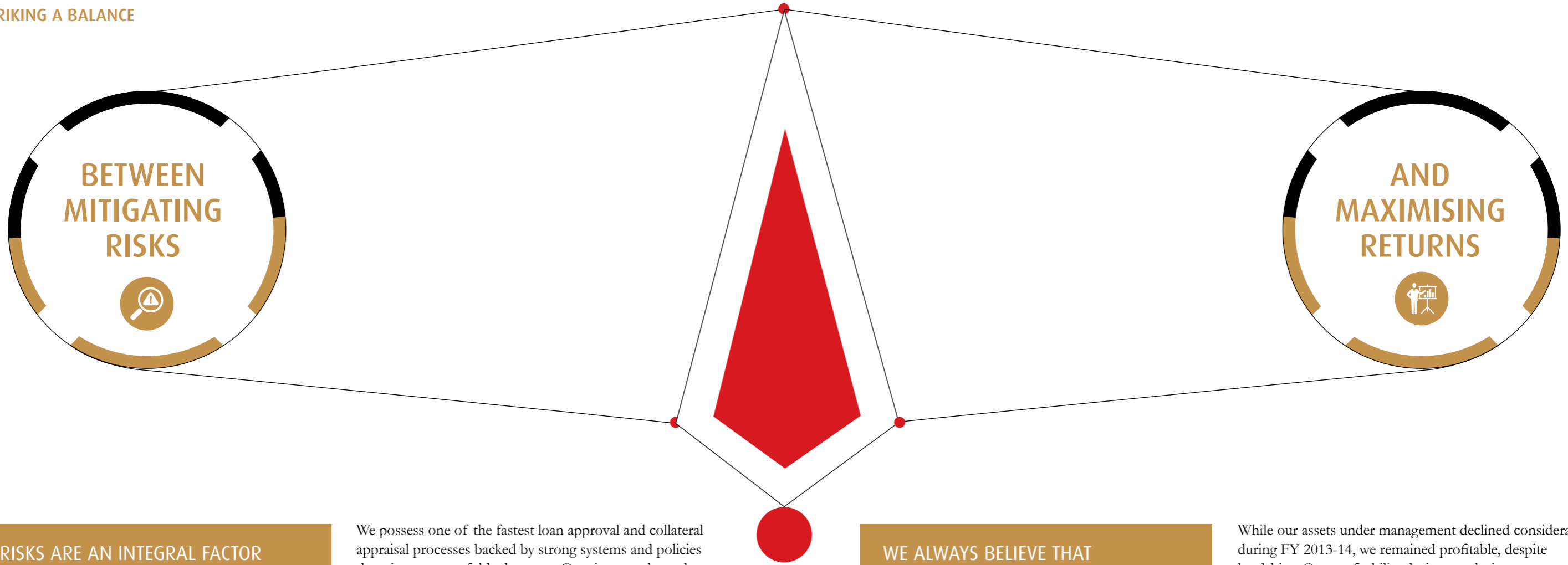
9
 Issuances of listed non-convertible debentures under public issue mode till July 31, 2014 providing an alternate mode of investment for retail investors

FOR ADDITIONAL CAPITAL INFUSION AT MINIMAL COST, WE HAVE TO MODIFY AND RECALIBRATE OUR FINANCIAL STRATEGIES IN LINE WITH THE CHANGING INDUSTRY SCENARIO AND THE REGULATORY LANDSCAPE.

To tame spiralling inflation, RBI consistently increased the benchmark policy repo rate from 7.25% to 8% by the end of FY 2013-14 and correspondingly the bank rate from 8.25% to 9.0%. This resulted in the banking sector increasing the base rate of lending to a certain extent. In addition, the regulatory stress and baseless speculation about the business model kept the expectations of lenders on lending rates high. The situation has eased a little following the RBI's relaxation of LTV cap from 60% to 75%.

11.88%
 Cost of borrowings in FY 2013-14 against 12.42% in FY 2012-13. This was achieved through a diversified funding mix of debentures and bank borrowings. Swapped lower cost funds in place of floating rate funds

STRIKING A BALANCE



RISKS ARE AN INTEGRAL FACTOR OF ANY BUSINESS AND THEREFORE THE NEED FOR MITIGATING POTENTIAL RISKS IS CRITICAL. OUR APPROACH IS TO FOCUS ON RELEVANT STRATEGIES TO SERVE THE CORE FINANCIAL NEEDS OF OUR DIVERSE CUSTOMERS AS BEST AS WE CAN IN A BUSINESS SCENARIO THAT IS RAPIDLY CHANGING. THIS MEANS WE HAVE TO MANAGE OUR BUSINESS MORE EFFICIENTLY, CREATE MORE VALUE FOR CUSTOMERS AND EVOLVE A RISK-FOCUSED BUSINESS MODEL.

We possess one of the fastest loan approval and collateral appraisal processes backed by strong systems and policies that give us a two-fold advantage. One, it strengthens the trust of our customers in us. Second, our strong systems and processes help us keep the bad debts write-off levels at the minimum. In addition, the gold jewellery, which acts as a collateral for loans, can be easily liquidated at auctions, ensuring maximum realisation of loan amounts in case of any defaults.

₹ 22 Cr.
Loan Loss write-offs

0.10%
Of Loan Loss as percentage of total retail loan portfolio. This is negligible compared to the size and geographic spread of operations

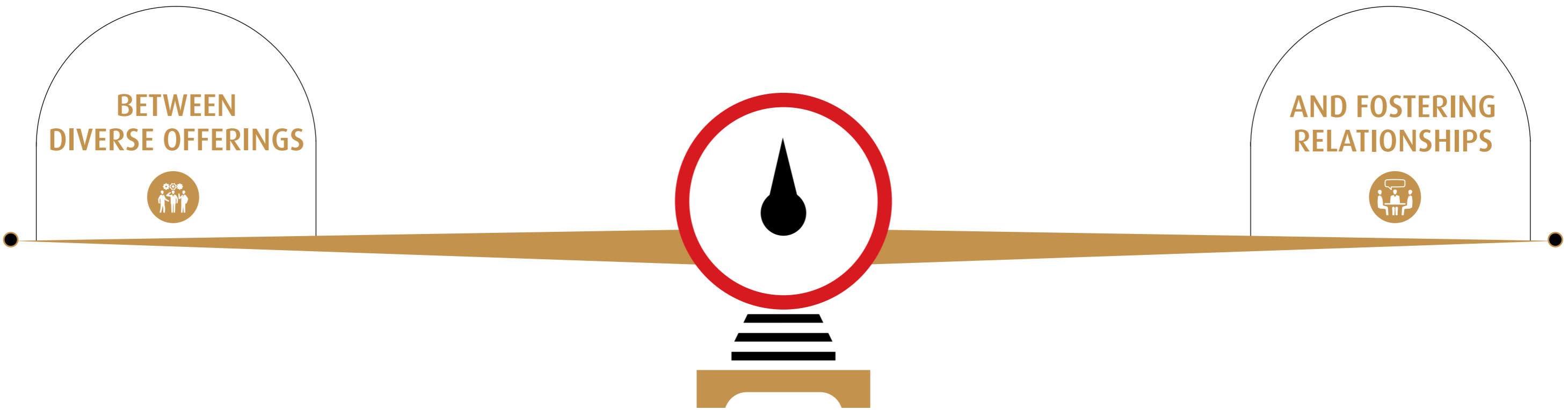
WE ALWAYS BELIEVE THAT JUDICIOUS USAGE OF CAPITAL IS THE BEST WAY TO MAXIMISE STAKEHOLDER RETURNS. HOWEVER, IT IS EASIER SAID THAN DONE. IT IS THE RESULT OF PLANNING, ORGANISING, DIRECTING AND CONTROLLING THE ACTIVITIES OF THE ORGANISATION AS A WHOLE.

While our assets under management declined considerably during FY 2013-14, we remained profitable, despite hardships. Our profitability during tough times demonstrates the strength of our business model consequent to which the capital leverage declined to 4.53 times from 6.52 times in previous year. As our reserves strengthened to ₹ 3,893 Crores, we decided to give back a higher amount to stakeholders, resulting in a higher dividend payout of 29% as against 17% last year. Such a measure will reinforce stakeholder trust in our operations and the long term commitment to create value.

₹ 20.99
Earnings Per Share

₹ 6
Dividend Per Share

STRIKING A BALANCE



OUR PRODUCTS AND SERVICES ARE GEARED TOWARDS FULFILLING DIVERSE CUSTOMER REQUIREMENTS, IRRESPECTIVE OF HIS/HER LOCATION. BRIDGING REMOTENESS REMAINS ONE OF OUR KEY OBJECTIVES AND WE HAVE SINCERELY TRIED TO MEET THIS OVER THE YEARS OF OUR OPERATIONS. TODAY, WE ARE PRESENT IN MORE THAN 4,000 VILLAGES AND TOWNS WITH A CUSTOMER BASE OF OVER 5 MILLION. WE PERIODICALLY MAKE CHANGES IN PRODUCTS TO MEET SPECIFIC NEEDS OF A PARTICULAR REGION.

We act as disbursement centres for foreign inward remittances for personal purposes. During FY 2013-14, we disbursed ₹ 4596 Crores comprising 21 lakhs transactions.

We have also forayed into the ATM network with the launch of White Label ATM, empowering rural customers with ATM services. The ATM launch reiterates our commitment towards making finance easily available in the rural hinterland.

We developed an in-house Core Banking Solution, which connected all branches to a central server on a real-time basis. It enabled us to provide 'anytime & anywhere' services to customers and enhanced convenience.

80,000
Customers served every day

4,270
Branches

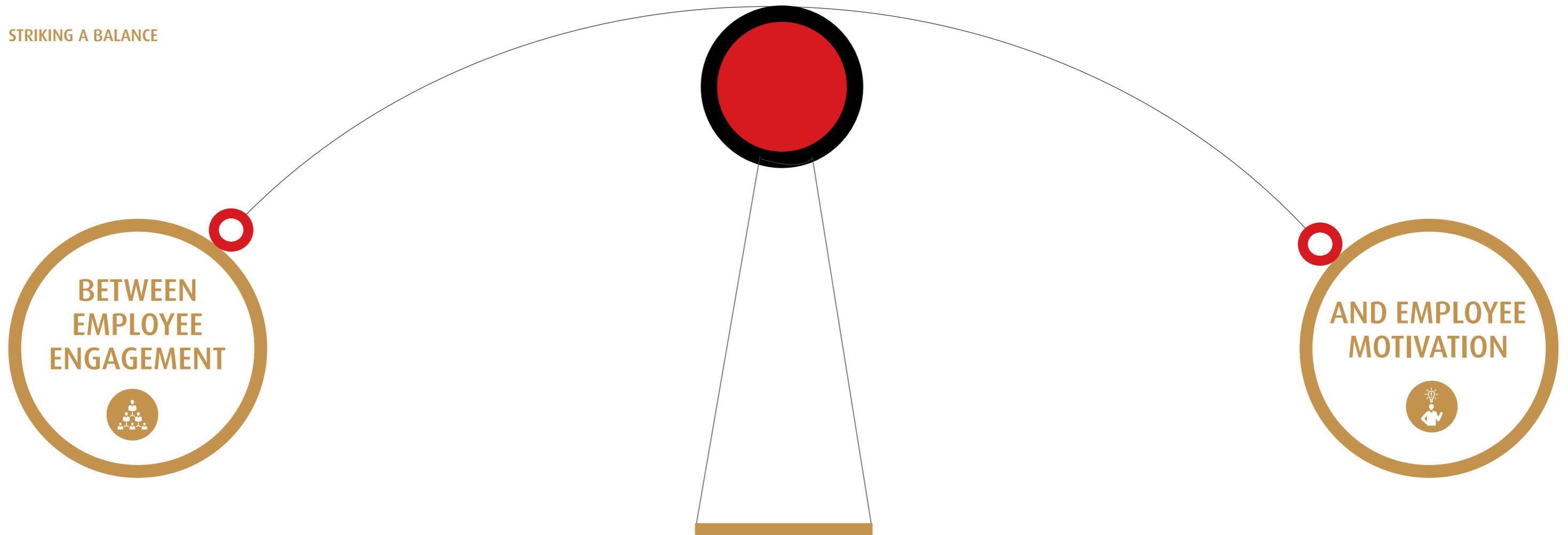
STARTING OUR JOURNEY AS THE FIRST INDIAN COMPANY TO CORPORATISE THE GOLD LOAN BUSINESS, TODAY AT MUTHOOT, WE HAVE TOUCHED THE LIVES OF MILLIONS OF PEOPLE IN INDIA.

At Muthoot, we have been committed to continuously strengthen our brand and enrich our products and services. Being consumer focused, we strive to reach and connect with consumers through several brand initiatives. Apart from the conventional outdoor branding routes (buses, bus depots, local trains, boats in high-traffic areas), we have also aggressively scaled up contemporary branding measures (principal sponsors of Delhi Daredevils in 2011, 2012 and 2013 and online media, among others). These measures have not only widened our reach, but also strengthened our relationships with customers.

₹ 70 Cr.
Branding and advertisement expenses

5 million+
Customers

STRIKING A BALANCE



WE HAVE CREATED A SUSTAINABLE BUSINESS ON THE STRENGTH OF AN ENGAGED WORKFORCE THAT SHARE AND DRIVE THE COMPANY'S VISION.

At Muthoot, we empower and engage our 25,012-people strong team to achieve the organisational goals and, in turn, drive their career progression. We routinely conduct several sales orientation and marketing programmes for our people, so that they can go to the market and educate potential customers about the benefits of gold financing.

₹ 592 Cr.
Employee Cost

₹ 86 lakhs
Average gold loan business per employee

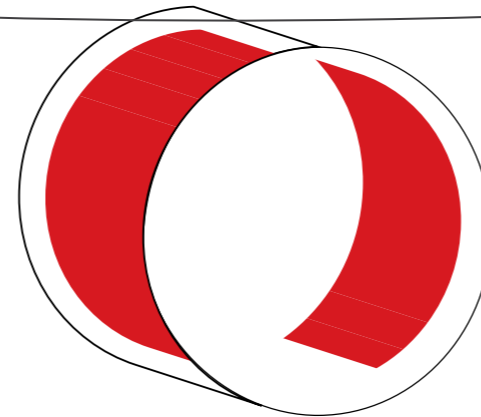
AT MUTHOOT, WE FOSTER A CULTURE DRIVEN BY PERFORMANCE, PASSION, INTEGRITY AND DIVERSITY THAT STIMULATES TEAM SPIRIT AND THE WILLINGNESS TO EXCEL IN THE FACE OF ADVERSITIES.

During the year under review, we announced our maiden Employee Stock Option Plan (ESOP) for all our permanent employees. The options were granted to employees through three stock option schemes. The management decided to reward employees for their loyalty and performance, and the initiative helped enhance their sense of ownership.

We continue to train our national team at higher levels with our established Regional Learning Centres across India with 7 days of average training per employee. We focus on developing the qualities, such as soft-skills, leadership, personality development, marketing and customer service, among others. These factors enhance the service quotient of our team, motivating and inspiring people to lead from the front.

6,988,975
Options granted during our maiden ESOP plan

STRIKING A BALANCE



EVER SINCE INCEPTION, OUR OBJECTIVE HAS ALWAYS BEEN TO INVEST IN DIVERSE ASPIRATIONS OF PEOPLE AND GROW ALONG WITH THEM.

At Muthoot, we have created sustainable value by driving financial inclusion for a significant consumer base. We have the relevant infrastructure and the technological expertise to process large number of transactions on a daily basis across our pan-India branch network. In addition, we are expanding and deepening our reach to India's remote corners with the help of a motivated workforce.

52%
5-year CAGR growth in Profit After Tax

51%
5-year CAGR growth in Total Revenue

OUR PRIORITY IS NOT JUST TO CREATE A PROFITABLE ENTERPRISE, BUT TO WORK TOWARDS SOCIO-ECONOMIC WELLBEING.

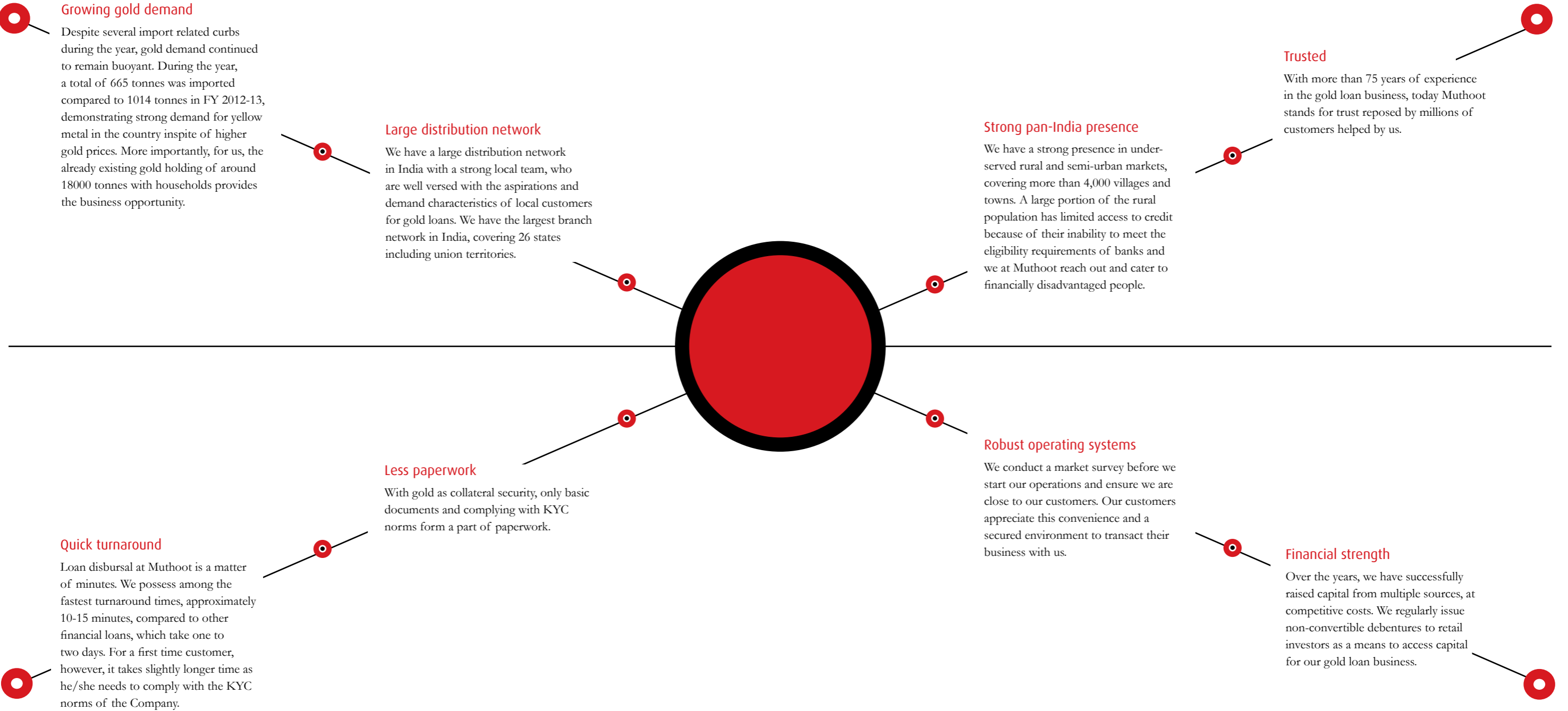
We are committed to empower the ambitions of a large cross-section of people, who in turn help shape the nation's future course as citizens. As a conscientious corporate, we partner with several organisations to contribute in areas like education, health, environment and safety. We are stepping up investments in the social sector to help improve the quality of life

62,500
Free dialysis treatment

600
Excellence Awards to meritorious students in Govt. Schools.

POWERFUL BUSINESS DRIVERS

Multiple factors drive our business and help us create more value for all our stakeholders.



CORPORATE SOCIAL RESPONSIBILITY

At Muthoot Finance Ltd, we work within a framework driven by trust and propelled by integrity. All CSR initiatives of Muthoot Group are implemented under the umbrella of Muthoot M George Foundation. The efforts mirror our motives of creating a balance between corporate practices and community welfare. We shall achieve this by harnessing untapped resources that can create a positive impact and bring sustainable development for the country.



EDUCATION



Empowering Education

During the year, the Company launched the 'Muthoot M George Excellence Award' in Karnataka. The initiative later spread to Andhra Pradesh, recognising students with the best academic excellence. 600 students of Govt. Schools in Andhra Pradesh, Karnataka and Kerala were benefited under this activity.

Honouring Teachers

The Muthoot M George Foundation honoured and felicitated 70 meritorious teachers with the 'Shrestacharya Award' in a public function organised by the Rotary Club of Tripunithura and the Rotary Club of Cochin. This was in recognition of their valuable service to the society.

Paul George Memorial Tournament

One of the key pillars in the Group's CSR efforts is to create a positive impact on the lives of marginalised children. This is done through initiatives like 'Paul George Memorial Tournament', an annual cricket tournament through which best players of each school team is given an educational scholarship and free coaching at the St. George's School Academy, New Delhi for a year.

