In public interest

MUTHOOT FINANCE LIMITED | ANNUAL REPORT, 2011-12

Muthoot Finance

Disclaimer

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, may 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 'anticipates', 'estimates', '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 achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Content

India has the largest consumers of gold in the world. India also has the largest unbanked population in the world.

Decades ago, India's gold loan industry recognised this anomaly and set out to make financial inclusion a reality for all those millions holding small gold savings.

The result is that the total lending of this responsible national sector, against gold has totalled about Rs.1,500 billion, the majority across rural and semi-urban India with a credit recovery higher than 98%.

As India's leading gold finance company, Muthoot Finance reported a 67% increase in disbursement and a 80% growth in its profit after tax in 2011-12.

Driven by public interest.

Promoters at Muthoot Finance Limited have been engaged in the business of gold loans for more than seven decades.

The number of loan accounts outstanding by the Company has exceeded six million.

Helping people meet their urgent needs.

Helping strengthen small rural businesses.

Helping catalyse local economies.

Helping build a stronger India.

Parentage

- Flagship company of The Muthoot Group (M George Enterprise)
- Commenced trading business in 1887; started gold loan business in 1939
- Entered the retail gold loan segment under Muthoot Bankers, a partnership firm. Incorporated Muthoot Finance Ltd in 1997 and commenced business as a NBFC in 200.
- Achieved a market capitalisation of Rs. 4,700 crore (as on March 31, 2012), the Company is now a public limited company classified as a Systemically Important Non-Deposit taking NBFC

Presence

- Headquartered in Kochi, Kerala, the Company has 3,678 branches as of March 31, 2012 across 21 states, national capital territory of Delhi and four union territories.
- With a strong presence in Southern India (64% of total braches), the Company enhanced its operations across the country.

Products

- Gold loans

Other services

- Money transfer services
- Collection services
- Windmill Power Generation business

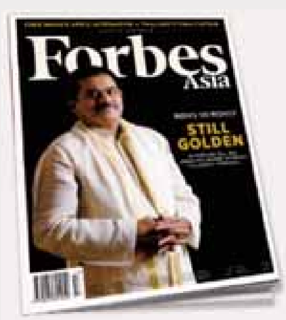
Promoter holding	Gross Retail loan assets under management	Revenues	Profit after tax	Employees
80.12%	Rs. 24,673 crore	Rs. 4,549 crore	Rs. 892 crore	25,351
March 31, 2012	March 31, 2012	2011-12	2011-12	March 31, 2012

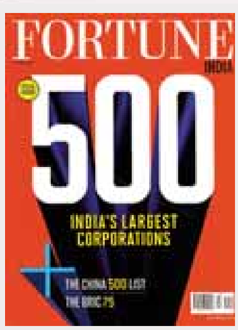
Branches distributed geographically

North	South	East	West
18%	64%	5%	13%
March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012

Awards and accolades

- *Forbes Asia* listed Mr.M.G.George Muthoot, Chairman, The Muthoot Group as the 50th richest person in India
- Fortune India 500 listed Muthoot Finance Ltd in 160th position among the profit making listed companies.
- Muthoot Finance Ltd received the Golden Peacock Award for Corporate Social Responsibility for the year 2012
- Mr. M.G. George Muthoot, Chairman of the Muthoot Group was conferred the Business Leadership award for 2012 at the Golden Peacock Awards