Muthoot Haathi Mera Saathi - Educational Initiative

Muthoot Group and Delhi Daredevils joined hands together to bat for the cause of education of the marginalised children in India. The contributions made during this campaign were donated to their NGO partners - Magic Bus and Save the Children. 905 kids and 1179 kids were enrolled at Ranchi and Chennai respectively. The project with Magic Bus enables the children to grow in 5 key areas:

- (1) Right to Education
- (2) Promoting Better Health & Hygiene
- (3) Ensuring the Right to Play
- (4) Promoting Gender Inclusion & Empowerment and
- (5) Developing youth as Community Leaders.

With Save the Children, the company intends to 'improve the quality of education in primary schools managed by East Delhi Municipal Corporation and to support the National objective of universal enrollment and retention.' This association will target 10,000 children, 65 teachers in 12 MCD schools.

Educational Assistance

The Foundation provides financial assistance in form of cash for education to students from economically backward families. It also provided school uniforms as well study material to the needy ones.

Muthoot M George Memorial Research Award

In association with 'TANKER FOUNDATION' (Tamilnadu Kidney Research Foundation, Chennai), The Muthoot Group instituted an award of ₹ 2 lakhs in cash and a citation in memory of its founder Chairman, the late M George Muthoot. The award is presented every year to the best young researcher in Nephrology in recognition for his or her academic research.

HEALTHCARE



Muthoot Snehasraya

The initiative is to prevent kidney-related diseases through early detection with a fully-equipped 'mobile lab' that travels to the rural areas of Kerala and conducts free check-ups. The project was launched at Ernakulam and Trivandrum in Kerala and we intend to scale it up.

Free Dialysis Treatment

Supporting people who are affected by kidney diseases has been one of major focus areas of Group's social support activities. The Foundation meets the expenditure for 'dialysis' by making payment to the hospitals where patient is undergoing treatment and accordingly has provided 62,500 free dialysis covering 1,500 patients.

Donation of Ambulance to General Hospital Ernakulam

As a part of CSR initiative, Muthoot Group donated an ambulance to General Hospital Ernakulam. Mr. George Alexander Muthoot, Managing Director, The Muthoot Group handed over the Ambulance key to Mr. Shaik Pareed IAS, District Collector, Ernakulam in the presence of Mr. Hibi Eden (MLA), Dr. Annie (Medical Superintendent, General Hospital, Ernakulam)

Medical Camp

Muthoot Finance conducted Eye Camps in the rural villages of Tamil Nadu, Andhra Pradesh and Karnataka. We have conducted around 628 eye camps and in each camp around 150 people attended. In many of the locations we have tie ups with major Eye hospitals and otherwise local Eye hospitals. The eye camps are conducted mainly on sundays or public holidays with the participation of the branch staff. The doctors check the patients and prescribe medicines (some of the medicines are provided free

of cost). Any major complaints are referred to hospitals and we provide free cataract operations to eligible patients..

Muthoot Haathi Mera Saathi - healthcare initiative

The 'Muthoot HaathiMeraSaathi - healthcare initiative' aims to create awareness and ensure that health is prioritised within the nation's overall economic and development plans. The campaign titled 'Empowering Police Force 2013' is being done in association with NGO Foundation for Social Awakening (FSA). We had initiated this campaign at Delhi and Lucknow and received tremendous response from the police personnel.





WOMEN EMPOWERMENT & ENVIRONMENT



1090 Women Power Line

Muthoot Group in association with UP Police have created '1090 Women Power Line', a one-state-one-number service. The Power Line will be operated by the UP police to handle cases of harassment by vulgar and abusive callers and stalkers. It indicates that the system is slowly responding to the growing concern of women's safety.

World Environment Day

The Group supported the World Environment Day celebrations in partnership with the Sacred Heart College, Thevara, Ernakulam. As a part of the initiative, the Company planted saplings in the college campus.

COMMUNITY WELFARE



The Management has set aside a fixed percentage of profits for the Foundation so that its commitment to the community is adequately discharged. The objective is to alleviate the suffering of affected victims in Uttarakhand cloud burst, floods and landslides. Along with the contribution of the Group, each staff member contributed financially for this noble cause. This initiative has also helped promote Individual Social Responsibility (ISR) among the staff.

Eradication Of Extreme Poverty

The Foundation provides general support to hapless sections of the society. Accordingly, the Group has provided financial assistance for hospitalization and sustenance of poor people, along with marriage of daughters of widows.

International half Marathon

Muthoot Finance was the title sponsor for International Half Marathon at Kochi in 2013 known as Muthoot Finance Cochin International Half Marathon. Organised by the Corporation of Cochin in association with Push Integrated Communication Private Limited, the event showcased the true spirit of sportsmanship of various participants from across the globe. The Marathon comprised 21km, 7 km and a 2 km run. The event was officially launched by legendary athlete Mr. Milkha Singh and superstar Lt. Col Bharat Padmashree Mohanlal.



AWARDS AND ACCOLADES

Emerging Business Leader of the Year

Mr. M.G. George Muthoot, Chairman was presented with 'Emerging Business Leader of the Year' title by Hon'ble Union Minister of Home Affairs, Shri Rajnath Singh at the fifth edition of AIMA Managing India Awards 2014. This award is an acknowledgement of our continued efforts towards financial inclusion and recognition of a good Non-Banking Financial Company being the backbone of our country. The award was in recognition of the brand's spirit and determination to take financial inclusion to every family in the remotest corner of the country with a desire to empower them.



CSR Sustainable Leadership Award

Mr George Thomas Muthoot, Joint Managing Director, Muthoot Finance Ltd, received the Sustainable Leadership Award 2014 by the CSR Congress in the Individual category. The CSR Congress' Sustainable Leadership Award recognises and rewards outstanding achievements in sustainability in building the environment and is a key benchmark for achieving best practices in the sector.

The award was presented by Mr. Bhaskar Chatterjee, IAS, DG and CEO, Indian Institute of Corporate Affairs, to Mr George Thomas Muthoot, during the 2nd edition of the Global Sustainability Leadership awards 2014, held at Taj Lands End, Mumbai.



ICAI Business Leader Award

Mr. George Alexander Muthoot received the CA Business Leader Award 2013 under the Financial Services category by the Institute of Chartered Accountants of India. The award was conferred to him for his hardwork, dedication to the profession and continued efforts to maintain a high standard in professional and personal engagements.

The award was presented by CA Subodh K Agarwal, president, Institute of Chartered Accountants of India, to Mr. George Alexander Muthoot, Managing Director, Muthoot Finance Ltd during the 7th edition of ICAI award ceremony held at Siri Fort Auditorium, New Delhi.



HR Excellence Award

Muthoot Finance Ltd was bestowed with the prestigious Golden Peacock Awards for 'HR Excellence' for the year 2013 held at a function in UK. The Rt. Hon. Baroness Verma, Parliamentary Under Secretary of State for Energy and Climate, Govt of UK, presented the award to Mr. George M Jacob, Senior Vice President-Muthoot Finance Limited. The Golden Peacock Award recognises the continuing commitment by a business to conduct itself ethically and contribute to the economic development while improving the quality of life of the workforce, their families as well as of the local community and society at large.



PROFILE OF THE BOARD OF DIRECTORS



M.G. George Muthoot

Education

Graduate in engineering from Manipal University

Experience

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

Memberships

- National Executive Committee Member of the Federation of Indian Chamber of Commerce and Industry (FICCI)
- Current Chairman of FICCI Kerala State Council
- Member of the Managing Committee of the Malankara Orthodox Syrian Church for over three decades and currently its Lay Trustee

Awards

- Several Awards from Rotary International and Y's Mens International for Community Development and Social Service
- Conferred with the Mahatma Gandhi National Award for social service for 2001 by the Mahatma Gandhi National Foundation
- Received the HH Baselios Mathew I Award by Catholicate of the Syrian Orthodox Church Mathews the First Foundation for 2008 that recognised his services to the Church
- Bestowed with the Asian Businessman of the Year 2011 award from the UK Kerala Business Forum
- Conferred with the Business Leadership Award for the year 2012 at the Golden Peacock Awards, Bengaluru
- Bestowed with the 'Business Leader Award 2014' instituted by Cochin Herald.
- Conferred with 'Emerging Business Leader of the Year' title at the fifth edition of AIMA Managing India Awards 2014.



George Thomas Muthoot

Profession

Businessman by profession

Experience

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

Awards

Received the 'Sustainable Leadership Award 2014' by the CSR Congress in the individual category



George Jacob Muthoot

Education

Degree in civil engineering from Manipal University

Experience

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

Memberships

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

Awards

- Business Excellence Award 2012 from Trivandrum Chamber of Commerce



George Alexander Muthoot

Education

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

Experience

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

Memberships

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

Awards

- He was awarded the 'CA Business Leader Award' under Financial Services Sector from The Institute of Chartered Accountants of India for 2013.
- Awarded the Times of India group Business Excellence Award in customised Financial Services in March 2009
- Dhanam Businessman of the year Award in 2012
- Business Excellence Award for business promotion by ICICI Prudential Life Insurance Company Limited in 2010



K. John Mathew

Education

Graduate in law from the Government Law College, Ernakulam

Experience

- Retired judge of the High Court of Kerala
- Served as the Chairman of the Cochin Stock Exchange
- Was a SEBI Nominee Director of the Cochin Stock Exchange from 2002 to 2007

Membership

- Serves currently as the President of the People's Council for Social Justice, Kerala



K. George John

Education

- Post graduate in Mathematical Statistics

Experience

- Retired as Chairman and Managing Director of TBWA India, a part of Omnicorn Group
- He previously managed Ulka Advertising (now FCB-Ulka)
- Thereafter he founded Anthem Communications Pvt Ltd, which later on went on to merge with TBWA Worldwide under a joint venture
- Held the position of Chairman & Managing Director of TBWA India



John K Paul

Education

Graduate in engineering from the Regional Engineering College, Kozhikode

Directorships and Memberships

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



George Joseph

Education

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

Experience

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

MANAGEMENT DISCUSSION AND ANALYSIS

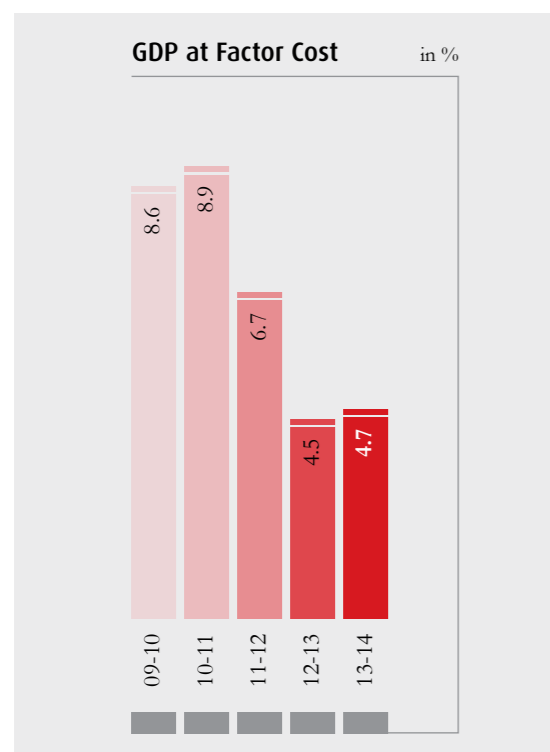
1. ECONOMIC OUTLOOK

Global and Indian Economy

Global growth remained subdued for first half of 2013-14, and efforts from governments continued throughout the year to fully restore confidence, ensure robust growth and reduce downside risks. A pickup in domestic demand in the US and the UK and some regions of the Eurozone led to accelerated investment activity in the second half of 2013-14. Emerging economies experienced market pressures, high inflation and wider current account deficits. Monetary policies were tightened in some of these economies to counter macroeconomic instability and this raised the cost of capital, impacting growth.

Moderate fiscal consolidation in advanced countries and monetary easing is expected to further support growth. Growth is projected to further build momentum in 2014-15 from the gains of 2013 and the global economy is expected to grow to 3.6% in 2014-15.

GDP growth in India



(Source: Central Statistics Office)

The Indian economy witnessed yet another year of sub 5% GDP growth. FY 13 saw the worst GDP growth rate of the decade. The last time the economic growth rate had

pierced the 5% mark was in 1984-85 to 1987-88. Sentiments have substantially improved post the strong verdict of 2014 parliamentary elections fuelled by expectations of speedy reforms by the new government which would revive the business climate and consumer confidence. It is widely believed that economic growth will accelerate in 2014-15 as the reform process continues and starts yielding results. The pick-up will depend on resolution of several existing issues mainly implementation of stalled projects, ease of land acquisition, approvals from state govts, mine sector reforms, capital infusion to banks etc. There could be a minor improvement in growth rate in the second half of the current fiscal due to improvement in manufacturing and investments to around 5% and depending on the level of reforms, the growth may rise to 6% over medium term.

2. NBFCs IN INDIA

Shadow Banks

There has been series of debate on whether the Indian Non-banking Finance Companies are 'Shadow Banks'. The term 'Shadow Bank' refers to non-bank institutions mainly engaged in what economist calls as 'maturity transformation' wherein these entities use short term deposits to fund long term loans leading to serious asset-liability mismatch. Moreover, they are highly leveraged and outside the regulations though they perform similar functions of a bank. In the Indian context, Non-Bank Finance companies do not fall within the scope of the 'shadow bank', since they are under regulatory structure of Reserve Bank of India since 1963.

(Source: rbi.org.in)

Role of NBFCs

NBFCs being financial intermediaries are engaged in the activity of bringing the saving and the investing community together. In this role they are perceived to be playing a complimentary role to banks rather than competitors, as it is a known fact that majority of the population in the country do not yet have access to mainstream financial products and services including a bank account and therefore the country needs institutions beyond banks for reaching out in areas where banks' presence may be lesser. Thus NBFCs have carved niche business areas for them within the financial sector space and are also popular for providing customised products. In short, NBFCs bring the much needed diversity to the financial sector thus diversifying the risks, increasing liquidity in the markets thereby promoting financial stability and bringing efficiency to the financial sector.

Regulations

Reserve Bank Of India has over the last 50 years streamlined the NBFC regulations, addressed the risks posed by them to financial stability, depositors' and customers' interests, regulatory arbitrage and helped the sector grow in a healthy and efficient manner. Some of the regulatory measures include identifying systemically important non-deposit taking NBFCs as those with asset size of ₹ 100 Crores and above and bringing them under stricter prudential norms (CRAR and exposure norms), issuing guidelines on Fair Practices Code, aligning the guidelines on restructuring and securitisation with that of banks, permitting NBFCs-ND-SI to issue perpetual debt instruments etc. It is an acknowledged fact that NBFCs in India are playing a crucial role in meeting the 'Financial Inclusion' objectives and needs of our country.

Financial Inclusion

Financial inclusion has been defined as the "provision of affordable financial services" to those who have been left unattended or under-attended by formal agencies of the financial system. These financial services include "payments and remittance facilities, savings, loan and insurance services". As articulated by the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households (Mor Committee) in its report, 'on both Financial Inclusion (defined as the spread of financial institutions and financial services across the country) and Financial Depth (defined as the percentage of credit to GDP at various levels of the economy) the overall situation remains very poor and, on a regional and sectoral basis, very uneven. The Mor Committee has observed that each of the channels, be they large National Banks, regional cooperative banks, or Non-Banking Financial Companies (NBFCs) has a great deal of continuing value to add by focusing on its own differentiated capabilities and accomplish the national goals of financial inclusion by partnering with others that bring complementary capabilities to bear on the problem. It is an acknowledged fact that NBFCs in India are playing a crucial role in meeting the 'Financial Inclusion' objectives and needs of our country.

3. GOLD

Gold demand

According to the World Gold Council, India accounts for 25% of the total world gold demand. For Indians, gold is an auspicious metal bought on various occasions and demand remains inelastic irrespective of prices. Domestic production

18,000 Tonnes

Approximate domestic gold holding in India

is quite negligible and it imports almost all its gold demand. It is the second largest import item in the country's import bill, after petroleum.

Being a stable asset and a store of value, gold demand has risen steadily over the years. Gold consumption serves a dual purpose - it is a financial asset and also a social capital for the majority of Indians and the best resource in an emergency, especially with the advent of the consumer-friendly gold loans.

The gold imported during FY 2013-14 was 665 tonnes [Source: DGCI&S], as compared to 1,014 tonnes in FY 2012-13. The decline can be attributed to increased gold import duty rates, hiked four times to 10% and also the 80:20 rule was mandated wherein one-fifth of the imported gold had to be exported. This contained the current account (CAD) deficit and arrested the further slide in the Indian rupee against other currencies.

Aided by a sharp moderation in imports, especially of gold, India's CAD sharply reduced to 1.7% of GDP, or \$32.4 billion, in FY'14 from 4.7% in FY'13. (Source: RBI)

4. GOLD LOAN SECTOR

The country's Organised Gold Loan market has witnessed a significant expansion in the last one decade. The large domestic household gold holding of the country enabled the creation of this market. The magnitude of this holding could be more than 18000 tonnes. Most of the gold is held by people in rural areas and in many cases this is the only asset they have in their possession though in small quantity. All the while, rural Indians know that if his crop fails or his family is sick, he can raise cash in a moment from the goldsmith or may be pawnbrokers and moneylenders, because the rural India lags in availing banking facilities. Therefore, even the pattern of saving in India differs for various income groups. While richer sections diversify their portfolio according to risk-return equation, the poor rely more on commodities like gold as well as silver. The jewellery bought in times of prosperity has been pawned or sold for cash in periods of distress or need. Over the years, some portion of this is being used as collateral for borrowing in the unorganised market, though estimates is not available. It is a

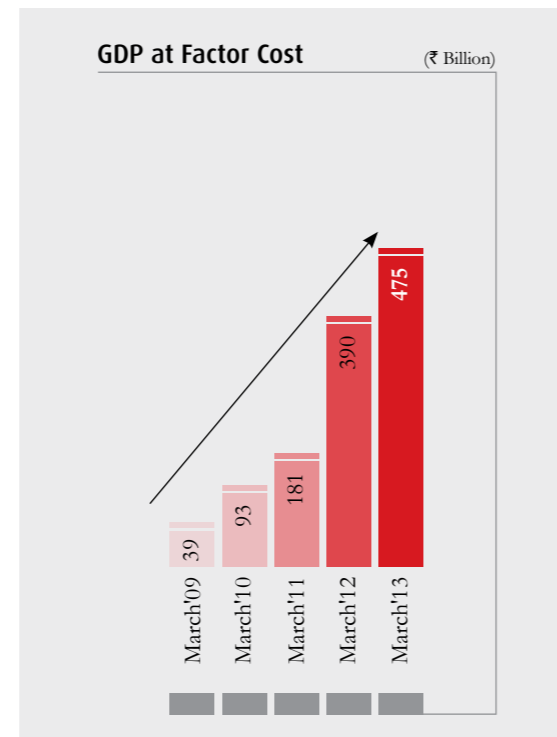
common practice in India that gold is pawned, bought back and re-pawned to manage day-to-day needs of the poor and middle class. The pledging of gold ornaments and other gold assets to local pawnbrokers and money lenders to avail loans has been prevalent in the Indian society over ages. Due to the increased holding of gold as an asset among large section of people as also the non-transparent practices of lending against gold in the Unorganised sector, entities like 'Muthoot Finance' started providing loans against the collateral of used gold jewellery many years back and over a period transformed itself as NBFCs with core focus on gold loans.

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

Factors influencing expansion of gold loan sector

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

Trends in NBFC gold loan credit



(Source: COSMOS Database of Dept. of Non-Banking Supervision)
Graph not to scale

5. NBFCs-MONETISING IDLE GOLD

Core focus

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

Branch network

Branches play a significant role in building an institutions brand image. A wide network of branches enables NBFCs to be closer to the customer. Location and access to branches are key criteria for customers choosing a service provider. This expansion strategy by NBFCs led to significant customer addition.

Faster turnaround time

Superior service creates loyalty and deeper customer relationships. At the same time, a lack of appropriate service can destroy those relationships. Gold loans also enjoy an advantage of having a quick-turnaround time at NBFCs.

This is achieved without any compromise on documentation discipline and KYC compliance requirements.

Transparent and Standard Operating Practices

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

Flexible Repayment Option

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

Resources availability

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

Value to the Customer

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

Low-cost structure

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

6. LEVEL PLAYING FIELD

The regulatory Loan to Value cap of 60% on gold price for NBFCs denied the sector a level playing field with banks. The increased focus of banks on retail lending consequent to lack of adequate opportunities for safe corporate lending created a disequilibrium in gold loan business. In January 2014, RBI relaxed the LTV norms for NBFCs by increasing

the cap to 75% from 60%. Subsequently, RBI made the LTV cap applicable for banks also. This measure will pave way for a stability in the business of gold loans by NBFCs going forward and healthy development of the sector.

7. OUTLOOK

Credit extended by the gold loan NBFCs witnessed a CAGR of 86.7% during the period March 2009 to March 2013. In absolute terms, NBFC gold loans increased from just ₹ 39 billion as on 31st March, 2009 to ₹ 475 billion as on 31st March, 2013. Monetising idle gold is crucial for creation of productive resources for India. Gold loans help address needs of a largely unbanked population, and are essential in bringing financial inclusion to many Indians in rural areas. NBFCs can continue to play a major role in this process.

(Source: rbi.org.in)

8. AN INTRODUCTION TO MUTHOOT FINANCE

Muthoot Finance Limited is the flagship Company of the Muthoot Group, which has pioneered the concept of Gold Banking in the country. It is a 'Systematically Important Non-deposit taking NBFC', which is listed on the country's premier stock exchanges, namely BSE and NSE. It has emerged as a leader in gold loan business and has a network of 4270 branches all over India. It has become a trusted pan-India name in the gold loan business providing financial assistance to the needy on reasonable and convenient conditions.

9. DISCUSSION ON FINANCIAL PERFORMANCE

Gross retail loan assets under management

The Company's Gross Retail Loan Assets under Management decreased from ₹ 26,386 Crores in FY 2012-13 to ₹ 21,861 Crores in FY 2013-14. Regulatory headwinds in the form of lower LTV of 60% throughout the year impacted disbursements and resulted in decline in loan portfolio. LTV has, since January 2014, increased to 75% for NBFCs and later made the same applicable for banks. This is expected to give a level playing field for NBFCs vis-à-vis banks. This relaxation can positively impact the business going forward.

Average gold loan outstanding per branch

The Company's average gold loan outstanding per Branch witnessed a decline from ₹ 6.36 Crores in FY 2012-13 to ₹ 5.06 Crores in FY 2013-14 on account of decline in gold loan portfolio.

Revenues

The Company's revenues declined by 8% from ₹ 5,387 Crores in FY 2012-13 to ₹ 4947 Crores in FY 2013-14. This was on account of reduction in gold loan portfolio during the year.

Profit before Tax

The Company's Profit before Tax declined by 21%, from ₹ 1,511 Crores in FY 2012-13 to ₹ 1193 Crores in FY 2013-14.

Profit after Tax

Muthoot Finance's Profit after Tax declined by 22% at ₹ 780 Crores in FY 2013-14 from ₹ 1,004 Crores in FY 2012-13.

Capital Adequacy Ratio

The Company's Capital Adequacy Ratio increased from 19.62% in FY 2012-13 to 24.69% in FY 2013-14 with Tier I capital of 18.01%, on account of ploughing back of profit for the year net of dividend payment.

Earnings per share (EPS)

Earnings per share declined to ₹ 20.99 in 2013-14 from ₹ 27.02 in 2012-13 on account of lower profits generated during the year.

10. RISK MANAGEMENT

The objective of risk management systems is to measure and monitor the various risks the Company is subject to and to implement policies and procedures to address these. The Company continues to improve its operating processes and risk management systems that will further enhance its ability to manage these risks.

Operational risk

Operational risks is broadly defined as the risk of direct or indirect loss due to the failure of systems, people or processes, or due to external events. It includes employee negligence, fraud, petty theft, burglary and embezzlement.

The Company has started installing offsite surveillance cameras in its branches, and intends to implement this across its branch network. As of 31st March, 2014, it had installed centralised monitoring and surveillance cameras in 3,880 branches across India. Company has instituted a series of checks and balances, including an operating manual, and both internal and external audit reviews. Although, the disbursements of loans are very quick, a well defined appraisal method as well as KYC compliance procedure exists to mitigate the risk involved in the business. Furthermore, it

continues to train existing and new employees in appraisal skills, customer relations, and communication skills and risk management procedures. This enables replication of talent and a smooth transition on employee attrition. It also periodically updates its employees with the latest developments to mitigate risks against frauds, cheating and spurious gold and strengthen their gold assessment skills. Internal audit department and Centralised monitoring systems assist in the overall management of operational risk

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 at least 25% margin retained on the value of jewellery for the purpose of calculation of the loan amount. Further, risk is reduced because the price of gold jewellery is higher given that the production costs, design cost and the gemstones associated with making the item which is not considered for arriving at the value of jewellery for the calculation of the loan amount. Company appraises the jewellery collateral solely based on the weight of its gold content, excluding weight and value of the stone studded in the jewellery. In addition, the sentimental value of gold jewellery to the customers may induce repayment and redemption of the collateral even if the value of the collateral falls below the repayment amount.

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 the Company. Muthoot aims to reduce credit risk through a rigorous loan approval and collateral appraisal process, as well as a strong NPA monitoring and collection strategy. This risk is diminished because the gold jewellery used as collateral for loans can be readily liquidated, and there is only a remote possibility of recovering less than the amount due to the Company due to adequate collateral being available.

Market risk

Market risk refers to potential losses arising from the movement in market values of interest rates in the Company's business. The objective of market risk management is to avoid excessive exposure of Muthoot's earnings and equity to loss and to reduce its exposure to the volatility inherent in financial instruments. The majority of the Company's borrowings, and all the loans and advances it makes, are at fixed rates of interest. This minimises the Company's interest rate risk.

Liquidity risk

Liquidity risk is the risk of being unable to raise necessary funds from the market at optimal costs to meet operational and debt servicing requirements. The purpose of liquidity management is to ensure sufficient cash flow to meet all financial commitments and to capitalise on opportunities for business expansion. An Asset and Liabilities Committee ("ALCO") meeting is held regularly to review the liquidity position based on future cashflow. In addition, the Company also tracks the potential impact of prepayment of loans at a realistic estimate of its near to medium-term liquidity position. The nature of Company's business is such that source of funds, primarily proceeds from issue of debentures and bank loan, has longer maturities than the loans and advances given resulting in low liquidity risk in its operations.

Business cycle risk

Business cycle risk is the risk associated with the seasonal or cyclical nature of a business. As customers include both individuals and business loan products are used by customers in various industries, trade cycles have limited impact on Company's business. Furthermore, the geographic spread of branches will allow the Company to mitigate the cyclical pressures in the economic growth of different regions.

11. INTERNAL SYSTEMS AND THEIR ADEQUACY

Muthoot Finance has an adequate internal control system in place to safeguard assets and protect against losses from any unauthorised use or disposition. The system authorises, records and reports transactions and ensures that recorded

data are reliable to prepare financial information and to maintain accountability of assets. The Company's internal controls are supplemented by an extensive programme of internal audits, review by the management, and documented policies, guidelines and procedures.

12. CAUTIONARY STATEMENTS

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

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the **17th Annual Report** of the Company together with the audited financial statements for the year ended 31st March, 2014.

1. Financial Results

The financial results of your company for the year ended 31st March, 2014 are summarised below:

Particulars	₹ in Crores	
	FY 2013-14	FY 2012-13
Income from Operations	4,928	5,359
Other Income	20	28
Total Expenditure	3,754	3,876
Profit Before Depreciation and Other Non Cash Charges	1,241	1,557
Depreciation and Other Non Cash Charges	47	45
Profit Before Tax	1,194	1,511
Tax Expenses	413	507
Profit After Tax	780	1,004
Share Capital and Reserves	4,265	3,736
Subordinated Debt	2,635	2,310
Secured Non-Convertible Debentures	10,631	11,247
Borrowings from Banks/FIs	5,803	10,136
Gross Retail Loan Assets under Management	21,862	26,387

2. Dividend

Based on Company's performance, your Directors are pleased to recommend for approval of the shareholders a dividend of 10% for Equity Shares of face value of ₹ 10 each (₹ 1/- per share) of the Company for the financial year 2013-14 which is payable on obtaining the approval of the shareholders of the Company on the 17th Annual General Meeting.

The Company has during the year paid interim dividend aggregating to ₹ 5 per equity share (50% of face value). The total dividend declared for the year 2013-14 is ₹ 6 per equity share (60% of face value). The dividend pay-out amount including dividend distribution tax will be ₹ 260.93 Crores.

The list of unpaid dividend is available on the Company's website www.muthootfinance.com. Shareholders are requested to check the said list and if any dividend is due to them is remaining unpaid in the said list, they can approach the company for release of unpaid dividend.

3. Transfer to Reserves

Your Board proposes to transfer ₹ 78.01 Crores to the General Reserve in accordance with the Companies (Transfer of Profit to Reserves) Rules, 1975. Your Board also proposes to transfer ₹ 156.01 Crores to the Statutory Reserve maintained under Section 45 IC of the RBI Act, 1934. An amount of ₹ 663.70 Crores has been transferred to Debenture Redemption Reserve. Post transfer of profits to reserves and distribution of dividend, your Board proposes to retain ₹ 990.18 Crores in the Profit and Loss Account.

4. Economic Scenario

The Global operating environment improved considerably in FY 2013-14, as economic activity strengthened and spending in most economies began to recover, however, in a sporadic manner. Whilst the advanced economies, particularly the US and UK, led the rebound, as growth became broader and more entrenched, Europe saw the first tentative signs of recovery after a long and painful slowdown.

India's economic growth rate in the current financial year remained weak at 4.7% (Previous Year: at 4.5%). The Industrial activity remained weak and the stagnation was broad based. Mining and manufacturing output remained negative and the economy witnessed decline in investment in new projects in line with slowdown in overall growth. Macroeconomic situation in 2013-14 had to balance the concerns of containing elevated inflation and at the same time promoting growth. It also involved managing a volatile external situation characterised by a sharp depreciation of the Rupee witnessed till the second quarter of 2013-14. High interest rates, retail inflation, lack of policy direction, combined with uncomfortably high fiscal and current account deficits, left the policy makers with very few options. RBI had to increase the repo rate by 75 bps during the year.

Your Board of Directors is hopeful that the new government will be able to accelerate reform process and remove various bottlenecks in implementation of various stalled projects and get back the economy on growth mode.

5. Company's Performance

During the year, RBI further tightened the LTV cap of 60% by clarifying that LTV has to be calculated based on the gold price and not on the value of jewellery. This further impacted customer interest and we saw further erosion in our Customer base. Majority of the customers approached unorganised sector for better terms than us and some to banks. Since there were no LTV norms applicable to banks, absence of level playing field created a disequilibrium in gold loan business. In whole, during the year, disbursements came down and our gold loan portfolio declined by 17% from ₹ 26000 Crores to ₹ 21618 Crores. Only 188 branches were added during the year as against 404 branches in the previous year. Total income declined by 8% to ₹ 4947 Crores. Profit Before Tax declined by 21% to ₹ 1194 Crores and Profit After Tax by 22% to ₹ 780 Crores. The Return on Average Retail Loans declined to 3.22% as compared to 4.05% in fiscal 2012-13. The cost of borrowed funds declined to 11.88% compared to 12.42% in fiscal 2012-13. Interest yield declined to 20.27% as compared to 21.66% in fiscal 2012-13. On account of the above, the Net Interest Margin declined to 9.42% as against 10.28% in fiscal 2012-13. The Company remitted to exchequer ₹ 458 Crores as taxes.

However, in January 2014, RBI relaxed the LTV cap to 75% of gold price as per the recommendations of the KUB Rao

₹ 260.93 Cr.

Dividend Payout including Dividend Distribution Tax.

Committee of RBI. Further, RBI made these regulations applicable for banks, regional rural banks and co-operative banks paving way for a level playing field in the organised sector. We believe that these regulatory changes can positively impact our business in the future.

6. Resource Mobilisation

(a) Non Convertible Debentures:

Reserve Bank of India vide its circular RBI/2012-13/560 DNBD(PD) CC No. 330/03.10.001/2012-13 dated June 27, 2013 and RBI/2013-14/115 DNBS(PD) CC No.349/03.10.001/2013-14 dated July 02, 2013 issued certain guidelines with respect to raising money through private placement by NBFCs in the form of non-convertible debentures. These guidelines include restrictions on number of investors in an issue to 49 investors, minimum subscription amount for a single investor of ₹ 25 Lakhs, prohibition on providing loan against own debentures etc. The above directions limits Company's ability to mobilise resources through private placement as in the past for investments less than ₹ 25 Lakhs. Company is, hence, focusing on ensuring that upon maturity of existing privately placed debentures, holders subscribe to debentures issued through Public Issue route. Accordingly, Company has successfully completed Public Issue of 5th, 6th and 7th Issue of Non-Convertible Debentures during Financial Year 2013-14 raising ₹ 1100 Crores. Your Company is thankful to all investors who have subscribed the debentures through Public Issue and endorsed their Trust towards the Company.

Subordinated Debts represents long term source of funds for the Company and the amount outstanding as on 31st March, 2014 was ₹ 2635 Crores. It qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank Directions), 2007.

(b) Bank Finance:

Commercial Banks continued their support to the Company during Financial Year. As of 31st March, 2014, borrowings from banks were ₹ 5803 Crores as against ₹ 10136 Crores in the previous year. The reduction in borrowings were on account of the decline in gold loan portfolio of ₹ 4383 Crores during the year.

Availment of these limits will increase as and when there is corresponding increase in the loan portfolio.

Your Company's rated short term debt instruments were also placed with various institutions at competitive rates enabling the company to reduce the overall cost of liabilities.

7. Ratings

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

Credit Rating Agency	Instruments	Ratings	Limit in ₹ in Crores
CRISIL	Commercial Paper	CRISIL A1+	4000
	Subordinated Debts	CRISIL AA-/Stable	100
	Non Convertible Debentures	CRISIL AA-/Stable	500
ICRA	Commercial Paper	ICRA A1+	200
	Short Term Bank Borrowings*	ICRA A1+	5712
	Subordinated Debts	ICRA AA-/Stable	100
	Non Convertible Debentures	ICRA AA-/Stable	200
	Long Term Bank Borrowings*	ICRA AA-/Stable	7186

*subject to overall rating of ₹ 11,134 Crores for line of credit

8. Internal Control

The Company has a well placed proper and adequate internal control system commensurate with the size and nature of its business. The primary objective of the internal control system is to ensure that all its assets are safeguarded and protected and prevent any revenue leakage and losses to the Company.

The Company has an Audit and Inspection Department which conducts regular internal audits to examine the adequacy and compliance with policies, plans and statutory requirements. The Department through a team of 1124 personnel ensures quality of the assets pledged and adherence to various risk management practices at all the operating units. The audit functions are decentralised to match the requirements of exercising proper control over nationwide network of the Company.

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

The Audit Committee oversees the functioning of the audit team and reviews the effectiveness of internal control at all levels apart from laying down constructive suggestions for improving the audit function in the Company. The present reporting structure ensures independence of the internal audit function and embodies best corporate governance practices.

9. Human Resources

The factor that makes an organisation to move from Good to Great is its "HUMAN CAPITAL"; and your company has realised this long ago and invests every year in building this human capital to greater heights. Your company's focus area for the year was talent management, capability building, leadership development and employee engagement. The company quickened the dream of growth for many of the employees by automating the fast track promotion process, allowed them to move into a sales-oriented structure so that they can grow faster, encouraged lateral movements of employee so talent is managed within the group, became a proud organisation where 38% of the workforce is women, took quantum leap in providing state-of-art training centres so as to improve the quality of the training delivery. It also introduced the Employee Stock Option Plan (ESOP) to create a sense of ownership among employees and as recognition of their efforts towards the organisation growth and development.

As of 31st March, 2014, the company had 25012 employees in its rolls at various organisational levels. The company has also heavily invested in training its people assets by a humongous figure of 1,77,000 training man-days, which shows your company's commitment towards its human resources

Apart from the statutory welfare measures like ESI, PF, Maternity Benefits, many staff welfare benefits are provided to employees by the Company in the form of indirect compensation in order to motivate employees to perform better. ₹ 27.5 Lakhs was disbursed to 1351 employees by way of Awards & Presentations like Marriage Presentation, First Time Parent Presentation and Children's Educational Award. 8327 Employees (outside the purview of ESI) are covered under a Group Mediciam Insurance Policy which is of immense benefit to employees and their families for their hospitalisation needs. 1200 Senior Citizen employees were given Medical Reimbursements amounting to ₹ 30 Lakhs. A Onetime Compassionate Payment Scheme and a Personal Accident Compensation Scheme extended financial compensation of ₹ 31.5 Lakhs to the next of kin of employees who died while in harness.

The Details of ESOP is annexed to report of Board of Directors of the Company and is essential part of this report.

10. Public Deposits

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

11. Capital Adequacy

Your Company's Capital Adequacy Ratio as of 31st March, 2014 stood at 24.69% of the aggregate risk weighted assets on balance sheet and risk adjusted value of the off-balance sheet items, which is well above the regulatory minimum of 15%. Out of the above, Tier I capital ratio stood at 18.01%.

12. RBI Guidelines

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

13. Directors

During the year under review, Mr. K. George John was appointed as Director of your Company in place of Mr. P George Varghese who retired at previous Annual General Meeting.

Mr. George Thomas Muthoot and Mr. George Jacob Muthoot are retiring at the ensuing Annual General Meeting and being eligible offers themselves for reappointment. Board of Directors of your company recommends their reappointment at the Annual General Meeting. Your Board of Directors recommend appointment of Mr. George Joseph, Justice K John Mathew, Mr. John K Paul and Mr. K. George John as Independent Directors in compliance with Section 149 of Companies Act, 2013 and clause 49 of listing agreement with Stock Exchange (s) for a period of two years continuing till second Annual General Meeting from date of appointment. Further, the existing term of appointment of Mr. M.G. George Muthoot, Whole Time Director & Chairman; Mr. George Thomas Muthoot, Whole Time Director; Mr. George Jacob Muthoot, Whole Time Director and Mr. George Alexander Muthoot, Managing Director are expiring on 31st March, 2015. Your Board of Directors recommends their re-appointment for a further period of 5 years from 1st April, 2015.

14. Auditors

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

15. Personnel

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

SL No:	Name of Employee	Age (yrs)	Designation	Date of Commencement of employment	Gross Remuneration (₹ in Crores)	Qualification	Total Experience	Last employment
1	Mr. M G George Muthoot	65	Whole Time Director & Chairman	28.07.2000	₹ 4.80	B. Tech	40years	Muthoot Bankers
2	Mr. George Alexander Muthoot	58	Managing Director	28.07.2000	₹ 4.80	FCA	33 years	Muthoot Bankers
3	Mr. George Thomas Muthoot	63	Whole Time Director	16.08.2005	₹ 4.80	Under Graduate	38 years	Muthoot Bankers
4	Mr. George Jacob Muthoot	61	Whole Time Director	16.08.2005	₹ 4.80	B. Tech	36 years	Muthoot Bankers

16. Directors' Responsibility Statement

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

- In the preparation of Annual Accounts for the financial year 2013-14, the applicable Accounting Standards have been followed and there are no material departures;
- 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;
- 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
- The annual accounts have been prepared on a going concern basis.

17. Corporate Governance Report and Management Discussion and Analysis Statement

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

18. Conservation of energy, technology absorption, foreign exchange earnings and outgo

Since your 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 Used	: ₹ 1,25,93,695.27

19. Material Changes affecting the Company after 31st March, 2014

On 29th April, 2014, your Company allotted 2,53,51,062 shares of ₹ 10 each for cash at a premium of ₹ 155 per equity share aggregating to ₹ 41,829.25 Lakhs, pursuant to Institutional Placement Programme (IPP) under Chapter VIII A of the SEBI ICDR Regulations complying with the minimum public shareholding requirement under Rule 19 (2) (b) (ii) of the Securities Contracts (Regulations) Rules, 1957.

On July 8, 2014 The ESOP committee of Board of Directors of your Company has granted second tranche of ESOP of 6100 options @ ₹ 10/- per option and 836900 options @ ₹ 50/- per option to the permanent employees of the Company as per ESOP 2013 scheme of the Company.

20. Acknowledgement

Your Directors thank the Company's stakeholders in large including 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 of your Company 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, Securities and Exchange Board of India and Ministry of Corporate Affairs for the guidance and support received from them including officials there at from time to time.

For and On Behalf of the Board of Directors

M G George Muthoot
Chairman

Kochi, 11th August, 2014

Registered Office:

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

**ANNEXURE TO DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2014
STATUTORY DISCLOSURES REGARDING ESOP**

Particulars	ESOP 2013 - Tranche 1					
	Loyalty option		Growth option			
	No. of Options	Exercise price (₹)	Grant A No. of Options	Exercise price (₹)	Grant B No. of Options	Exercise price (₹)
1 Options outstanding at the beginning of the year	-	-	-	-	-	-
2 Options granted during the year	1571075	10/-	3711200	50/-	1706700	50/-
3 Options exercised during the year	-	-	-	-	-	-
4 Options vested during the year	-	-	-	-	-	-
5 Forfeited/Lapsed during the year	25875	10/-	183600	50/-	153200	50/-
6 Options outstanding at the end of the year	1545200	10/-	3527600	50/-	1553500	50/-
7 Total Number of Options in force as on 31st March,2014	6626300					
8 Money realised by exercise of options	NA					
9 Pricing Formula:- Tranche 1						
i) Loyalty option	₹ 10/- per option					
ii) Growth option	₹ 50/- per option					
10 Director and Employees to whom options were granted during the year :-						
i) Director(s) including Managing Director and Senior Management personnel	Name & Designation		No of options granted			
			Loyalty	Growth		
	K P Padmakumar - Executive Director		2000	10000		
	K R Bijimon - Chief General Manager		2500	10000		
	Oommen K Mammen - Chief Financial Officer		1800	10000		
ii) Other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None					
iii) Identified employees who were granted option during the year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None					
11 Variations of terms of Options	Nil					
12 Earnings Per Share (EPS)	₹ 20.99/- per Share					
13 i) Method of calculation of employee compensation cost	Intrinsic value method					
ii) Difference between the employee compensation and cost so computed at i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the options	Employee compensation cost as per Intrinsic value method - ₹ 987.31 Lakhs Employee compensation cost as per Fair value method using Black Scholes Model - ₹ 979.12 Lakhs Difference in costs - ₹ 8.19 Lakhs					
iii) The impact of this difference on profits and on EPS of the company	Impact on profits: -Profits of the company would have been higher by ₹ 8.19 Lakhs Impact on EPS:- EPS would have been higher by ₹ 0.01/-per share					
14 Weighted Average exercise price of options whose:-	Loyalty option		Growth option			
			Grant A	Grant B		
i) Exercise price either equals market price (₹) or	Nil		Nil	Nil		
ii) Exercise price greater than market price (₹) or	Nil		Nil	Nil		
iii) Exercise price less than market price (₹)	10/-		50/-	50/-		
15 Weighted Average fair price of options whose:-	Loyalty option		Growth option			
			Grant A	Grant B		
i) Exercise price either equals market price (₹) or	Nil		Nil	Nil		
ii) Exercise price greater than market price (₹) or	Nil		Nil	Nil		
iii) Exercise price less than market price (₹)	100.33/-		70.95/-	71.20/-		

In computing the above information, certain estimates and assumptions have been made by the management which has been relied upon by the auditors.