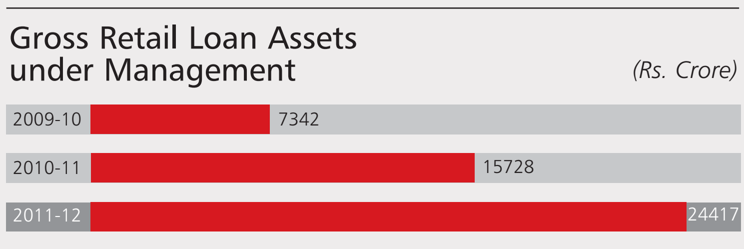




Performance

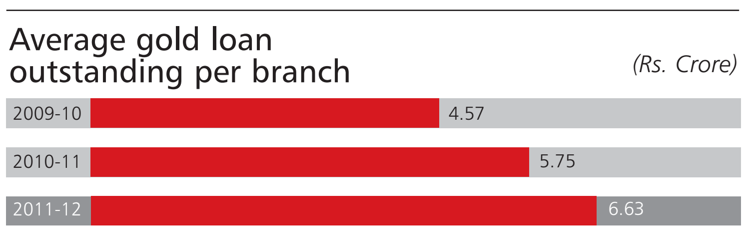
CAGR

95%



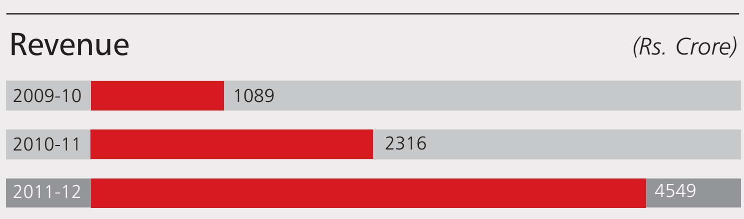
CAGR

26%



CAGR

94%

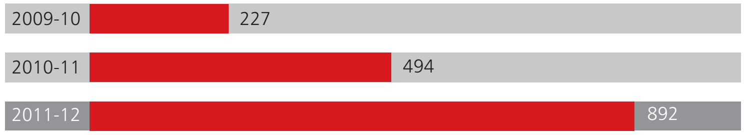


CAGR

109%

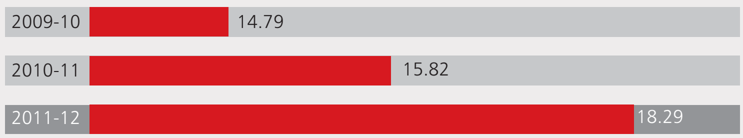
Profit after tax

(Rs. Crore)



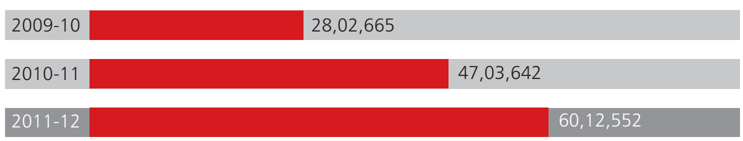
Capital adequacy ratio

(%)



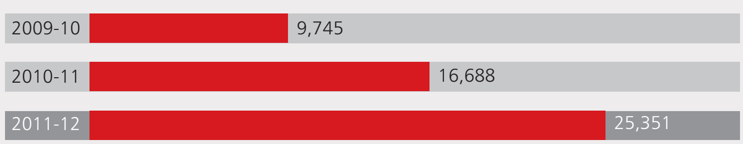
Loan Accounts

(numbers)



Employees

(numbers)



Chairman's overview

India's gold loan industry services the needs of rural and semi-urban millions.

In a capital-starved country like India, the challenge is for people to get the right amount of money at the right cost just when they need it. In rural India - where most people have not even heard of terms like 'credit process' and 'credit track record' and do not possess documents to prove their earnings and several who even still do not have bank accounts - the problem is to get money at all.

Interestingly, India is among the world's largest consumers of gold with an annual appetite of around 900 tonnes. It is estimated that around 65% of this gold finds its way into semi-urban and rural geographies as ornaments. Ironically, even as India suffers from a capital shortage, much of this gold continues to stay locked in the form of ornaments even as its holders need to take loans for their short-term needs at high interest rates from the unorganised sector.

Collateral role

For decades, India's gold loan industry serviced the needs of rural and semi-urban millions through a simple proposition: pledge your gold, take a short-term loan, repay and take your gold home. As a result, gold jewellery has been treated only as a means to mobilize finance for working capital requirements; the industry has not evolved to finance the purchase of jewellery. As it has turned out, in our business, gold jewellery merely services the role of safe collateral against which finance can be provided.

Over the decades, a significant part of the loans across rural and semi-urban India was provided to those without bank accounts. This made the recipients financially inclusive for the first time. Even as this was happening, the interesting point is that organised gold loans accounted only for a mere 10% of India's total gold holding, clearly implying that with increasing penetration, the productivity of India's rural economy can be easily strengthened.

Economy driver

The evidence then is that gold loans are a safe, liquid and convenient way to transform an economically unproductive asset into an economy driver for some good reasons.