16. Description of the method and significant assumptions used to estimate fair value

The Securities Exchange Board of India (SEBI) has prescribed two methods to account for employee stock options; - (1) the intrinsic value method; (2) the fair value method. The company adopts the intrinsic value method to account for the stock options it grants to the employees. Intrinsic value is the amount, by which the quoted closing market price of the underlying shares as on the date of grant exceeds the exercise price of the option. The fair value of the option is estimated on the date of grant using Black Scholes options pricing model with following assumptions:-

Particulars	Year ended 31st March, 2014		
	ESOP 2013 - Tranche 1		
	Loyalty option	Growth option	
	Grant A	Grant B	
i) Exercise Price per share (₹)	10/-	50/-	50/-
ii) Vesting Period (Years)	1-2	1-5	2-6
iii) Price of Share at the time of Grant of options (₹)	117.30/-	117.30/-	117.30/-
iv) Weighted Average fair price of options (₹)	100.33/-	70.95/-	71.20/-
v) Expected Volatility (%)	57.68	57.68	57.68
vi) Expected Life of the options granted (years)	1.5-2.5	1.5-5.5	2.5-6.5
vii) Weighted Average Contractual Life of the options granted (years)	2	4	5
viii) Average Risk Free Interest rate (% p.a)	8.4-8.45	8.4-8.8	8.4-8.95
ix) Expected Dividend Yield (%)	3.84	3.84	3.84

REPORT ON CORPORATE GOVERNANCE

“Whilst management processes have been widely explored, relatively little attention has been paid to the processes by which companies are governed. If management is about running businesses, governance is about seeing that it is run properly. All companies need governing as well as managing.” -Professor Bob Tricker

I. Company's Philosophy on Corporate Governance

Your Company since its beginning is supporter of financial inclusion of all people of society through balancing highest standard of Corporate Governance with Best Management Practices. In your Company, Management and Board of Directors shares a common goal of protection of stakeholder's interest and setting best standards in Industry through excellence.

Your Company believes that under the principles of good corporate governance, an enterprise's management is conducted through open discussions between the management and Board as well as within these bodies themselves. Your Company always had balancing blend of Management and Independent Supervising through its Board of Directors.

II. Board Of Directors

The Board of Directors of the Company is the body which exercises executive powers and through which Company acts. They play the primary role as the trustees to safeguard and enhance stakeholders' value through its effective decisions and supervision.

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

i. Composition of Board.

- As of 31st March, 2014, the Board of Directors of the Company comprises of eight Directors with an

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

- All the Independent Directors have furnished individual declarations to the Board that they qualify the conditions of their being independent as per Clause 49 of the Listing Agreement.
- 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.
- All Non-Independent Directors are related to each other being brothers and none of the Independent Directors are related to any other Directors on the Board in terms of the definition of “relative” given under the Companies Act, 1956/2013.

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

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

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

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

¹Mr P George Varghese was Director of The Company upto Annual General Meeting held on 27th September, 2013 and hence he attended Board Meetings only upto the Annual General Meeting. There were four Meetings of Board of Directors up to his retirement and he had attended all meetings before his retirement in Financial Year 2013-14.

²Mr K George John is Director of The Company from Previous Annual General Meeting held on 27th September, 2013 and hence he attended only those Board meetings which were after assuming his Directorship after Annual General Meeting. There were three Meetings of Board of Directors after his appointment and he had attended all meetings during his Directorship for FY 2013-14.

iii. Seven Board meetings were held during the FY 2013-14. The gap between two Board Meetings did not exceed four months. The dates on which the said Meetings were held as under:

Sl. No.	Date of Board Meeting	Board Strength	No. of Directors Present
1	14th May, 2013	8	8
2	30th June, 2013	8	7
3	25th July, 2013	8	8
4	23rd August, 2013	8	8
5	31st October, 2013	8	8
6	30th January, 2014	8	7
7	29th March, 2014	8	8

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

III. Audit Committee

- The Audit Committee of the Board of Directors of the Company is constituted in accordance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements executed with Stock Exchanges.

ii. The Terms of Reference of the Audit Committee are broadly as under:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - Changes, if any, in accounting policies and practices and reasons for the same

- 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 utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- g. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- h. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- i. Discussion with internal auditors on any significant findings and follow up there on.
- j. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- k. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- l. To look into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

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

iii. Composition

- a. The Audit Committee comprises of 3 Directors of whom 2 are Independent Directors. All the members possess the necessary financial / accounting expertise/ exposure. Mr. George Joseph, former Chairman and Managing Director of Syndicate Bank, chairs the Committee.
- b. The composition of Audit Committee meets the requirements of Clause 49 of the Listing agreement and section 292A of the Companies Act, 1956.
- c. The Committee met 4 times (14.05.2013, 25.07.2013, 31.10.2013, 30.01.2014) during the year ended 31st March, 2014. Necessary quorum was present in all the meetings. The number of meetings attended by each member of the audit committee is as under:

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

IV. Remuneration Committee

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

The Committee has met during the year ended 31st March, 2014. The composition of the Committee is as under:

Member	Number of meetings attended
Mr. P George Varghese ³	Non-Executive, Independent
Mr. John K Paul	Non-Executive, Independent
Mr. K John Mathew	Non-Executive, Independent
Mr. K George John	Non-Executive, Independent

³Mr. P George Varghese retired during last Annual General Meeting and Mr. K George John was appointed as Independent Director in his place.

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

iii. Remuneration to Directors

Details of remuneration paid to Executive Non-Independent Directors as well as Non-Executive Independent Directors for the period ended 31st March, 2014 are as under:

a. Non-Executive Directors

Name	Commission (₹ in Lakhs)	Sitting Fees (₹ in Lakhs)
George Joseph	4	0.85
P George Varghese	2	0.50
John K Paul	4	0.55
K John Mathew	4	0.65
K George John	2	0.20
Total	16	2.75

Managing Directors and Whole Time Directors

Name of Director	Basic Salary and Allowances (₹ in Lakhs)	Annual Performance Incentive (₹ in Lakhs)
M G George Muthoot Chairman and Whole Time Director	300	180
George Alexander Muthoot Managing Director	300	180
George Thomas Muthoot Whole Time Director	300	180
George Jacob Muthoot Whole Time Director	300	180
Total	1200	720

- iv. Company have ESOP Plans for employees, however Company have not given any options to members of Board of Directors of the Company. ESOP of Company is decided through ESOP Committee of Board of Directors and it does not come under purview of Remuneration Committee.

V. Shareholders' / Investors' Grievance Committee

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

ii. Composition

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

Member	Number of meetings attended
Mr. John K Mathew, Chairman	Non-Executive, Independent
Mr. John K Paul	Non-Executive, Independent
Mr. George Thomas Muthoot	Executive, Non-Independent

- iii. The Committee met four times during the year ended 31st March, 2014 on (14.05.2013, 25.07.2013, 31.10.2013 and 30.01.2014). Necessary quorum was present in all the meetings.

- iv. The number of complaints received and resolved to the satisfaction of investors during the year under review are as under:

Particulars	Equity	NCD
No. of Complaints Received during the year	15	652
No. of Complaints Resolved during the year	15	652
No. of Complaints pending on 31st March, 2014	Nil	Nil

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

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

VI. General Body Meetings

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

Year	FY 2012-13	FY 2011-12	FY 2010 -11
Date and Time	27th September, 2013 10.15 A M	1st September, 2012 10.00 A M	28th September, 2011 10:30 A M
Place of Meeting	Kerala Fine Arts Society Hall Fine Arts Avenue Fore shore Road Cochin – 682 016	Kerala Fine Arts Society Hall Fine Arts Avenue Fore shore Road Cochin – 682 016	Kerala Fine Arts Society Hall Fine Arts Avenue Fore shore Road Cochin – 682 016

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

Date of AGM	Details of Special Resolution Passed
27th September, 2013	Special Resolution to grant employee stock options to employees
1st September, 2012	NIL
28th September, 2011	Special Resolution under Section 314(1B) of the Companies Act, 1956 for appointment of George M Alexander as Vice President – Operations (South)

- iii. No Extraordinary General Meetings were held during the FY 2013-2014

- iv. Postal Ballot

Details of Resolutions passed through Postal Ballot during the FY 2013-14

Date of Board Meeting	Description	% of Votes in favour of the Resolution(s)	Scrutiniser for conducting the Postal Ballot
30th January, 2014	Special Resolution under Section 81(1A) of Companies Act, 1956 for issue of shares to persons other than existing shareholders of the company	99.9%*	Mr. Thomas Shanti, Practicing Chartered Accountant

*Results declared on 10th March, 2014

VII. 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.

VIII. 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, wherein all the communications are updated including the quarterly financial results of the Company published under Clause 41 of the listing agreement.

Presentations made to the institutional investors and analysts after declaration of the quarterly results are also displayed in the web site of the Company. The Annual reports containing the Audited Annual Accounts, Auditors' Reports, Directors' Report, the Management Discussion and Analysis Report forming part of Directors' Report and other material information are circulated to the members and others entitled thereto. Annual Reports of the Company are emailed to all shareholders who have provided their email IDs in the records of the Depository. All the disclosures and communications to be filed with the Stock Exchanges were submitted in hard copies and there were no instances of non compliances.

IX. Compliances

- a. There were no instances of non-compliance by the Company, penalties, structures imposed on the Company by Stock

Exchanges or SEBI or any other authority related to Capital Market during the last three financial years. Company has been regular in filing necessary returns with RBI and all necessary informations with the Stock Exchanges where the shares are listed.

- b. Money raised through Public Issue of Equity Shares as well as Public Issues of Secured Non-Convertible Debentures have been utilised for the purposes, as disclosed in the Prospectuses, for which it was raised and there has been no deviation as on date in the utilisation of the moneys so raised.

X. General Shareholder Information

a. Company Registration Details

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

b. Annual General Meeting

Date	: 25th September, 2014
Time	: 10: 30 A M
Venue	Kerala Fine Arts Society Hall Fine Arts Avenue Fore shore Road Cochin – 682 016

As required under Clause 49(IV)(G)(i) of the Listing Agreements with the Stock Exchanges, particulars of Directors seeking re-appointment at the forthcoming Annual

General Meeting are given in the Annexure to the Notice of the AGM to be held on 25th September, 2014

c. Financial Year	1st April, 2013 to 31st March, 2014
d. Date of book closure	12th September, 2014 to 25th September, 2014 (both days inclusive) for payment of Dividend
e. Dividend Payout Date	The dividend, if declared, will be paid on or after 25th September, 2014
f. Listing of Securities	BSE Limited Floor 25, P. J Towers, Dalal Street Mumbai – 400 001 & National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051

g. Stock Code/Symbol/ISIN of Equity Shares

BSE	: 533398
NSE	: MUTHOOTFIN
ISIN	: INE414G01012

h. Listing Fees and Depository Fees

Annual Listing Fee for the year 2013-14 and Annual Custody/Issuer Fee for the year 2013-14 have been paid to Stock Exchanges and Depositories respectively.

i. Stock market price data (in ₹ Per share)

High, Low (based on closing prices) and number of shares traded during each month in the year 2013-14 on National Stock Exchange of India Limited and BSE Limited:

Month	National Stock Exchange		BSE Limited	
	High Price	Low Price	High Price	Low Price
April	188.00	114.00	188.65	115.60
May	163.00	129.00	163.05	128.90
Jun	146.40	87.20	146.40	87.25
Jul	110.40	73.40	110.55	73.85
Aug	122.85	72.60	122.30	73.60
Sep	126.50	90.10	126.70	90.10
Oct	107.80	89.00	107.75	89.10
Nov	128.20	102.10	127.80	102.30
Dec	114.00	102.15	114.10	102.10
Jan	152.40	106.50	152.65	106.85
Feb	179.35	123.60	179.50	123.95
Mar	174.90	148.95	174.45	154.60

j. Performance of the share price in comparison (based on closing prices) to broad based indices – BSE Sensex and NSE Nifty as on 31st March, 2014

Period	BSE (% Change)		NSE (%Change)	
	Muthoot Finance	Sensex	Muthoot Finance	Nifty
FY 2013-14	-5.74%	18.85%	-6.32%	17.98%

k. Registrars and Transfer Agent
Link Intime India Private Limited

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

l. Share transfer system

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

m. Distribution of Shareholding as on 31st March, 2014

Category	No. of Shares	%
Promoters and Promoter Group Holding	297,797,872	80.12
Foreign Institutional Investors	38,317,834	10.31
Mutual Funds	3,923,273	1.06
Other Bodies Corporate	3,371,256	0.90
Others including Public	28,302,533	7.61
Total	371,712,768	100.00

n. Shareholding pattern by size as on 31st March, 2014

Category (Shares)	No. of Shareholders	Shares	% of Total Shares
1 – 500	48,451	3,944,183	1.061
501 – 1000	743	5,83,921	0.157
1001 – 2000	372	5,58,768	0.150
2001 – 3000	125	3,17,150	0.085
3001 – 4000	62	2,20,996	0.060
4001 – 5000	39	182,466	0.049
5001 – 10000	80	5,56,940	0.150
10001 and above	147	365,348,344	98.288
Grand Total	50,019	371,712,768	100.00

o. Top ten Equity Shareholders of the Company as on 31st March, 2014

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	Eapen Alexander	7,525,000	2.02

p. Equity Shares in the Suspense Account

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

Sl. No.	Description	No. of Shares
1	Number of shareholders and outstanding shares in the suspense account as on 01.04.2013	442 shares for 4 Investors
2	Number of shareholders who approached for transfer of shares from suspense account during the period 01.04.2013 to 31.03.2014	NIL
3	Number of shareholders to whom shares were transferred from suspense account during the period 01.04.2013 to 31.03.2014	NIL
4	Number of shareholders and outstanding shares in the suspense account as on 31.03.2014	442 Shares for 4 investors

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

q. Dematerialisation of shares

The Company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of our shares for scripless trading. 99.99 % of shares of the Company were held in dematerialised form as on 31st March, 2014.

r. Address for Correspondence

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

XI. Compliance Certificate of the Auditors

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

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

XII. CEO/CFO Certification

The Managing Director & CEO and CFO have certified to the Board in accordance with Clause 49(v) of the Listing Agreement pertaining to the CEO/CFO Certification for the financial year ended 31st March, 2014.

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.

ANNEX I

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

To,

The members of Muthoot Finance Limited

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

I confirm that the Company has in respect of financial year ended 31st March, 2014, received from the Senior Management team of the Company and the members of the Board, declarations of compliance with the Code of Conduct as applicable to them.

George Alexander Muthoot

Managing Director

Kochi – 18

26.05.2014

ANNEX II

CERTIFICATE ON CORPORATE GOVERNANCE

To The Members of

MUTHOOT FINANCE LIMITED

We have examined the compliance of conditions of Corporate Governance by **MUTHOOT FINANCE LIMITED** ("the Company") for the year ended 31st March 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

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

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

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

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

Sd/-

R. Sreenivasan

Partner

Membership No. 020566

Place: Kochi

Date: 26.05.2014

INDEPENDENT AUDITORS' REPORT

To the Members of Muthoot Finance Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Muthoot Finance Limited, Registered and Corporate Office: Muthoot Chambers, Opposite Saritha Theatre Complex, 2nd Floor, Banerji Road, Kochi 682 018, India, (the Company), which comprise the Balance Sheet as at 31st March 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 1956, in the manner

so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2014;
- ii. In the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- iii. In the case of the Cash Flow statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 (the Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow statement dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
 - e. On the basis of the written representations received from the directors, as on 31st March 2014, taken on record by the Board of Directors none of the Directors is disqualified as on 31st March 2014, from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **Rangamani & Co**
Chartered Accountants
(Registration No.: 003050 S)

Sd/-

R. Sreenivasan

Partner

Membership No. 020566

Place: Kochi

Date: 26th May, 2014

ANNEXURE TO THE AUDITORS' REPORT

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As informed to us, not all the assets have been physically verified by the management during the year, but there is a regular program 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 (as amended) are not applicable to the Company.
- (iii) (a) As informed, the company has not granted secured or unsecured loans to companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (a), (b), (c) and (d) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
- (e) The company has taken unsecured loans from 17 parties covered in the register maintained u/s 301 of the Companies Act, 1956, the maximum amount of which during the year was ₹ 48,661.03 Lakhs and the year-end balance of such loan is ₹ 44,617.78 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, in respect of loan taken, the repayment of principal amount and interest was 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, no major weaknesses have been noticed in internal control system in respect of these areas. 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 ₹ 500,000 /- in respect of any party during the year have been made at prices which are reasonable as per the information available with the Company.
- (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 were outstanding as at 31st March, 2014, 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, Customs Duty, Wealth Tax, Excise duty and Cess which have not been deposited on account of any dispute. There are dues

of Service Tax and Income Tax that have not been deposited with appropriate authorities on account of dispute and the forum where the disputes are pending is given below:

Nature of dues	Amount ₹ In Lakhs *	Period to which the amount relates	Forum where dispute is pending
Service tax	117.28		Customs, Central Excise and Service Tax Appellate Tribunal, Bangalore
Penalty on above	381.92	2003-2008	
Income Tax	196.62	AY 2010-11, 2012-13	Commissioner of Income Tax appeals (Kochi) & Assistant Commissioner of Income Tax (CPC)

* 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 has no accumulated losses as at 31st March, 2014 and it has not incurred cash losses during current and the immediately preceding financial year.
- (xi) According to the records of the company examined by us and the information and explanations given to us, we are of the opinion that the company has not defaulted during the period in repayment of dues to financial institution, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (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 Order are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanation given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.

(xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.

(xvi) According to the information and explanations given to us, the term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.

(xix) According to the information and explanations given to us during the year covered by our audit report, the company has created security in respect of Secured Non-Convertible Debentures issued.

(xx) We have verified that the end use of money raised by public issues as disclosed in the notes to the financial statements.

- (xxi) According to the information and explanations given to us,
- (a) there have been certain instances of fraud by customers/ staff of the company amounting to ₹ 19,701,706 as given in Note 34 to the financial statements;
- (b) no other material fraud on the company has been noticed or reported during the course of our audit; and
- (c) no fraud by the company has been noticed or reported during the course of our audit.

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

Sd/-

R. Sreenivasan

Partner

Place: Kochi

Date: 26th May, 2014

Membership No. 020566

BALANCE SHEET

as at 31st March, 2014

Particulars	Note No.	₹	
		As on 31st March, 2014	As on 31st March, 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	3	3,717,127,680.00	3,717,127,680.00
(b) Reserves and surplus	4	38,928,634,085.04	33,638,524,414.26
Non-current liabilities			
(a) Long-term borrowings	5	69,046,032,561.10	79,529,418,712.87
(b) Other Long-term liabilities	6	8,975,080,634.76	5,633,839,140.60
(c) Long-term provisions	25	18,733,086.00	2,410,000.00
Current liabilities			
(a) Short-term borrowings	5	60,642,866,946.00	94,802,406,416.23
(b) Trade Payables & Other current liabilities	7	72,431,871,016.08	73,155,919,995.26
(c) Short-term provisions	8	2,178,393,743.91	3,683,008,186.58
TOTAL		255,938,739,752.89	294,162,654,545.80
ASSETS			
Non-current assets			
(a) Fixed assets	9		
(i) Tangible Assets		3,119,747,528.67	2,888,081,210.06
(ii) Intangible Assets		6,065,822.34	5,696,085.11
(iii) Capital Work-in-progress		83,785,469.00	95,963,836.25
(iv) Intangible Assets under development		60,267,280.00	40,431,863.00
(b) Non-current investments	10	46,749,940.00	75,049,940.00
(c) Deferred tax assets (net)	11	210,470,735.90	195,441,491.90
(d) Long-term loans and advances	12	1,019,451,594.24	1,045,225,440.06
Current assets			
(a) Current investments	13	307,000,000.00	750,000,000.00
(b) Trade receivables	14	11,639,680,421.27	11,481,770,359.45
(c) Cash and Bank Balances	15	20,489,267,554.30	13,419,987,682.79
(d) Short-term loans and advances	16	218,944,896,078.16	264,131,088,154.70
(e) Other current assets	17	11,357,329.01	33,918,482.48
TOTAL		255,938,739,752.89	294,162,654,545.80

Notes on accounts form part of the final accounts
As per our report of even date attached
For **Rangamani & Co**
Chartered Accountants
(FRN: 003050 S)

Sd/-
R. Sreenivasan
Partner
Membership No. 020566

Place: Kochi
Date: 26th May, 2014

For and on behalf of the Board of Directors

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

Sd/-
George Alexander Muthoot
Managing Director

Sd/-
Oommen K. Mammen
Chief Financial Officer

Sd/-
Maxin James
Company Secretary

STATEMENT OF PROFIT AND LOSS

for the year ended 31st March, 2014

Particulars	Note No.	₹	
		Year Ended 31st March, 2014	Year Ended 31st March, 2013
Revenue from Operations	18	49,278,820,053.01	53,588,984,621.56
Other income	19	195,544,949.75	282,381,919.53
Total Revenue		49,474,365,002.76	53,871,366,541.09
Expenses:			
Employee benefits expense	20	5,917,121,758.87	5,452,749,569.71
Finance costs	21	26,259,879,576.76	28,194,442,891.99
Other expenses	22	4,257,105,053.85	3,567,826,839.56
Directors Remuneration		192,000,000.00	192,000,000.00
Depreciation and amortisation expense	9	474,615,435.73	454,430,452.46
Provisions and Write Offs	23	438,086,684.35	895,462,587.00
Total Expenses		37,538,808,509.56	38,756,912,340.72
Profit Before Tax		11,935,556,493.20	15,114,454,200.37
Tax expense:			
Current tax		4,123,961,486.00	5,171,097,057.00
Deferred tax		(15,029,244.00)	(191,545,228.00)
Taxes relating to Previous Years		25,933,715.42	92,507,141.84
Profit for the year		7,800,690,535.78	10,042,395,229.53
Earnings per equity share of ₹ 10/- each			
Basic & Diluted		20.99	27.02

Notes on accounts form part of the final accounts
As per our report of even date attached
For **Rangamani & Co**
Chartered Accountants
(FRN: 003050 S)

Sd/-
R. Sreenivasan
Partner
Membership No. 020566

Place: Kochi
Date: 26th May, 2014

For and on behalf of the Board of Directors

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

Sd/-
George Alexander Muthoot
Managing Director

Sd/-
Oommen K. Mammen
Chief Financial Officer

Sd/-
Maxin James
Company Secretary

CASH FLOW STATEMENT

for the year ended 31st March, 2014

Particulars	₹	
	Year Ended 31st March, 2014	Year Ended 31st March, 2013
A Cash Flow From Operating Activities		
Net Profit Before Taxation	11,935,556,493.20	15,114,454,200.37
Adjustments for :		
Add: Provision for Non-Performing Assets and Standard assets	213,948,607.00	765,190,034.00
Add: Finance Cost	26,259,879,576.76	28,194,442,891.99
Add: Loss on Sale of Fixed Assets	80,760.00	213,367.00
Add: Depreciation and amortisation	474,615,435.73	454,430,452.46
Add :Provision for Gratuity	18,733,086.00	2,410,000.00
Add :Expenses on ESOP	98,731,243.00	-
Less: Interest received on Bank Deposits	(70,993,542.80)	(195,639,653.95)
Less: Income from Investments	(85,776,381.95)	(85,698,393.58)
Less: Profit on sale of Investments	(37,950,000.00)	-
Operating profit before working capital changes	38,806,825,276.94	44,249,802,898.29
Adjustments for:		
(Increase) / Decrease in Loans and Advances	45,211,965,922.36	(50,477,390,792.72)
(Increase) / Decrease in Trade receivables	(157,910,061.82)	(4,141,538,546.09)
(Increase) / Decrease in other receivables	-	521,805.60
Increase / (Decrease) in Current liabilities	153,937,363.67	-23,712,913.76
Increase / (Decrease) in Other Liabilities	(1,852,892.26)	5,486,267.30
Cash generated from operations	84,012,965,608.89	(10,386,831,281.38)
Finance cost paid	(22,391,757,790.41)	(23,828,995,205.26)
Direct tax paid	(4,359,281,173.09)	(5,308,549,132.10)
Net cash from operating activities	57,261,926,645.39	(39,524,375,618.74)
B Cash Flow From Investing Activities		
Purchase of Fixed Assets	(711,014,501.57)	(724,067,399.14)
Sale of Fixed Assets	4,282,250.00	2,541,458.00
(Increase) / Decrease in Capital Work in Progress	(7,657,049.75)	(81,030,468.00)
Sale of Bonds	443,000,000.00	150,000,000.00
Sale of Investments in Shares	66,250,000.00	-
Interest received on Bank Deposits	81,966,908.60	252,089,352.15
Income from Investments	97,364,169.62	66,080,242.90
Net Cash from Investing Activities	(25,808,223.10)	(334,386,814.09)

Particulars	₹	
	Year Ended 31st March, 2014	Year Ended 31st March, 2013
C Cash Flow From Financing Activities		
Net Proceeds from Issue of Debentures	(6,154,952,000.00)	33,940,758,000.00
Increase / (Decrease) in Loan from Directors / Relatives of Directors	2,315,016,877.30	1,480,611,281.00
Increase / (Decrease) in Borrowings from Bank /Financial Institutions	(43,330,189,698.23)	9,043,583,304.11
Increase / (Decrease) in Inter Corporate Loan	(52,220,000.00)	(78,230,000.00)
Increase / (Decrease) in Subordinated debt	3,245,842,000.00	8,199,876,000.00
Increase / (Decrease) in Commercial Papers	(2,073,562,100.00)	(5,530,622,300.00)
Dividend paid (including Dividend distribution tax)	(4,116,773,629.85)	(1,727,611,944.00)
(Increase) / Decrease in bank deposits held for greater than 3 months	(899,041,471.40)	2,620,588,164.55
Net Cash from Financing Activities	(51,065,880,022.18)	47,948,952,505.66
D Net Increase In Cash And Cash Equivalents (A+B+C)	6,170,238,400.11	8,090,190,072.83
Cash And Cash Equivalent at the Beginning of the Year	13,401,835,731.79	5,311,645,658.96
Cash And Cash Equivalent at the End of The Year	19,572,074,131.90	13,401,835,731.79
Components of Cash and Cash Equivalents at the end of the Year		
Current Account with Banks	16,872,853,791.79	10,845,228,865.24
Deposit with Banks	350,000,000.00	720,000,009.00
Cash on Hand	2,347,061,235.96	1,836,163,309.55
Unpaid Dividend	2,159,104.15	443,548.00
Total	19,572,074,131.90	13,401,835,731.79

Notes on accounts form part of the final accounts
As per our report of even date attached
For **Rangamani & Co**
Chartered Accountants
(FRN: 003050 S)

Sd/-
R. Sreenivasan
Partner
Membership No. 020566

Place: Kochi
Date: 26th May, 2014

For and on behalf of the Board of Directors

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

Sd/-
George Alexander Muthoot
Managing Director

Sd/-
Oommen K. Mammen
Chief Financial Officer

Sd/-
Maxin James
Company Secretary

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

(Amounts in the financial statements are stated in Rupees, except for share data and as otherwise stated.)

1. BACKGROUND

Muthoot Finance Ltd. was incorporated as a private limited Company on 14th March, 1997 and was converted into a public limited Company on 18th November, 2008. The Company is promoted by Mr. M. G. George Muthoot, Mr. George Thomas Muthoot, Mr. George Jacob Muthoot and Mr. George Alexander Muthoot collectively operating under the brand name of 'The Muthoot Group', which has diversified interests in the fields of Financial Services, Healthcare, Education, Plantations, Real Estate, Foreign Exchange, Information Technology, Insurance Distribution, Hospitality etc. The Company obtained permission from the Reserve Bank of India for carrying on the business of Non-Banking Financial Institutions on 13th November, 2001 vide Regn No. N 16.00167. The Company is presently classified as Systemically Important Non Deposit Taking NBFC (NBFC-ND-SI).

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Concepts

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

2.2 Use of Estimates

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

assumptions used are prudent and reasonable. Future results may vary from these estimates.

2.3 Revenue Recognition

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

2.4 Employee Benefits

A) Short Term Employee Benefits:

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

B) Post employment benefits:

a) Defined Contribution Plan

Provident Fund

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

b) Defined Benefit Plan Gratuity

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

c) Employee share based payments

Stock options granted to the employees under the stock option scheme established are evaluated as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by Securities Exchange Board of India. The company follows the intrinsic value method of accounting for the options and accordingly, the

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

excess of market value of the stock options as on the date of grant over the exercise price of the options, if any, is recognised as deferred employee compensation cost and is charged to the Statement of Profit and Loss on graded vesting basis over the vesting period of the options.

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

2.8 Taxes On Income

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

2.9 Investments

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

investments are classified as non-current investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-Current investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments.

2.10 Impairment Of Assets

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

2.11 Cash And Cash Equivalents

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

2.12 Provisions, Contingent Liabilities & Contingent Assets

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

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

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

2.13 Debenture Redemption Reserve

In terms of Circular No. 4/2013 dated 11th February, 2013 issued by the Ministry of Corporate Affairs, Company has created Debenture Redemption Reserve in

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

respect of Secured Non-Convertible Debentures issued through public issue as per SEBI (Issue and Listing of Debt Securities) Regulations, 2008.

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

2.14 Provision For Standard Assets And Non Performing Assets

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

2.15 Leases

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

Where the Company is the Lessor:

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

Where the Company is the lessee:

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

2.16 Segment Reporting

Identification of segments:

- The Company's operating businesses are organised and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Company has identified two business segments – Financing and Power Generation.
- 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.
- Company operates in a single geographical segment. Hence, secondary geographical segment information disclosure is not applicable.
- The segment revenues, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.

Unallocated items:

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

Segment Policies:

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

3. SHARE CAPITAL

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
3.1 Share Capital		
Authorised		
450,000,000 Equity Shares of ₹ 10/- each (Previous year: 450,000,000 Equity Shares of ₹ 10/- each)	4,500,000,000.00	4,500,000,000.00
5,000,000 Preference Shares of ₹ 1000/- each (Previous year: 5,000,000 Preference Shares of ₹ 1000/- each)	5,000,000,000.00	5,000,000,000.00
Issued, Subscribed & Paid up		
371,712,768 Equity Shares of ₹ 10/- each fully paid (Previous year: 371,712,768 Equity Shares of ₹ 10/- each fully paid)	3,717,127,680.00	3,717,127,680.00
Total	3,717,127,680.00	3,717,127,680.00

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

3.2 Terms and Rights attached to Equity Shares

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

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

3.3 The reconciliation of the number of shares outstanding and the amount of share capital as at 31st March, 2014 and 31st March, 2013 is set out below:

Particulars	31st March, 2014		31st March, 2013	
	Equity Shares		Equity Shares	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	371,712,768	3,717,127,680.00	371,712,768	3,717,127,680.00
Shares Issued during the year	-	-	-	-
Shares outstanding at the end of the year	371,712,768	3,717,127,680.00	371,712,768	3,717,127,680.00

3.4 Disclosure as to the shareholders holding more than 5 percent shares

Sl. No.	Name of Shareholder	As on 31st March, 2014		As on 31st March, 2013	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1.	M. G. George Muthoot	47,385,132	12.75%	47,385,132	12.75%
2.	George Alexander Muthoot	44,464,400	11.96%	44,464,400	11.96%
3.	George Jacob Muthoot	44,464,400	11.96%	44,464,400	11.96%
4.	George Thomas Muthoot	44,464,400	11.96%	44,464,400	11.96%
5.	Susan Thomas	29,985,068	8.07%	29,985,068	8.07%

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

Particulars	2013-14	Aggregate No. of Shares issued in the financial years			
		2012-13	2011-12	2010-11	2009-10
Equity Shares :					
Fully paid up pursuant to contract(s) without payment being received in cash	Nil	Nil	Nil	Nil	Nil
Fully paid up by way of bonus shares	Nil	Nil	Nil	Nil	252,000,000
Shares bought back	Nil	Nil	Nil	Nil	Nil

3.6 Shares reserved for issue under options

The Company has reserved 6,626,300 equity shares (Previous year : Nil) for issue under employee stock scheme 2013. As on 31st March, 2014, none of the equity shares were vested and exercised.

3.7 Institutional Placement Programme subsequent to balance sheet date

On 29th April, 2014, Company allotted 2,53,51,062 shares of ₹ 10 /- each for cash at a premium of ₹ 155/- per equity share aggregating to ₹ 4,182,925,230.00, pursuant to Institutional Placement Programme (IPP) under Chapter VIII A of the SEBI ICDR Regulations complying with the minimum public shareholding requirement under Rule 19 (2) (b) (ii) of the Securities Contracts (Regulations) Rules, 1957.

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

4. RESERVES AND SURPLUS

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
a. Securities Premium Account	10,570,781,115.96	10,570,781,115.96
b. General Reserve (Refer Note 4.1)		
Balance at the beginning of the year	1,896,263,545.00	892,024,022.00
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	780,069,054.00	1,004,239,523.00
Closing Balance	2,676,332,599.00	1,896,263,545.00
c. Debenture Redemption Reserve (Refer Note 4.2)		
Balance at the beginning of the year	1,709,287,809.00	742,038,311.00
Add: Amount transferred from surplus in the Statement of Profit and Loss	6,637,035,559.00	967,249,498.00
Closing Balance	8,346,323,368.00	1,709,287,809.00
d. Statutory Reserve (Refer Note 4.3)		
Balance at the beginning of the year	5,774,551,302.80	3,766,072,256.80
Add: Amount transferred from surplus in the Statement of Profit and Loss	1,560,138,107.00	2,008,479,046.00
Closing Balance	7,334,689,409.80	5,774,551,302.80
e. Share options outstanding account (Refer Note 25 c)		
Balance at the beginning of the year	-	-
Add: Amounts recorded on grants during the year	533,201,029.60	-
Less: Value of lapsed options during the year	25,443,028.00	-
Less: Deferred stock compensation expenses	409,026,758.60	-
Closing Balance	98,731,243.00	-
f. Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	13,687,640,641.50	9,569,275,904.97
Add: Net Profit For the year	7,800,690,535.78	10,042,395,229.53
Less: Appropriations		
Interim Dividend 2013-14	1,858,563,840.00	-
Proposed Equity Dividend	371,712,768.00	1,672,707,456.00
Corporate Dividend Tax	379,035,500.00	271,354,970.00
Transfer to General Reserve	780,069,054.00	1,004,239,523.00
Transfer to Debenture Redemption Reserve	6,637,035,559.00	967,249,498.00
Transfer to Statutory Reserve	1,560,138,107.00	2,008,479,046.00
Closing Balance	9,901,776,349.28	13,687,640,641.50
Total	38,928,634,085.04	33,638,524,414.26

4.1 General Reserve

Appropriate transfer to General Reserves in accordance with Companies (Transfer of Profits to Reserves) Rules ,1975, has been made in the financial statements .

4.2 Debenture Redemption Reserve

During the year, the company has transferred an amount of ₹ 6,637,035,559.00 (Previous Year: ₹ 967,249,498.00) to the Debenture Redemption Reserve. No appropriation was made from this Reserve during the year.

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

4.3 Statutory Reserve

Statutory Reserve represents the Reserve Fund created under Section 45 IC of the Reserve Bank of India Act, 1934. An amount of ₹ 1,560,138,107.00 representing 20% of Net Profit is transferred to the Fund for the year (Previous Year: ₹ 2,008,479,046.00) . No appropriation was made from the Reserve Fund during the year.

5. BORROWINGS

5.1 Borrowings – Secured and Unsecured

Particulars	Non Current		Current	
	As on 31st March, 2014	As on 31st March, 2013	As on 31st March, 2014	As on 31st March, 2013
Secured				
(a) Debentures				
Secured Non-Convertible Debentures (Secured by mortgage of immovable property and pari passu floating charge on current assets, book debts and Loans & advances) (Refer Note No. 5.2)	26,598,961,000.00	40,281,719,000.00	54,980,598,000.00	54,298,636,000.00
Secured Non-Convertible Debentures (Secured by mortgage of immovable property and charge on all movable fixed assets) (Refer Note No. 5.2)	-	-	50,000.00	15,859,000.00
Secured Non-Convertible Debentures- Listed (Secured by mortgage of immovable property and pari passu floating charge on current assets, book debts and Loans & advances) (Refer Note No. 5.3 & 5.4)	17,285,368,000.00	14,614,776,000.00	7,449,222,000.00	3,258,161,000.00
(b) Term loans				
From banks				
Term Loan (Secured by specific charge on vehicles) (Terms of Repayment : ₹ 5,718,683.60 repayable during F Y 2014-15 in 12 monthly instalments & ₹ 4,721,091.30 during F Y 2015-16 in 4-12 monthly instalments & ₹ 186,244.60 during F Y 2016-17 in 1-3 monthly instalments , Rate of Interest : 9.01-11.01 %)	4,907,335.90	7,959,380.00	5,718,683.60	4,143,045.00
Short Term Loan (Secured by mortgage of immovable property and subservient charge on current assets, book debts, loans & advances and personal guarantee of Promoter Directors and collateral security by a group company)	-	-	400,000,000.00	400,000,000.00

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

5. | BORROWINGS (Contd.)

₹

5.1 Borrowings – Secured and Unsecured

Particulars	Non Current		Current	
	As on 31st March, 2014	As on 31st March, 2013	As on 31st March, 2014	As on 31st March, 2013
Term Loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances and is additionally secured by personal guarantee of Promoter Directors) (Terms of Repayment: Amount ₹ 1,304,400,000.00 repayable in 4 quarterly instalments & ₹ 217,300,000.00 in 2 monthly instalments during F Y 2014-15, Rate of Interest : 12.80 %)	-	1,521,700,000.00	1,521,700,000.00	3,978,300,000.00
From Financial Institutions				
Term Loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances and personal guarantee of Promoter Directors) (Terms of Repayment : NA (Previous Period - Repayable in 5 monthly instalments in FY 2013-14)	-	-	-	5,000,000,000.00
Term Loan - (Secured by specific charge on vehicles) (Terms of Repayment: Amount ₹ 1,810,664.47 repayable during F Y 2014-15 in 12 monthly instalments & ₹ 481,659.20 during F Y 2015-16 in 3 monthly instalments , Rate of Interest : 10.00 %)	481,659.20	2,292,332.87	1,810,664.47	1,639,036.00
(c) Loans repayable on demand				
From banks				
Overdraft against Deposit with Banks (Secured by a lien on Fixed Deposit with Banks)	-	-	353,156.96	-
Cash Credit (Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of Promoter Directors)	-	-	19,708,540,130.74	56,497,667,535.23

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

5. | BORROWINGS (Contd.)