One, the business is adequately collateralised. Even after two of the most sweeping downturns in the global and Indian economy since 2008, no organised gold loan company defaulted to lending banks.

Two, the business revolves around the smaller ticket size short-term credit requirements of people and small businesses, which requires a specialized approach and is generally unviable for commercial banks due to a large volume of transactions.

Three, the product offers customers a superior borrowing alternative – without service charges, processing fees, upfront interest collections or prepayment penalties.

Gold jewellery is an intrinsic part of the Indian social system. Hence, gold loans do not drive gold imports. The business only represents a monetization of gold that is already existing in the country. The gold loan sector provides a deep service by bringing liquidity to an asset class that would have otherwise remained idle.

RBI regulation

In this context, some of the recent directives of the Reserve Bank of India to regulate the growth of India's gold loan industry come as a serious assault on the inclusive growth agenda of the country.

In March 2012, the RBI directed that NBFCs must not provide loans exceeding 60%of the value of gold jewellery pledged with them.

In April 2012, the RBI directed banks to rationalise their exposure ceiling in a single NBFC, having gold loans to the extent of 50%or more of its total financial assets, from 10%to 7.5%of the bank's capital funds.

At Muthoot, while we welcomed the RBI's regulation to cap the loan to value as a way of industry-wide standardisation and compliance, we feel that the recent initiatives could stagger industry growth and induce a shift in gold loan seekers from the organised to the unorganised industry who are operating outside the RBI's purview. For decades, India's organised gold loan segment worked hard to induce a business shift to a more credible alternative; there is a growing apprehension that the recent RBI initiatives could well undo the hard work of the years.

In this connection, it would be pertinent to put the recent industry growth into a responsible long-term perspective: for the last few years, the rapid growth of India's organised gold loan sector was merely an overdue correction following decades of unorganised sector growth in a traditional industry. The rapid growth was more due to a shift of the customer base from the unorganised sector to the organised sector and also due to increase in the reach of industry players through the addition of new branches. Our apprehension is that with the RBI stepping in, the organised sector's cash supply lines will decline and this could affect the industry's capability to service growing customer needs across rural and semi-urban India.

At Muthoot, while the directive restricting funding from banks affects our fund sourcing from banks (about 40%of our total working capital), we believe that since our bank borrowings are fairly diversified, several banks have adequate room to enhance their exposures within the revised exposure norms.

We possess robust fundamentals to address these challenges. Our negligible credit losses coupled with strict provisions, a brand of trust, a dispersed presence across 3,678 locations, and one of the most rigorous Standard Operating Procedures represent some of our core strengths. However, to derive active participation and support from all market participants (lenders, customers, capital market investors, local administration, among others), the RBI will need to dispel the apprehensions and negative perceptions about the sector.

To provide the regulator comfort and time to understand the growth dynamics of the sector better, the Company consciously decided to reduce the pace of its growth and consolidate its operations during the current year, focusing on improving customer service, staff training and internal controls while maintaining profitability.

In the Company's opinion, a higher LTV cap, liberal funding from the banking system, level playing field with banks especially with regard to LTV and risk weightage, and dispelling the apprehensions and negative perceptions on the sector by the regulator will be a key requirement for the healthy growth of the sector.

We offer all our support and cooperation to the regulator in understanding the sector better as well as to achieve its agenda of financial inclusion. Being the largest company in the sector, we have an added responsibility to take the lead role in setting the right sectoral trends and practices. We wish to assure all our shareholders that the Company will strive to enhance the confidence of the regulator while being engaged in its journey in 'Public Interest'.

M.G. George Muthoot,
Chairman

MUTHOOT FINANCE STANDS FOR...

a regulated industry presence

FOR DECADES, THOSE OFFERING LOANS AGAINST GOLD HOLDINGS WERE OPERATING WITHOUT MUCH REGULATION, INSPECTION OR CENSURE.

Name : Chaya
Place : Magadi, Bangalore North
Business: Mobile phone repair shop. Availed gold loans to grow her business

Muthoot Finance was the first Indian company to corporatize this business under the Non-banking Finance Company framework. It welcomes government regulation as a decisive step towards responsible industry growth.