₹

5.1 Borrowings – Secured and Unsecured

Particulars	Non Current		Current	
	As on 31st March, 2014	As on 31st March, 2013	As on 31st March, 2014	As on 31st March, 2013
(d) Short Term Loans				
From Banks				
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of Promoter Directors)	-	-	36,390,000,000.00	32,950,000,000.00
From Financial Institutions				
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of promoter directors)	-	-	-	1,000,000,000.00
Sub Total (1)	43,889,717,995.10	56,428,446,712.87	120,457,992,635.77	157,404,405,616.23
Unsecured				
(a) Loans and advances from related parties				
Loan from Directors and Relatives	-	-	4,053,680,158.30	1,738,663,281.00
Inter Corporate Loan	-	-	-	32,220,000.00
Subordinated Debt (Refer Note 5.5)	293,222,566.00	408,023,000.00	114,875,434.00	-
(b) Other loans and advances				
Subordinated Debt Listed (Refer Note 5.6 & 5.7)	980,186,000.00	100,000,000.00	-	-
Commercial Paper	-	-	90,293,500.00	2,163,855,600.00
Subordinated Debt (Refer Note 5.5)	23,882,906,000.00	22,592,949,000.00	1,075,624,000.00	-
Inter Corporate Loan	-	-	-	20,000,000.00
Sub Total (2)	25,156,314,566.00	23,100,972,000.00	5,334,473,092.30	3,954,738,881.00
Total (1)+(2)	69,046,032,561.10	79,529,418,712.87	125,792,465,728.07	161,359,144,497.23
Less: Amount included under Current Liabilities	-	-	-	-
Current maturities of long term debt (Refer Note 7.1)	-	-	65,086,848,782.07	66,474,920,081.00
Unpaid Matured Debentures (Refer Note 7.2)	-	-	62,750,000.00	81,818,000.00
As per Balance Sheet	69,046,032,561.10	79,529,418,712.87	60,642,866,946.00	94,802,406,416.23
Long Term Borrowings	69,046,032,561.10	79,529,418,712.87	-	-
Short Term Borrowings	-	-	60,642,866,946.00	94,802,406,416.23

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

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

5.2 Secured Redeemable Non-Convertible Debentures

The Company had privately placed Secured Redeemable Non-Convertible Debentures for a maturity period of 60-120 months with an outstanding amount of ₹ 81,579,609,000.00 (Previous Year: ₹ 94,596,214,000.00)

Series	Date of allotment	Amount		Redemption Period	Interest Rate %
		As at 31st March, 2014	As at 31st March, 2013		
CU	31.03.2014 - 31.03.2014	62,500,000.00	-	120 months	10.5-12.5
CT	14.03.2014 - 31.03.2014	98,000,000.00	-	120 months	10.5-12.5
CS	27.02.2014 - 14.03.2014	152,500,000.00	-	120 months	10.5-12.5
CR	07.02.2014 - 27.02.2014	184,000,000.00	-	120 months	10.5-12.5
CQ	04.02.2014 - 07.02.2014	223,500,000.00	-	120 months	10.5-12.5
CP	20.01.2014 - 04.02.2014	199,000,000.00	-	120 months	10.5-12.5
CO	10.01.2014 - 20.01.2014	150,500,000.00	-	120 months	10.5-12.5
CN	03.01.2014 - 10.01.2014	144,500,000.00	-	120 months	10.5-12.5
CM	24.12.2013-03.01.2014	116,000,000.00	-	120 months	10.5-12.5
CL	05.12.2013 - 24.12.2013	126,000,000.00	-	120 months	10.5-12.5
CK	18.11.2013 - 05.12.2013	133,000,000.00	-	120 months	10.5-12.5
CJ	29.10.2013 - 18.11.2013	126,500,000.00	-	120 months	10.5-12.5
CI	09.10.2013 - 29.10.2013	133,000,000.00	-	120 months	10.5-12.5
CH	27.09.2013 - 09.10.2013	175,000,000.00	-	120 months	10.5-12.5
CG	06.09.2013 - 27.09.2013	124,000,000.00	-	120 months	10.5-12.5
CF	31.08.2013 - 06.09.2013	80,000,000.00	-	120 months	10.5-12.5
CE	12.08.2013 - 31.08.2013	143,000,000.00	-	120 months	10.5-12.5
CD	31.07.2013 - 10.08.2013	134,000,000.00	-	120 months	10.5-12.5
CC	08.07.2013 - 31.07.2013	229,000,000.00	-	120 months	10.5-12.5
CB	24.06.2013 - 07.07.2013	3,652,875,000.00	-	120 months	10.5-12.5
CA	18.04.2013 - 23.06.2013	7,342,521,000.00	-	120 months	10.5-12.5
BZ	01.03.2013 - 17.04.2013	7,567,572,000.00	6,523,459,000.00	120 months	10.5-12.5
BY	18.01.2013 - 28.02.2013	6,276,096,000.00	7,749,706,000.00	120 months	10.5-12.5
BX	26.11.2012 - 17.01.2013	5,964,433,000.00	7,519,246,000.00	60 months	10.5-12.5
BW	01.10.2012 - 25.11.2012	7,446,102,000.00	8,821,605,000.00	60 months	11.5-12.5
BV	17.08.2012 - 30.09.2012	4,601,106,000.00	6,995,299,000.00	60 months	11.5-12.5
BU	01.07.2012 - 16.08.2012	5,078,257,000.00	8,183,791,000.00	60 months	11.5-12.5
BT	21.05.2012 - 30.06.2012	3,225,358,000.00	5,604,131,000.00	60 months	11.5-12.5
BS	01.05.2012 - 20.05.2012	1,310,989,000.00	2,075,080,000.00	60 months	11.5-12.5
BR	01.03.2012 - 30.04.2012	4,075,082,000.00	6,631,277,000.00	60 months	11.5-12.5
BQ	23.01.2012 - 29.02.2012	3,177,970,000.00	4,876,431,000.00	60 months	11.5-12.5
BP	01.12.2011 - 22.01.2012	2,774,011,000.00	5,023,297,000.00	60 months	11.5-12.5
BO	19.09.2011 - 30.11.2011	2,562,058,000.00	4,545,043,000.00	60 months	11.-12
BN	01.07.2011 - 18.09.2011	2,739,218,000.00	3,343,916,000.00	60 months	11.-12
BM	01.04.2011 - 30.06.2011	2,582,001,000.00	3,223,394,000.00	60 months	11.-12
BL	01.01.2011 - 31.03.2011	2,571,586,000.00	3,512,888,000.00	60 months	10-11.5

Contd.

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

Series	Date of allotment	Amount		Redemption Period	Interest Rate %
		As at 31st March, 2014	As at 31st March, 2013		
BK	01.10.2010 - 31.12.2010	1,811,124,000.00	2,631,804,000.00	60 months	9.5-11.5
BJ	01.07.2010 - 30.09.2010	1,253,136,000.00	1,859,172,000.00	60 months	9.5-11
BI	01.04.2010 - 30.06.2010	752,786,000.00	1,552,508,000.00	60 months	9-10.5
BH	01.01.2010 - 31.03.2010	668,835,000.00	892,780,000.00	60 months	9-10.5
BG	01.10.2009 - 31.12.2009	489,182,000.00	703,939,000.00	60 months	9.5-10.5
BF	01.07.2009 - 30.09.2009	624,993,000.00	873,082,000.00	60 months	10.5
BE	01.04.2009 - 30.06.2009	235,568,000.00	481,962,000.00	60 months	10.5-11.5
BD	01.01.2009 - 31.03.2009	41,269,000.00	312,791,000.00	60 months	11.-12
BC	22.09.2008 - 31.12.2008	6,570,000.00	305,138,000.00	60 months	11.-12
BB	10.07.2008 - 21.09.2008	3,932,000.00	126,879,000.00	60 months	11-11.5
BA	03.07.2008 - 09.07.2008	50,000.00	15,859,000.00	60 months	11-11.5
AZ	01.04.2008 - 02.07.2008	3,539,000.00	179,226,000.00	60 months	10.5-11
AY	01.01.2008 - 31.03.2008	1,086,000.00	20,887,000.00	60 months	10.5-11
AX	01.10.2007 - 31.12.2007	1,355,000.00	3,100,000.00	60 months	10.5-11
AW	01.07.2007 - 30.09.2007	654,000.00	1,914,000.00	60 months	10.5-11
AV	01.04.2007 - 30.06.2007	377,000.00	1,640,000.00	60 months	10.5-11
AU	01.01.2007 - 31.03.2007	1,512,000.00	2,036,000.00	60 months	9.-11
AT	13.08.2006 - 31.12.2006	996,000.00	1,174,000.00	60 months	9-9.5
AS	01.05.2006 - 12.08.2006	296,000.00	485,000.00	60 months	8.5-9
AR	15.06.2005 - 30.04.2006	460,000.00	580,000.00	60 months	8-8.5
AQ	01.04.2005 - 14.06.2005	365,000.00	365,000.00	60 months	8-8.5
AP	07.02.2005 - 14.06.2005	30,000.00	30,000.00	60 months	9.27-10.08
AO	07.02.2005 - 31.03.2005	39,000.00	39,000.00	60 months	8-8.5
AN	01.01.2005 - 06.02.2005	148,000.00	148,000.00	60 months	8.5-9
AI	01.10.2004 - 06.02.2005	10,000.00	51,000.00	60 months	10.2-12
AE	15.07.2004 - 30.09.2004	32,000.00	32,000.00	90 months	10.83-12
AD	01.07.2004 - 14.11.2004	30,000.00	30,000.00	60 months	9.5
Total		81,579,609,000.00	94,596,214,000.00		

Of the above, ₹ 26,598,961,000.00 (Previous Year: ₹ 40,281,719,000.00) is included in long-term borrowings and ₹ 54,917,898,000.00 (Previous Year: ₹ 54,232,677,000.00) is included in current maturities of long-term debt (Note 7.1) and ₹ 62,750,000.00 (Previous Year: ₹ 81,818,000.00) is included in unpaid matured debentures (note 7.2).

5.3 Secured Redeemable Non Convertible Debentures – Listed

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

Series	Date of allotment	Amount		Redemption Period	Rate of Interest (%)
		As at 31st March, 2014	As at 31st March, 2013		
L 4	12.01.2012	1,000,000,000.00	1,000,000,000.00	60 Months	13
Total		1,000,000,000.00	1,000,000,000.00		

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

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

5.4 Secured Non Convertible Debentures – Public Issue

The outstanding amount of Secured Rated Non-Convertible Listed Debentures raised through Public Issue stood at ₹ 23,734,590,000.00 (Previous Year: ₹ 16,872,937,000.00)

Series	Date of allotment	Amount		Redemption Period	Rate of Interest (%)
		As at 31st March, 2014	As at 31st March, 2013		
PL 7	04.02.2014	4,562,429,000.00	-	400 Days,2,3,5 years	11.00-12.25
PL 6	04.12.2013	2,767,121,000.00	-	400 Days,2,3,5 years	11.00-12.25
PL 5	25.09.2013	2,790,264,000.00	-	400 Days,2,3,5 years	11.00-12.55
PL 4	01.11.2012	2,749,404,000.00	2,749,404,000.00	2,3,5,6 years	11.50-12.25
PL 3	18.04.2012	2,597,522,000.00	2,597,522,000.00	2, 3, 5, 5.5 years	13.00-13.43
PL 2	18.01.2012	2,518,989,000.00	4,593,198,000.00	2, 3, 5, 5.5 years	13.00-13.43
PL 1	14.09.2011	5,748,861,000.00	6,932,813,000.00	2, 3, 5 years	11.75-12.25
Total		23,734,590,000.00	16,872,937,000.00		

Out of the above, ₹ 16,285,368,000.00 (Previous Year: ₹ 13,614,776,000.00) is classified as Long-term borrowings and ₹ 7,449,222,000.00 (Previous Year: ₹ 3,258,161,000.00) is classified as Current maturities of Long-term Debt.

5.5 Subordinated Debt

Subordinated Debt is subordinated to the claims of other creditors and qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The outstanding amount of privately placed subordinated debt stood at ₹ 25,366,628,000.00 (Previous year: ₹ 23,000,972,000.00)

Series	Date of allotment	Amount		Redemption Period	Rate of Interest (%)
		As at 31st March, 2014	As at 31st March, 2013		
XVI	18.02.2014 - 31.03.2014	46,000,000.00	-	66months	12.67
XV	22.12.2013 - 17.02.2014	98,500,000.00	-	66months	12.67
XIV	18.09.2013 - 21.12.2013	298,000,000.00	-	66months	12.67
XIII	08.07.2013 - 17.09.2013	98,000,000.00	-	66months	12.67
XII	01.04.2013 - 07.07.2013	1,825,156,000.00	-	66months	12.67
XI	01.10.2012 - 31.03.2013	4,651,420,000.00	4,651,420,000.00	66months	12.67-13.39
X	01.04.2012 - 30.09.2012	3,548,456,000.00	3,548,456,000.00	66months	12.67-13.39
IX	01.11.2011 - 31.03.2012	4,081,076,000.00	4,081,076,000.00	66months	12.67-13.39
E	21.03.2005	65,942,000.00	65,942,000.00	144 months	15.00
VIII	01.07.2011 - 31.10.2011	2,343,849,000.00	2,343,849,000.00	66months	12.67
VII	01.01.2011 - 07.02.2011	437,284,000.00	437,284,000.00	72 months	11.61
VII	01.04.2011 - 30.06.2011	1,270,315,000.00	1,270,315,000.00	66months	12.67
VII	08.02.2011 - 31.03.2011	1,080,398,000.00	1,080,398,000.00	66months	12.67
VI	01.07.2010 - 31.12.2010	1,912,708,000.00	1,912,708,000.00	72 months	11.61
D	03.04.2004	14,058,000.00	14,058,000.00	144 months	15.00
V	01.01.2010 - 30.06.2010	1,038,649,000.00	1,038,649,000.00	72 months	11.61
C	01.11.2003	98,751,000.00	98,751,000.00	144 months	15.00
B	30.09.2003	110,000,000.00	110,000,000.00	144 months	15.00
IV	17.08.2009 - 31.12.2009	759,309,000.00	759,309,000.00	72 months	11.61

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

Series	Date of allotment	Amount		Redemption Period	Rate of Interest (%)
		As at 31st March, 2014	As at 31st March, 2013		
IV	01.07.2009 - 16.08.2009	12,421,000.00	12,421,000.00	72 months	12.50
IV	01.07.2009 - 16.08.2009	263,617,000.00	263,617,000.00	69 months	12.12
A	25.03.2003	111,249,000.00	111,249,000.00	144 months	15.00
III	15.12.2008 - 30.06.2009	193,191,000.00	193,191,000.00	72 months	12.50
III	15.12.2008 - 30.06.2009	744,894,000.00	744,894,000.00	69 months	12.12
II	18.08.2008 - 13.12.2008	263,385,000.00	263,385,000.00	72 months	11.61
Total		25,366,628,000.00	23,000,972,000.00		

Out of the above, ₹ 24,176,128,566.00 is classified as long term borrowings (Previous year: ₹ 23,000,972,000.00) and ₹ 1,190,499,434.00 is classified as current maturities of long term debt (Previous year: Nil)

5.6 Subordinated Debt – Public Issue

The outstanding amount of Unsecured, Rated, Redeemable Non-Convertible, Listed Subordinated Debt which qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions ,2007 issued through public issue stood at ₹ 880,186,000.00 (Previous Year : Nil) . The entire amount is classified as long term borrowings.

Series	Date of allotment	Amount		Redemption Period	Rate of Interest (%)
		As at 31st March, 2014	As at 31st March, 2013		
PL 7	04.02.2014	437,571,000.00	-	6 Years	12.25
PL 6	04.12.2013	232,879,000.00	-	6 Years	12.25
PL 5	25.09.2013	209,736,000.00	-	6 Years	12.25
Total		880,186,000.00	-		

5.7 Subordinated Debt - Listed

The privately placed Unsecured, Rated, Redeemable Non-Convertible Listed Subordinated Debt which qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions ,2007 stood at ₹ 100,000,000.00 (Previous Year : ₹ 100,000,000.00) . The entire amount is classified as long term borrowings.

Series	Date of allotment	Amount		Redemption Period	Rate of Interest (%)
		As at 31st March, 2014	As at 31st March, 2013		
IA	26.03.2013	100,000,000.00	100,000,000.00	10 Years	12.35
Total		100,000,000.00	100,000,000.00		

6. Other Long Term Liabilities

Particulars	Amount	
	As at 31st March, 2014	As at 31st March, 2013
Interest accrued but not due on long term borrowings	8,909,185,910.26	5,568,501,523.84
Security Deposit Received	65,894,724.50	65,337,616.76
Total	8,975,080,634.76	5,633,839,140.60

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

7. Trade Payables and Other Current Liabilities

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
(a) Current maturities of long term debt (Refer Note 7.1)	65,086,848,782.07	66,474,920,081.00
(b) Interest accrued but not due on borrowings	6,372,982,828.80	5,455,932,071.18
(c) Interest accrued and due on borrowings	248,412,886.87	620,521,871.56
(d) Unpaid matured debentures and interest accrued thereon (Refer Note No.7.2)	71,790,392.00	108,362,765.00
(e) Trade Payables	417,524,398.69	327,059,067.43
(f) Other payables		
Statutory Payables	217,157,253.50	160,902,301.09
Unpaid Dividend	2,159,104.15	443,548.00
Others	14,995,370.00	7,778,290.00
Total	72,431,871,016.08	73,155,919,995.26

7.1 Current Maturities of Long Term debts:-

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Secured		
Secured Non-Convertible Debentures	54,917,898,000.00	54,216,818,000.00
(Secured by mortgage of immovable property and pari passu floating charge on current assets, book debts and Loans & advances)		
Secured Non-Convertible Debentures	-	15,859,000.00
(Secured by mortgage of immovable property and charge on all movable fixed assets)		
Secured Non-Convertible Debentures - Listed	7,449,222,000.00	3,258,161,000.00
(Secured by mortgage of immovable property and pari passu floating charge on current assets, book debts and Loans & advances)		
From Banks		
Term Loan (Secured by pari passu floating charge on current assets, book debts, Loans & Advances and personal guarantee of Promoter Directors)	1,521,700,000.00	3,978,300,000.00
Term loan (Secured by specific charge on Vehicles)	5,718,683.60	4,143,045.00
From Financial Institutions		
Term Loan (Secured by pari passu floating charge on current assets, book debts and Loans & advances and personal guarantee of Promoter Directors)	-	5,000,000,000.00
Term Loan (Secured by specific charge on vehicles)	1,810,664.47	1,639,036.00
Unsecured		
Subordinated Debt	1,075,624,000.00	-
Subordinated Debt - From Related Parties	114,875,434.00	-
Total	65,086,848,782.07	66,474,920,081.00

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

7.2 Unpaid matured debentures and interest thereon:

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Unpaid Matured Debentures	62,750,000.00	81,818,000.00
Interest on Unpaid Matured Debentures	9,040,392.00	26,544,765.00
Total	71,790,392.00	108,362,765.00

8. Short Term Provisions

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Proposed Equity Dividend (Refer Note 27)	371,712,768.00	1,672,707,456.00
Provision for Corporate Dividend Tax	63,172,580.00	271,354,970.00
Provision for Non Performing Assets (Refer Note 8.1)	725,382,249.00	700,626,794.00
Provision for Standard Assets (Refer Note 8.1)		
- As per RBI Prudential Norms	536,137,097.00	646,544,685.00
- General	428,909,677.00	129,308,937.00
Provision for Income Tax (Net of Advance Tax and TDS of ₹ 4,070,882,113.09/- Previous Year: ₹ 4,908,631,712.42/-)	53,079,372.91	262,465,344.58
Total	2,178,393,743.91	3,683,008,186.58

8.1 Movement of Provision for Standard and Non-Performing Assets

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

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Provision for Standard Assets		
Standard Assets	214,454,838,673.81	258,617,873,805.41
Provision at the beginning of the year		
- As per RBI Prudential Norms	646,544,685.00	529,985,918.00
- General	129,308,937.00	-
Additional provision made / Reversed during the year		
- As per RBI Prudential Norms	(110,407,588.00)	116,558,767.00
- General	299,600,740.00	129,308,937.00
Provision at the close of the year		
- As per RBI Prudential Norms	536,137,097.00	646,544,685.00
- General	428,909,677.00	129,308,937.00
	965,046,774.00	775,853,622.00
Provision for Non-Performing Assets		
Substandard Assets	4,017,544,999.93	5,129,731,295.31
Doubtful Assets	142,969,951.56	120,574,138.00
Total Non-Performing Assets	4,160,514,951.49	5,250,305,433.31
Provision at the beginning of the year	700,626,794.00	181,304,464.00
Additional provision made during the year	24,755,455.00	519,322,330.00
Provision at the close of the year	725,382,249.00	700,626,794.00

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

9. Fixed Assets	Gross Block		As at 31st March, 2014	As at 1st April, 2013	Accumulated Depreciation		Net Block	
	Additions	Disposals			Depreciation / Amortisation Charge for the year	Deductions/ adjustments during the year	As at 31st March, 2014	As at 31st March, 2013
a Tangible Assets								
Land	654,000.00	-	546,513,212.00	-	-	-	546,513,212.00	545,859,212.00
Buildings	127,684,979.25	-	687,837,915.70	85,005,255.28	25,446,795.00	-	577,385,865.42	475,147,681.17
Furniture and Fixtures	134,101,988.46	1,069,915.00	1,140,897,849.82	428,124,022.06	135,785,956.52	466,760.00	577,454,631.24	579,741,754.30
Plant and Machinery	291,211,267.97	902,028.00	1,631,103,957.25	364,737,521.05	168,415,682.30	239,124.00	1,098,189,877.90	976,057,196.23
Computer	148,666,626.57	-	728,497,145.34	350,559,991.42	123,412,573.82	-	254,524,580.10	229,270,527.55
Motor Car	6,044,788.09	5,421,552.00	75,215,942.09	30,404,995.10	11,709,888.09	2,324,601.00	35,425,659.90	44,187,710.90
Wind Mill	-	-	180,598,860.00	142,781,731.89	7,563,426.00	-	30,253,702.11	37,817,128.11
Total	708,363,650.34	7,393,995.00	4,990,664,882.20	1,401,613,516.80	472,334,321.73	3,030,485.00	3,119,747,528.67	2,888,081,210.06
Previous Year	721,422,969.03	6,050,020.00	4,289,694,726.86	953,266,182.34	451,642,529.46	3,295,195.00	2,888,081,210.06	2,621,055,595.49
b Intangible Assets								
Computer software	2,650,851.23	-	17,880,061.34	9,533,125.00	2,281,114.00	-	6,065,822.34	5,696,085.11
Total	2,650,851.23	-	17,880,061.34	9,533,125.00	2,281,114.00	-	6,065,822.34	5,696,085.11
Previous Year	2,644,430.11	-	15,229,210.11	6,745,202.00	2,787,923.00	-	83,785,469.00	95,963,836.25
c Capital Work In Progress								
Previous Year	-	-	-	-	-	-	95,963,836.25	38,947,633.25
d Intangible assets under Development								
Computer Software	-	-	-	-	-	-	60,267,280.00	40,431,863.00
Total	-	-	-	-	-	-	60,267,280.00	40,431,863.00
Previous Year	-	-	-	-	-	-	40,431,863.00	16,417,598.00

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

10. Non - Current Investments

Particulars	As at	
	31st March, 2014	31st March, 2013
Non - Current Investments in fully paid equity shares are as under:		
a) Quoted:		
Union Bank of India – valued at cost	49,940.00	49,940.00
454 Equity shares of ₹ 10/- each fully paid up (Previous year: 454 Equity shares of ₹ 10/- each fully paid up)		
Market Value	62,289.00	98,995.00
Aggregate Value of Quoted Investments	49,940.00	49,940.00
b) Unquoted:		
In other Companies – valued at cost		
Muthoot Forex Ltd (Previously known as Muthoot Exchange Company Private Limited)	19,700,000.00	45,000,000.00
1,970,000 Equity shares of ₹ 10/- each fully paid up (Previous year: 4,500,000 Equity shares of ₹ 10/- each fully paid up)		
Muthoot Securities Limited	27,000,000.00	30,000,000.00
2,700,000 Equity share of ₹ 10/- each fully paid up (Previous Year: 3,000,000 Equity share of ₹ 10/ each fully paid up)		
Aggregate Amount of Unquoted Investments	46,700,000.00	75,000,000.00
Total Non-Current Investment	46,749,940.00	75,049,940.00

11. Deferred Tax Asset / (Liability)

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

Particulars	Deferred Tax Asset/(Liability)		
	At the beginning of the year	Credits/(Charge) during the year	At the close of the year
Deferred Tax Asset:			
Timing Difference on account of :			
Depreciation and Amortisation	(40,562,331.00)	6,614,865.00	(33,947,466.00)
Provision for Non-Performing Assets	236,003,822.90	8,414,379.00	244,418,201.90
Net Deferred Tax Asset	195,441,491.90	15,029,244.00	210,470,735.90

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

12. Long Term Loans and Advances

Particulars	As at	
	31st March, 2014	31st March, 2013
Unsecured, considered good		
a. Capital Advances	78,276,434.73	220,544,490.05
b. Security Deposits	941,175,159.51	824,680,950.01
Total	1,019,451,594.24	1,045,225,440.06

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

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

13. Current Investments (Valued at lower of cost and fair value) – Quoted

Current investments refers to investment in 307 bonds of 10.05% Unsecured, Redeemable, Non-Convertible, Upper Tier II Subordinated Bonds issued by Yes Bank Limited ₹ 307,000,000.00 listed in BSE (Previous Year: ₹ 750,000,000.00) .