Muthoot Finance addresses extensive RBI requirements through the following compliances:

- The Company files monthly, quarterly and annual returns to the RBI
- The Company addressed the tightening capital adequacy ratio requirements (from 10% to 12% to 15%) with corresponding compliances
- The Company introduced Fair Practices Code, KYC norms and Anti-Money Laundering Norms with speed
- The Company is subject to periodic RBI inspection

The result: the gold loan industry has passed through two economic downturns in the last few years without any defaults.

MUTHOOT FINANCE STANDS FOR...

financial inclusion

FOR DECADES, THE IRONY OF RURAL INDIA WAS THAT INDIVIDUALS WOULD BE REASONABLY WELL-OFF WITH THEIR GOLD HOLDINGS AND YET NOT BE CONSIDERED LOAN-WORTHY SIMPLY BECAUSE THEY DID NOT POSSESS CREDIT TRACK RECORD OR DID NOT HAVE SUFFICIENT RECORDS TO PROVE THEIR EARNINGS.

Name : K. V. Haneesh
Place : Kannur, Kerala
Occupation: White goods business.
Funded his business by availing gold loan.

Muthoot Finance was one of the first Indian companies to consider thousands of rural Indians as perfectly bankable even before the term 'financial inclusion' was coined.

Muthoot Finance brought thousands of rural and semi-urban Indians into the banking net for the very first time through the following initiatives:

- Widened and deepened its reach closer to locations of borrower presence
- Evolved from the proprietary approach to the professional; the partnership firm of Muthoot Bankers became an NBFC in 2001, one of the first such instances among pure play gold loan companies in India
- Extended from a single locational presence to a multi-locational spread
- Graduated from arbitrary decision-making to institutionalised processes and systems

The result: Muthoot Finance provided gold loans to millions, energising India's rural and semi-urban economy across more than seven decades of its existence.


ONE HUNDRED

MUTHOOT FINANCE STANDS FOR...

rural and semi-urban proxy

FOR DECADES, THE IRONY WAS THAT RURAL INDIA ACCOUNTED FOR A SIGNIFICANT PORTION OF INDIA'S ANNUAL GOLD CONSUMPTION, BUT THERE WAS HARDLY A CREDIBLE INSTITUTION THAT WOULD PROVIDE THE COUNTRY'S MILLIONS WITH A LOAN AGAINST IT.

Muthoot Finance was one of the first gold loan companies to provide India's millions with the option of a timely loan against their precious holdings just when they required it.

Muthoot Finance served rural and semi-urban Indians through the following initiatives:

- Nearly 70% of the Company's 3678 locations were located in rural and semi-urban locations
- The Company's rural and semi-urban offices were customised in décor around the prevailing environment without intimidating potential loan seekers
- The Company recruited for its local branch from within that geography, enhancing local familiarity
- The Company entered district headquarters and fanned out to the peripheral districts, enhancing regional visibility and familiarity
- The Company provided short-term loans that could be liquidated as soon as the borrower possessed the funds

The result: Of the 6 million loan proposals that Muthoot Finance catered as on March 31,2012, a majority were drawn from areas with a population of less than 50,000.

Name :R Karthikeyan
Place : Coimbatore,Tamil Nadu
Occupation: Men's Beauty Parlour

MUTHOOT FINANCE STANDS FOR...

rural energisation

FOR DECADES, THE INDIAN GOVERNMENT INSISTED THAT COMMERCIAL BANKS ALLOCATE 40% OF THEIR LOAN BOOK TOWARDS RURAL DISBURSEMENTS.

Muthoot Finance was one of the first NBFC gold loan company to disburse about half its loan book across rural India and a majority across rural/semi-urban India.

Muthoot Finance energised the rural economy through the following initiatives:

- The Company provided last mile financing by locating itself close to consumer clusters
- The Company provided privileges to repeat customers
- The Company provided loans without any penalty for prepayment and levied interest only for actual number of days which the loan was availed.
- The Company standardized practices, demonstrated transparency in operations and reinforced safety for pledged ornaments, providing comfort to rural borrowers

Our trained staff, drawn from the same locality, provide a friendly service.

The result: Muthoot Finance stands today as trusted provider of loans against gold jewellery across India's rural and semi-urban economy.