14. Trade Receivables

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Secured, considered good		
Interest Receivable on Retail Loans	10,600,202,435.80	10,910,001,432.00
Unsecured, considered good		
Interest Receivable on Retail Loans	1,078,197.00	4,331,002.00
Receivables from Money Transfer business	265,289,491.47	300,696,186.95
Receivables from Auction Proceeds	770,981,419.00	242,410,025.00
Wind Mill income receivable	2,128,878.00	2,643,878.00
Sub-Total	11,639,680,421.27	11,460,082,523.95
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good		
Wind Mill income receivable	-	21,687,835.50
Sub-Total	-	21,687,835.50
Grand Total	11,639,680,421.27	11,481,770,359.45

15. Cash and Bank Balances

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
I. Cash and Cash Equivalents		
a. Cash on hand	2,347,061,235.96	1,836,163,309.55
b. Balances with banks		
Current Accounts	16,872,853,791.79	10,845,228,865.24
Unpaid Dividend Account	2,159,104.15	443,548.00
Fixed Deposits (maturing within a period of 3 months)	350,000,000.00	720,000,009.00
II. Other Bank Balances		
Fixed Deposits on which lien is marked	573,529.40	446,844.00
Fixed Deposits given as Security against borrowings	13,719,143.00	13,831,357.00
Fixed Deposits given as Security against Guarantees	3,693,750.00	3,873,750.00
Other Fixed Deposits	899,207,000.00	-
Total	20,489,267,554.30	13,419,987,682.79
Fixed Deposits with more than 12 months maturity	1,127,656.40	5,185,868.00

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

16. Short term loans and advances

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Retail Loans (Refer Note 16.1)		
Secured, Considered good	214,415,194,906.83	258,543,793,240.43
Secured, Doubtful	4,160,514,951.49	5,250,305,433.31
Unsecured, considered good	39,643,766.98	74,080,564.98
Other Deposits & Advances		
Unsecured, considered good		
Prepaid Expenses	28,836,262.00	73,761,773.00
Service tax Pre-Deposit	8,300,000.00	8,300,000.00
Others	292,406,190.86	180,847,142.98
Total	218,944,896,078.16	264,131,088,154.70

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
16.1 Retail Loans		
Retail Loan assets	218,615,353,625.30	263,868,179,238.72
Breakup of Retail Loan assets		
Gold Loan Receivables	216,179,103,240.32	260,003,725,257.74
Other Loans	2,436,250,384.98	3,864,453,980.98

17. Other current assets

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Interest receivable on Bank Deposits	3,326,966.00	14,300,331.80
Interest receivable on Current Investments	8,030,363.01	19,618,150.68
Total	11,357,329.01	33,918,482.48

18. Revenue from Operations

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Interest Income on Retail Loans	48,920,415,539.73	53,360,145,976.59
Income from Windmill	13,703,827.50	24,651,777.50
Other Operating Income	344,700,685.78	204,186,867.47
Total	49,278,820,053.01	53,588,984,621.56

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

19. Other Income

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Interest from Fixed Deposits with Bank	70,993,542.80	195,639,653.95
Interest from Current Investments	85,776,381.95	85,698,393.58
Profit on sale of Long Term Investments	37,950,000.00	-
Other non-operating income	825,025.00	1,043,872.00
Total	195,544,949.75	282,381,919.53

20. Employee Benefits Expense

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Salaries and incentives	5,295,291,034.30	4,983,957,424.48
Contribution to Provident and Other Funds	380,303,115.00	359,096,881.62
Expenses on Employees Stock Option Plan (Refer Note No. 25 c)	98,731,243.00	-
Staff welfare expenses	142,796,366.57	109,695,263.61
Total	5,917,121,758.87	5,452,749,569.71

21. Finance Costs

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Interest Expenses	25,664,663,172.66	27,623,936,205.47
Other Borrowing Costs	595,216,404.10	570,506,686.52
Total	26,259,879,576.76	28,194,442,891.99

22. Other Expenses

Particulars	₹	
	Year ended 31 March, 2014	Year ended 31st March, 2013
Postage, Telegram and Telephone	363,891,322.41	242,736,715.42
Printing and Stationary	184,911,348.08	168,287,014.07
Rent Paid	1,541,703,632.45	1,309,254,514.55
Travelling and Conveyance	189,932,843.93	175,840,096.33
Bank Charges	36,612,685.35	38,791,897.17
Electricity Charges	221,636,701.75	186,706,691.05
Repairs and Maintenance -Buildings	61,140,825.00	77,402,262.36
Repairs and Maintenance -Plant & Machinery	85,130,477.00	86,215,366.68
Repairs and Maintenance -Others	126,158,607.56	92,009,425.32
Water Charges	4,597,543.00	6,204,130.30
Rates & Taxes and License Fee	62,421,778.36	27,185,064.87
Legal & Professional Charges	215,956,031.72	86,417,083.04
Insurance Charges	43,088,299.00	32,790,433.00
Newspaper and Periodicals	5,672,099.52	2,805,503.35

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

22. Other Expenses (Contd.)

Particulars	₹	
	Year ended 31 March, 2014	Year ended 31st March, 2013
Business Promotion Expenses	279,445,066.19	331,920,323.31
Advertisement	702,157,532.78	579,143,434.17
Vehicle Hire & Maintenance	11,674,896.75	10,286,137.82
Internal Audit and Inspection Expenses	117,219,843.00	110,314,059.75
Remuneration to Auditors (Refer Note 22.1)	1,797,760.00	1,448,320.00
Directors' Sitting Fee	275,000.00	255,000.00
Commission to Non-Executive Directors	1,600,000.00	1,600,000.00
Loss on Sale of Fixed Assets	80,760.00	213,367.00
Total	4,257,105,053.85	3,567,826,839.56

Particulars	₹	
	Year ended 31st March, 2014	Year ended 31st March, 2013
22.1 Auditors' Remuneration (including Service Tax)		
Statutory Audit	1,348,320.00	1,123,600.00
Tax Audit	224,720.00	224,720.00
Other Services	224,720.00	100,000.00
Total	1,797,760.00	1,448,320.00

23. Provisions and Write Offs

Particulars	₹	
	Year ended 31 March, 2014	Year ended 31st March, 2013
Provision For Non-Performing Assets (Refer Note 8.1)	24,755,455.00	519,322,330.00
Provision For Standard Assets (Refer Note 8.1)		
- As per RBI Prudential Norms	(110,407,588.00)	116,558,767.00
- General	299,600,740.00	129,308,937.00
Bad Debt Written Off	224,138,077.35	130,272,553.00
Total	438,086,684.35	895,462,587.00

24. Leases

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

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

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

Lease rentals received for assets let out on operating lease ₹ 821,905.00 (Previous year: ₹ 981,832.00) are recognised as income in the Statement of Profit and Loss under the head 'Other Income' and lease payments for assets taken on an operating lease ₹ 1,541,703,632.45 (Previous year: ₹ 1,309,254,514.55) are recognised as 'Rent Paid' in the Statement of Profit and Loss.

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

25. Employee Benefits

a) Defined Contribution Plan

During the year, the Company has recognised the contribution to Provident Fund, in the Statement of Profit and Loss in Note 20- Employee Benefit Expenses as under:-

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Contribution to Provident Fund	241,221,049.00	233,041,454.00
Total	241,221,049.00	233,041,454.00

b) Defined Benefit Plan

Gratuity Plan

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

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

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

Particulars	₹	
	As on 31st March, 2014	As on 31st March, 2013
A) Reconciliation of opening and closing balance of defined benefit obligation		
Defined benefit obligation at the beginning of the year	304,110,843.00	220,491,830.00
Interest Cost	24,024,757.00	18,741,806.00
Current Service Cost	94,940,673.00	89,009,134.00
Benefits paid	(4,941,128.00)	(5,877,057.00)
Actuarial (gain)/loss	(25,092,603.00)	(18,254,870.00)
Defined benefit obligation at the end of the year	393,042,542.00	304,110,843.00
B) Reconciliation of opening and closing balance of fair value of Plan Assets		
Fair value of plan assets at the beginning of the year	301,701,553.00	229,074,210.00
Expected rate of return on plan assets	25,531,847.00	19,207,928.00
Contributions	59,910,000.00	51,538,303.00
(Benefit paid)	(4,941,128.00)	(5,877,057.00)
Actuarial gains/(losses) on plan assets	(7,892,817.00)	7,758,169.00
Fair value of plan assets at the end of the year	374,309,455.00	301,701,553.00
C) Expense for the year		
Current service cost	94,940,673.00	89,009,134.00
Interest Cost	24,024,757.00	18,741,806.00
(Expected rate of return on plan assets)	(25,531,847.00)	(19,207,928.00)
Actuarial gains/(losses)	(17,199,786.00)	(26,013,039.00)
D) Investment details		
Insurer managed funds	374,309,455.00	301,701,553.00
E) Experience adjustment		
On Plan Liability (Gain)/Losses	5,783,620.00	141,138,572.00
On Plan Assets (Losses)/Gain	(7,892,817.00)	7,758,169.00
F) Actuarial assumptions		
Discount rate	8.9% p.a	7.9% p.a
Salary Escalation	7% p.a	7% p.a
Rate of return on plan assets	8.5% p.a.	8.5% p.a.

The deficit in funding of gratuity ₹ 18,733,086.00 has been accounted as Long term provisions.

Estimated employer contribution for 2014-15 - ₹ 90,000,000.00

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

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

Particulars	₹			
	31st March, 2014	31st March, 2013	31st March, 2012	31st March, 2011
Defined benefit obligation	393,042,542.00	304,110,843.00	220,491,830.00	105,998,892.00
Plan Assets	374,309,455.00	301,701,553.00	229,074,210.00	130,308,285.00
Surplus/ (Deficit)	18,733,087.00	2,409,290.00	(8,582,380.00)	(24,309,393.00)
Experience adjustments on plan Liabilities - (Gains) / Losses	5,783,620.00	141,138,572.00	11,359,449.00	32,796,303.00
Experience adjustments on plan Assets - (Losses) / Gains	(7,892,817.00)	7,758,169.00	569,068.00	(1,234,881.00)

c) Employee stock option

Pursuant to the decision of the shareholders at their meeting held on 27th September, 2013, the company has established "Muthoot ESOP 2013" scheme administered by the ESOP Committee of Board of Directors. The options are being granted as per the following :-

Particulars	Growth Options – Grant A	Growth Options – Grant B	Loyalty Options
Date of Grant	9th November, 2013	9th November, 2013	9th November, 2013
Date of Board approval	9th November, 2013	9th November, 2013	9th November, 2013
Method of Settlement	Equity settled	Equity settled	Equity settled
No. of equity shares for an option	One option – One share	One option – One share	One option – One share
No. of options granted	3,711,200	1,706,700	1,571,075
Exercise Price	₹ 50	₹ 50	₹ 10
Vesting Period	1-5 years	2-6 years	1-2 years
Manner of vesting	In a graded manner over a 5 year period with 10%,15%,20%,25% and 30% of the grants vesting in each year commencing from the end of 12 months from the date of grant	In a graded manner over a 6 year period with 10%,15%,20%,25% and 30% of the grants vesting in each year commencing from the end of 24 months from the date of grant	In a graded manner over a 2 year period with 50% vesting at the end of 12 months from the date of grant and the remaining 50% of the grants vesting at the end of 24 months from the date of grant
No of options lapsed	183,600	153,200	25,875
No. of options outstanding as at 31 March, 2014	3,527,600	1,553,500	1,545,200

The Company has used Intrinsic value method for accounting of Employee Stock Compensation costs. Intrinsic Value is the amount, by which the quoted closing market price of the underlying shares as on the date of grant exceeds the exercise price of the option.

The fair value of options based on valuation of independent valuer as of the respective date of grant are given below :-

Particulars	Growth Options – Grant A	Growth Options – Grant B	Loyalty Options
	₹ 68.75 (9th Nov, 2014)	₹ 70.21 (9th Nov, 2015)	₹ 102.01 (9th Nov, 2014)
	₹ 70.21 (9th Nov, 2015)	₹ 71.13 (9th Nov, 2016)	₹ 98.64 (9th Nov, 2015)
Fair value per option tranche on grant date	₹ 71.13 (9th Nov, 2016)	₹ 71.52 (9th Nov, 2017)	
	₹ 71.52 (9th Nov, 2017)	₹ 71.47 (9th Nov, 2018)	
	₹ 71.47 (9th Nov, 2018)	₹ 71.11 (9th Nov, 2019)	

The Company has used Intrinsic value method for accounting of Employees Stock Compensation costs. Had the Company adopted

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

Fair value method in respect of Options granted instead of Intrinsic value method, the impact in the financial statements for the year would be :

Decrease in employee compensation costs	₹ 8,19,304.00
Increase in profit after tax	₹ 8,19,304.00
Increase in Basic and Diluted EPS (₹ per share)	0.01

The fair value has been calculated using Black Scholes Model and the significant assumptions made in this regard are as follows :-

Particulars	Growth Options – Grant A	Growth Options – Grant B	Loyalty Options
Risk free interest rate	8.4% - 8.8% p.a.	8.4%-8.95% p.a.	8.4% -8.45% p.a.
Expected average life of option	1.5 – 5.5 years	2.5 – 6.5 years	1.5-2.5 years
Expected Volatility	0.5768	0.5768	0.5768
Expected Dividend Yield	3.84 % p.a.	3.84 % p.a.	3.84 % p.a.

26. CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for):- ₹

Particulars	As at 31st March, 2014	As at 31st March, 2013
(i) Contingent Liabilities		
(a) Claims against the company not acknowledged as debt		
i) Service Tax demand for the period 2003-2008, pending in appeal with CESTAT (Net of amount already remitted)	49,921,307.00	49,921,307.00
Commissioner of Central Excise, Customs and Service Tax, Cochin has raised a demand of ₹ 52,007,698.00 (Previous year: ₹ 52,007,698.00) as Service tax liability and penalty. During the course of the proceedings Company paid ₹ 2,086,391.00. The Appellate Authority admitted the Appeal preferred by the company and granted stay of recovery, on predeposit of ₹ 8,300,000.00 (Previous year: ₹ 8,300,000.00). Pending disposal of appeal, no provision has been made by the company during the year.		
ii) Income Tax demand for Assessment Year 2012-13 issued by CPC Bangalore U/s. 143 (1) Intimation ₹ 52,829,853.00/-. Out of the above demand ₹ 47,730,750.00/- has already been paid and balance outstanding is ₹ 5,099,103.00/-	5,099,103.00	-
iii) Income Tax demand for Assessment Year 2010-11, pending in appeal with Commissioner of Income Tax (Appeals) , Cochin.	14,563,505.00	36,384,640.00
Additional Commissioner of Income Tax, Range 1, Kochi has passed an order demanding ₹ 3,63,84,640/- towards income tax due for the Assessment Year 2010-11 U/s.143(3).The Company has remitted ₹ 2,18,21,135/- and the balance demand outstanding as on 31.03.2014 is ₹ 1,45,63,505/-.		
iv) Income tax demand for Assessment Year 2009-10, pending in appeal with Commissioner of Income Tax (Appeals), Kochi	-	11,071,240.00

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

26. CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for):- (Contd.) ₹

Particulars	As at 31st March, 2014	As at 31st March, 2013
Additional Commissioner of Income Tax, Range 1, Kochi has passed an order demanding ₹ 13,782,470.00/- towards income tax due for the Assessment Year 2009-10 and on rectification ,demand was reduced to ₹ 1,33,21,240.00/- . The Commissioner of Income Tax (Appeals), Kochi has partly allowed the appeal in favour of the company. Company has filed appeal with ITAT, Cochin against the disallowances. The Company has already remitted the entire demand of tax and the balance demand pending as on 31.03.2014 is Nil.		
v) Income tax demand for Assessment Year 2006-07, appeal with CIT(Appeals) II ,Cochin not allowed. Appeal filed with ITAT Cochin is pending. Company has already remitted the entire demand of tax and the balance outstanding as on 31.03.2014 is Nil.	-	907,625.00
vi) Draft order on proposed action U/s.13 of Prevention of Money Laundering Act,2002 pending in appeal with Appellate Tribunal under Prevention of Money Laundering Act,2002 .	26,970,000.00	26,970,000.00
vii) Disputed claims against the company under litigation not acknowledged as debts	7,264,133.00	6,477,221.00
(b) Guarantees - Counter Guarantees Provided to Banks	93,693,750.00	83,873,750.00
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for.	129,867,000.00	148,744,000.00

27. Dividends proposed to be distributed to equity shareholders

The Board has recommended a final dividend for the year 2013-14 of Re.1/- (10%) per equity share of ₹ 10/- each , subject to the approval of shareholders in the ensuing Annual General Meeting. The Company has during the year paid interim dividends aggregating to ₹ 5/- (50%) per equity share of ₹ 10/- each (Previous Year : Nil) . The total dividend for the year 2013-14 is ₹ 6/- (60%) per equity share of ₹ 10/- each (Previous Year: ₹ 4.5/- (45%) per equity share of ₹ 10/- each).

28. Earnings Per Share

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

Particulars	As at 31st March, 2014	As at 31st March, 2013
Profit/(Loss) after taxation for the year	7,800,690,535.78	10,042,395,229.53
Weighted average number of equity shares outstanding during the year	371,712,768	371,712,768
Face Value per share	₹ 10/	₹ 10/
Earnings Per Share (Basic & Diluted)	20.99	27.02

29. 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 period ended 31st March, 2014 together with interest paid /payable are required to be furnished.

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

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

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
a) CIF Value of Imports of Capital Goods	495,490.23	102,600.11
b) Expenditure in foreign currency on accrual basis		
Professional Charges	7,880,316.18	Nil
Others	4,327,763.86	5,752,490.77

31. Utilisation of proceeds of Public Issue of Secured Non - Convertible Debentures

The company has during the year raised through public issue (a) ₹ 10,119,814,000.00 of Rated Secured Redeemable Non - Convertible Debentures and (b) ₹ 880,186,000.00 of , Rated Unsecured, Redeemable Non-Convertible Debentures which qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 . As at 31st March, 2014, the Company has utilised the entire proceeds of the public issue, net of issue expenses in accordance with the objects stated in the offer documents.

32. Disclosure of related party transaction in accordance with Accounting Standard (AS18) "Related Party Disclosures" issued by The Institute of Chartered Accountants of India.

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

Category	Name of the Related Party
Key Management Personnel	1. M. G. George Muthoot
	2. George Thomas Muthoot
	3. George Jacob Muthoot
	4. George Alexander Muthoot
Relatives of Key Management Personnel	1. Sara George w/o M. G. George Muthoot
	2. Susan Thomas w/o George Thomas Muthoot
	3. Elizabeth Jacob w/o George Jacob Muthoot
	4. Anna Alexander w/o George Alexander Muthoot
	5. George M. George s/o M. G. George Muthoot
	6. Alexander M. George s/o M. G. George Muthoot
	7. George M. Jacob s/o George Jacob Muthoot
	8. Reshma Susan Jacob d/o George Jacob Muthoot
	9. George Alexander (Jr.) s/o George Alexander Muthoot
10. Eapen Alexander s/o George Alexander Muthoot	
11. Anna Thomas d/o George Thomas Muthoot	
12. Valsa Kurien w/o George Kurien	
13. Georgie Kurien s/o George Kurien	

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

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

Category	Name of the Related Party
Entities over which Key Management Personnel and their relatives are able to exercise significant influence	1. Muthoot Vehicle & Assets Finance Limited
	2. Muthoot Leisure And Hospitality Services Pvt. Limited
	3. MGM Muthoot Medical Centre Pvt. Limited.
	4. Muthoot Marketing Services Pvt. Limited.
	5. Muthoot Broadcasting Pvt. Limited
	6. Muthoot Forex Ltd (Previously known as Muthoot Exchange Company Pvt. Limited)
	7. Backdrop Advertising Pvt. Limited
	8. Emgee Board and Paper Mills Pvt. Limited
	9. Muthoot Health Care Private Limited (Previously known as Mar Gregorios Memorial Muthoot Medical Centre)
	10. Muthoot Precious Metals Corporation
	11. GMG Associates
	12. Muthoot Insurance Brokers Private Limited
	13. Emgee Muthoot Benefit Funds (India) Limited
	14. Geo Bros Muthoot Funds (India) Limited
	15. Muthoot Investment Advisory Services Private Limited
	16. Muthoot Securities Limited
	17. Muthoot M George Permanent Fund Limited
	18. Muthoot Housing & Infrastructure (Previously known as Muthoot Builders)
	19. Muthoot Properties & Investments
	20. Venus Diagnostics Limited
	21. Muthoot Systems & Technologies Pvt Ltd

(b) Transactions with Related Parties during the year:

Nature of transaction	Key Management Personnel		Relatives of Key Management Personnel		Entities over which Key Management Personnel and their relatives are able to exercise significant influence	
	31st March, 2014	31st March, 2013	31st March, 2014	31st March, 2013	31st March, 2014	31st March, 2013
Purchase of Travel Tickets for Company Executives/Directors/Customers					8,517,726.00	10,114,690.00
Travel Arrangements for Company Executives/Customers					1,072,612.00	3,486,969.00
Marketing of Money Transfer Business Outside the Country					3,191,936.70	5,481,200.00
Accommodation facilities for Company Executives/Clients/Customers					2,206,848.00	295,905.00
Complementary Medical Health Check Ups for Customers/ Employees					915,200.00	1,030,800.00
Release of Advertisements in Outdoor, Print and Electronic Media					123,541,499.00	145,080,076.00
Brokerage paid for NCD Public Issue					58,363,133.00	1,626,118.00
Business Promotion Expenses					32,397,547.00	5,406,733.87
Interest paid on loans/subordinated debts	260,034,265.00	142,677,050.00	179,944,446.00	69,365,412.00	-	-
Interest paid on Secured NCD	12,125.00	4,607.00	745,095.83	163,918.00	-	160,176.00
Interest on Inter Corporate Loans	-	-	-	-	4,179,406.00	16,610,714.00

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

(b) Transactions with Related Parties during the year: (Contd.)

Nature of transaction	Key Management Personnel		Relatives of Key Management Personnel		Entities over which Key Management Personnel and their relatives are able to exercise significant influence	
	31st March, 2014	31st March, 2013	31st March, 2014	31st March, 2013	31st March, 2014	31st March, 2013
	Remuneration to Directors	192,000,000.00	192,000,000.00	-	-	-
Remuneration to Directors' Relatives	-	-	3,525,000.00	3,275,000.00	-	-
Loans and Subordinated debts accepted	2,312,805,629.00	1,724,897,921.00	1,383,322,780.00	911,391,078.00	-	-
Loans and Subordinated debts repaid	1,133,540,387.56	959,997,240.00	247,496,144.14	195,443,478.00	-	-
Inter Corporate Loans accepted	-	-	-	-	43,850,000.00	55,070,000.00
Inter corporate Loans repaid	-	-	-	-	76,070,000.00	148,800,000.00
Investment in Secured NCD	-	97,000.00	4,423,000.00	1,656,000.00	-	37,500,000.00
Repayment of Secured NCD	-	-	-	-	-	77,500,000.00
Rent paid	3,447,125.00	3,060,000.00	706,667.00	600,000.00	4,324,824.00	3,880,940.00
Dividend paid	1,717,394,154.00	723,113,328.00	1,111,685,630.00	468,078,160.00	-	-
Service Charges Collected	-	-	-	-	5,015,838.00	5,098,726.00
Sale of Investments in Shares	66,250,000.00	-	-	-	-	-
Purchase of Fixed Assets	-	-	-	-	95,000.00	-
Loans availed by the Company for which guarantee is provided by related parties	103,050,000,000.00	112,130,000,000.00	27,000,000,000.00	22,500,000,000.00	400,000,000.00	400,000,000.00
Loans availed by the Company for which collateral security is provided by related parties	-	-	-	-	400,000,000.00	400,000,000.00

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

Particulars	Key Management Personnel		Relatives of Key Management Personnel		Entities over which Key Management Personnel and their relatives are able to exercise significant influence	
	31st March, 2014	31st March, 2013	31st March, 2014	31st March, 2013	31st March, 2014	31st March, 2013
	Investments in Equity Shares	-	-	-	-	46,700,000.00
Secured NCD	(97,000.00)	(97,000.00)	(6,079,000.00)	(1,656,000.00)	-	-
Security Deposit	-	-	-	-	(40,000,000.00)	(40,000,000.00)
Inter Corporate Loans	-	-	-	-	-	(32,220,000.00)
Rent Deposit	1,822,500.00	1,822,500.00	300,000.00	316,667.00	1,470,000.00	1,470,000.00
Loans and Subordinated debts	(2,480,251,922.44)	(1,300,986,681.00)	(1,981,526,235.86)	(845,699,600.00)	-	-
Trade Payables	(263,923.00)	(229,500.00)	(51,749.00)	(44,999.00)	(28,119,345.39)	(25,720,247.39)
Trade Receivable	-	-	-	-	57,232,454.05	87,441,400.27

33. Segment Reporting

- The Company is engaged in two segments of business – Financing and Power Generation.
- 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.

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

Primary Business Segment Information

Particulars	Financing		Power Generation		Consolidated Totals	
	31st March, 2014	31st March, 2013	31st March, 2014	31st March, 2013	31st March, 2014	31st March, 2013
Segment Revenue:						
External Revenue	49,265,116,225.51	53,564,332,844.06	13,703,827.50	24,651,777.50	49,278,820,053.01	53,588,984,621.56
Inter segment Revenue	-	-	-	-	-	-
Total Revenue	49,265,116,225.51	53,564,332,844.06	13,703,827.50	24,651,777.50	49,278,820,053.01	53,588,984,621.56
Result:						
Segment Result	11,932,549,235.45	15,015,733,879.34	2,910,348.00	12,463,565.50	11,935,459,583.45	15,028,197,444.84
Other Income	-	-	-	-	-	-
Unallocated corporate income	-	-	-	-	195,544,949.75	282,381,919.53
Unallocated corporate expenses	-	-	-	-	(195,448,040.00)	(196,125,164.00)
Profit Before Tax	11,932,549,235.45	15,015,733,879.34	2,910,348.00	12,463,565.50	11,935,556,493.20	15,114,454,200.37
Less: Provision for Current Tax / Deferred Tax	-	-	-	-	4,134,865,957.42	5,072,058,970.84
Profit after Tax	11,932,549,235.45	15,015,733,879.34	2,910,348.00	12,463,565.50	7,800,690,535.78	10,042,395,229.53
Other Information:						
Segment Assets	255,336,339,806.88	293,074,217,582.29	38,179,270.11	67,945,531.61	255,374,519,076.99	293,142,163,113.90
Unallocated Corporate Assets	-	-	-	-	564,220,675.90	1,020,491,431.90
Total Assets	255,336,339,806.88	293,074,217,582.29	38,179,270.11	67,945,531.61	255,938,739,752.89	294,162,654,545.80
Segment Liabilities	212,570,701,539.29	254,431,350,541.87	-	-	212,570,701,539.29	254,431,350,541.87
Unallocated Corporate Liabilities	-	-	-	-	722,276,448.56	2,375,651,909.67
Total Liabilities	212,570,701,539.29	254,431,350,541.87	-	-	213,292,977,987.85	256,807,002,451.54
Capital Expenditure	708,363,650.34	721,422,969.03	-	-	708,363,650.34	721,422,969.03
Depreciation	467,052,009.73	444,976,170.46	7,563,426.00	9,454,282.00	474,615,435.73	454,430,452.46
Non-Cash Expenditure other than Depreciation	213,948,607.00	765,190,034.00	-	-	213,948,607.00	765,190,034.00

NOTES ON ACCOUNTS

for the year ended 31st March, 2014

34. Frauds during the year

During the year, frauds committed by customer / staff of the company amounted to ₹ 19,701,706.00 (Previous year: ₹ 4,185,000.00) which has been recovered / written off / provided for.

35. Dividend remitted in foreign currency

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Dividend remitted in foreign currency - Final Dividend - F Y 2012-13 & First and Second Interim Dividend - F Y 2013-14	60,840,432.00	25,617,024.00
No. of non-resident shareholders to which this relates	1	1
No. of equity shares held (Face value of ₹ 10/-)	6,404,256	6,404,256
Financial year to which it relates	FY 2012-13 & FY 2013-14	FY 2011-12

The company has also remitted ₹ 264,441,172.50 in Indian currency to 908 non resident shareholders holding 58,764,705 shares of ₹ 10/- each as final dividend for the F Y 2012-13 and the company has remitted ₹ 174,697,074.00 in Indian currency to 980 non resident shareholders holding 58,232,358 shares of ₹ 10/- each as First Interim Dividend for the F Y 2013-14 and ₹ 101,637,018.00 in Indian currency to 915 shareholders holding 50,818,509 shares of ₹ 10/- each as Second Interim Dividend for the F Y 2013-14 (Previous year : The Company has remitted ₹ 150,220,372.00 in Indian currency to 1060 non-resident shareholders holding 37,555,093 shares of ₹ 10/- each).

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

SCHEDULE TO THE BALANCE SHEET

of a non-deposit taking non-banking financial company (As required in terms of paragraph 13 of Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2012)

Disclosure required as per Reserve Bank of India Notification No. DNBS.CC.PD.NO. 265/03.10.01/2011-12 dated 21st March, 2013.

Particulars	₹	
	As at 31st March, 2014	As at 31st March, 2013
Gold Loans granted against collateral of gold jewellery	216,179,103,240.32	260,003,725,257.74
Total assets of the Company	255,938,739,752.89	294,162,654,545.80
Percentage of gold loans to Total Assets	84.47%	88.39%

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

Particulars	(₹ in Lakhs)	
	Amount out-standing as on 31st March, 2014	Amount overdue
Liabilities side:		
(1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:		
(a) Debentures : Secured	1136228	NIL
: Unsecured	NIL	NIL
(other than falling within the meaning of public deposits)		
(b) Deferred credits	NIL	NIL
(c) Term Loans	19386	NIL
(d) Inter-corporate loans and borrowing	0	NIL
(e) Commercial Paper	918	NIL
(f) Other Loans (specify nature)		
Loan from Directors/ Relatives of Directors	40550	NIL
Subordinated Debt	344435	NIL
Borrowings from Banks/FI	562239	NIL
Overdraft against Deposit with Banks	4	

SCHEDULE TO THE BALANCE SHEET

of a non-deposit taking non-banking financial company (As required in terms of paragraph 13 of Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2012)

	(₹ in Lakhs)
	Amount outstanding
Assets side:	
(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below) :	
(a) Secured	2185757
(b) Unsecured	396
(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
(4) Break-up of Investments :	
Current Investments:	
1. Quoted:	
(i) Shares : (a) Equity	NIL
(b) Preference	NIL
(ii) Debentures and Bonds	3070
(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	467
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL

SCHEDULE TO THE BALANCE SHEET

of a non-deposit taking non-banking financial company (As required in terms of paragraph 13 of Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2012)

	(₹ in Lakhs)		
	Amount net of provisions		
Category	Secured	Unsecured	Total
(5) Borrower group-wise classification of assets financial as in (2) and (3) above:			
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	2185757	396	2186153
Total	2185757	396	2186153
(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)	(₹ in Lakhs)
1. Related Parties			
(a) Subsidiaries	NIL	NIL	
(b) Companies in the same group	467	467.00	
(c) Other related parties	NIL	NIL	
2. Other than related parties	3070.49	3070.49	
Total	3537.49	3537.49	
(7) Other information			(₹ in Lakhs)
Particulars	Amount		
(i) Gross Non-Performing Assets			
(a) Related parties		NIL	
(b) Other than related parties		41605	
(ii) Net Non-Performing Assets			
(a) Related parties		NIL	
(b) Other than related parties		34351	
(iii) Assets acquired in satisfaction of debt		NIL	

SCHEDULE TO THE BALANCE SHEET

of a non-deposit taking non-banking financial company (As required in terms of paragraph 13 of Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2012)

(Disclosure required as per Reserve Bank of India Notification No. DNBS(PD).263 /CGM (NSV)-2013 dated 16th September, 2013)

The Company auctioned 714014 loan accounts during the financial year. The outstanding dues on these loan accounts were ₹ 373473 Lakhs till the respective date of auction. The Company realised ₹ 342931 Lakhs on auctioning of gold jewellery taken as collateral security on these loans. Company confirms that none of its sister concerns participated in the above auctions.

(Disclosure in Balance Sheet required as per Reserve Bank of India Notification No. DNBS.200/CGM(PK)-2008 dated 1st August, 2008)

CRAR

Items	₹ in Lakhs	
	2013-14	2012-13
i) CRAR (%)	24.69	19.62
ii) CRAR-Tier I capital (%)	18.01	13.41
iii) CRAR-Tier II capital (%)	6.68	6.21

Exposures

Exposure to Real Estate Sector

Category	₹ in Lakhs	
	2013-14	2012-13
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 ₹ 15 Lakhs may be shown separately)	NIL	NIL
(ii) Commercial Real Estate -		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial; or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non- fund based (NFB) limits;	NIL	NIL
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential,	NIL	NIL
b. Commercial Real Estate.	NIL	NIL
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	NIL	NIL

SCHEDULE TO THE BALANCE SHEET

of a non-deposit taking non-banking financial company (As required in terms of paragraph 13 of Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2012)

ASSET LIABILITY MANAGEMENT

Maturity pattern of certain items of assets and liabilities

	₹ in Lakhs								
	1 to 30/ 31 days (one month)	Over one 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 year to 5 year	Over 5 year	Total
Liabilities									
Borrowings from Banks/ Financial Institutions	13267	6	10006	20880	536122	54	0	0	580335
Market Borrowings	67033	54456	43910	176366	295342	499422	176788	14196	1327513
Assets									
Advances	306061	546538	306062	480954	437231	109308	0	0	2186154
Investments				3070				467	3537

For and on behalf of the Board of Directors

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

Sd/-
George Alexander Muthoot
Managing Director

Place: Kochi
Date: 26th May, 2014

Sd/-
Oommen K. Mammen
Chief Financial Officer

Sd/-
Maxin James
Company Secretary

CORPORATE INFORMATION

BOARD OF DIRECTORS

M G George Muthoot
Chairman

George Alexander Muthoot
Managing Director

George Thomas Muthoot
Whole Time Director

George Jacob Muthoot
Whole Time Director

George Joseph
Non-Executive Independent Director

K. George John
Non-Executive Independent Director

John K Paul
Non-Executive Independent Director

K John Mathew
Non-Executive Independent Director

REGISTERED OFFICE

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

CIN: L65910KL1997PLC011300
RBI Regn. No: N.16.00167

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

Email (General):
mails@muthootgroup.com

Email (Investors):
investors@muthootfinance.com

Email (Institutional Investors):
investorrelations@muthootfinance.com

Website: www.muthootfinance.com

COMPANY SECRETARY

Maxin James

STATUTORY AUDITORS

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

LISTING

Equity Shares

National Stock Exchange of India Limited and BSE Limited

Non-convertible Debentures

National Stock Exchange of India Limited and/or BSE Limited

REGISTRAR AND TRANSFER AGENTS

Equity Shares

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
Website: www.linkintime.co.in

Listed Non-convertible Debentures

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 7878
Fax: (91 22) 2596 0329

Email: bonds.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

DEBENTURE TRUSTEE (LISTED NON-CONVERTIBLE DEBENTURES)

IDBI Trusteeship Services Limited
Asian Building, Ground Floor
17 R, Kamani Marg, Ballard Estate
Mumbai 400 001, India

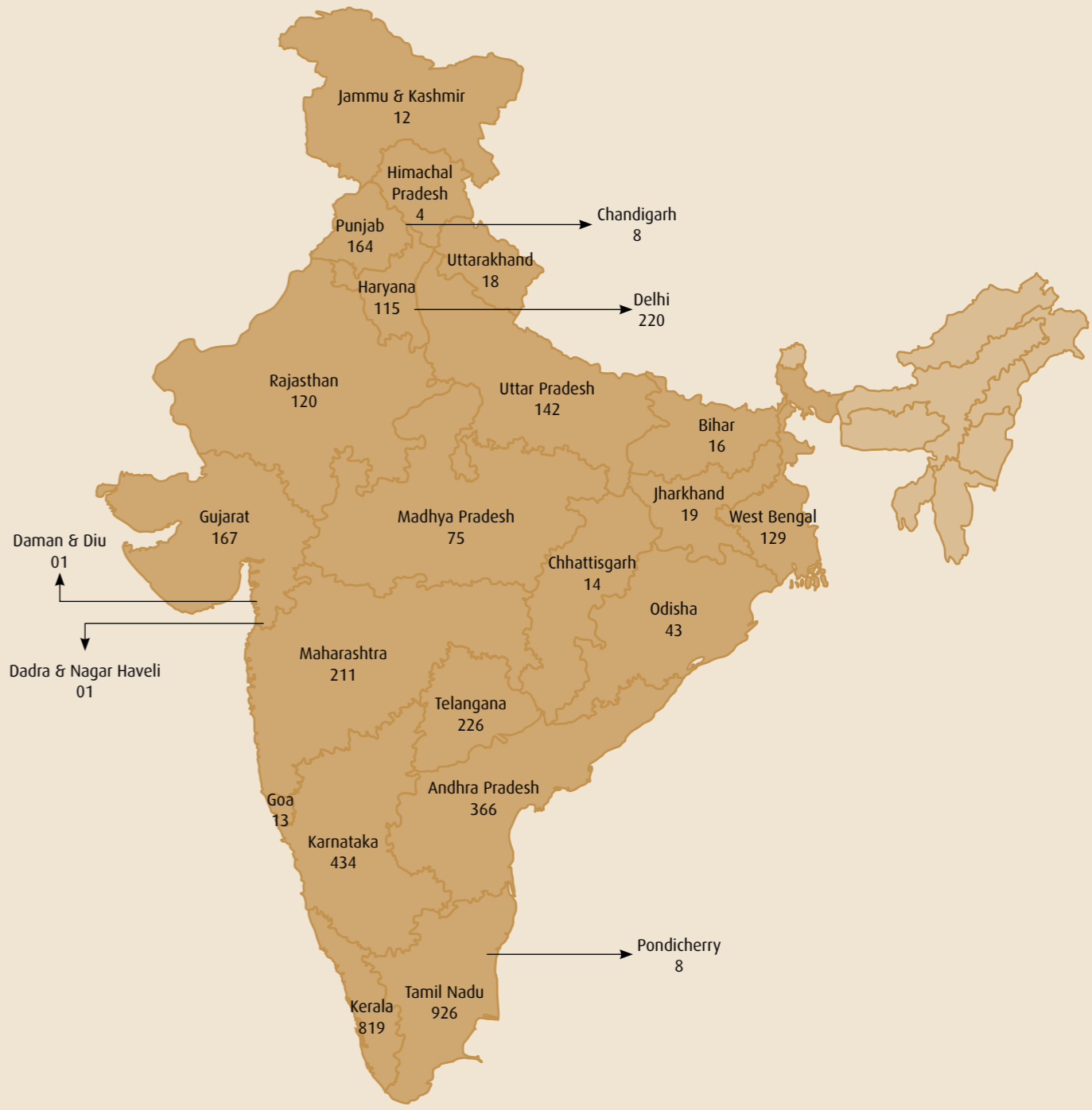
Tel: (91 22) 4080 7000
Fax: (91 22) 6631 1776

Email: itsl@idbitrustee.com
Website: www.idbitrustee.co.in

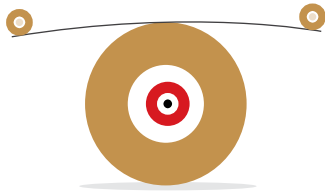
NOTES

NOTES

OUR BRANCHES



4271 Branches as on 30th June, 2014



Muthoot Finance

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

www.muthootfinance.com