Name : T .Veerapathrasamy

Place : Madurai

Occupation: Rice Mill owner

Started business of rice mill in the village. He avails gold loan for running the business.

MUTHOOT FINANCE STANDS FOR...

a smart loan solution

FOR CENTURIES, A SOCIAL TABOO AGAINST THE PLEDGING OF GOLD ORNAMENTS MADE THIS THE OPTION OF LAST RESORT IN TIMES OF ACUTE FINANCIAL DISTRESS.

Name: R.Kovil Raj
Place: Puliyangudi, Tamil Nadu
Occupation: Lemon trader
Has availed loans for lemon trading and cultivation.
Regular Muthoot customer over six years.

Muthoot Finance was the first Indian gold loan company to advocate that this prejudice was misplaced and perhaps the time had come to treat this product as a smart loan solution.

Muthoot Finance transformed this gold loan mindset through the following initiatives:

- The Company created an exhaustive advertisement campaign in 2005 around how gold loans could serve diverse short-term needs – funding for agriculture, business, education, purchase of stock and home renovation, among others
- The Company directed its advertisement at women, generally ornament owners and those considered critical decision makers
- The Company positioned gold loans as a lifestyle option that would benefit the entire family

The result: Customers now appreciate the product's convenience, are not blocked by stigma and avail of the gold loan facility.

MUTHOOT FINANCE STANDS FOR...

an organised industry presence

FOR CENTURIES, THOSE SEEKING A LOAN AGAINST THEIR LOAN HOLDINGS IN RURAL INDIA WERE AT THE MERCY OF THE TRADITIONAL UNORGANISED LENDER.

Muthoot Finance was among the first Indian gold loan companies to provide millions of rural and semi-urban Indians with a credible alternative.

Muthoot Finance strengthened the customer's hands through the following initiatives:

- The Company provided terms to borrowers (rates, tenures, installments) that were more reasonable than traditional unorganized lenders
- The Company's customer engagement process was influenced by standard operating procedures so that the customer could be certain that he was not being exploited
- The Company retained gold in the same branch location from where the loan was disbursed to the customer, which provided tremendous comfort to the borrower that he can retrieve the ornament immediately on repayment
- The Company insured the gold held in its stock as a back-to-back provision that completely protected the interest of its borrowers
- The ornaments are kept in strong rooms under dual custody.

The result: The shift from the unorganised to the organised sector resulted in India's goal loan NBFC industry reporting around 70% CAGR in the seven years leading to 2012.

Name : P Thaveedhu Pitchai
Place : Palayamkottai, Tamil Nadu
Occupation: Lorry service business
Gold loan was instrumental in starting lorry service business and now owns 2 JCBs and 7 Lorries.

MUTHOOT FINANCE STANDS FOR...

a systems-led business model

FOR DECADES, THE UNORGANISED GOLD LOAN TRANSACTION WAS MARKED BY ARBITRARINESS THAT VARIED FROM BORROWER TO BORROWER.

Name: Ranganath P
Place: Yapral, Andhra Pradesh
Occupation: Motor winding mechanic

Muthoot Finance was among the first Indian gold loan companies to implement a standardised approach to business.

Muthoot Finance responded with a process and systems-driven alternative through the following initiatives:

- The Company drew on its rich decades-long experience in the business and created a standard operating procedure
- The Company created a 1000-member team to conduct periodic (monthly to bi-monthly to weekly) physical audits to verify the weight and purity of the gold stock lying in its possession

The result: The Company's customised processes and systems resulted in the timely recovery of 99.2% of its loans in 2011-12, possibly the highest across all NBFCs in the country.


Branches
Time
ong - term strategy

MUTHOOT FINANCE STANDS FOR...

a sense of governance

FOR DECADES, THE GOLD LOAN INDUSTRY WAS MARKED BY A PROPRIETARY AIR OF OWNERSHIP.

Name: Vejella Satyanarayana
Place: Vizianagaram, Vishakhapatnam, Andhra Pradesh
Occupation: Restaurant owner

Muthoot Finance was among the first Indian gold loan companies to embrace good corporate governance.

Muthoot Finance responded to the need for a progressive way of doing things through the following initiatives:

- The Company strengthened its Board with a 50% Independent Director presence
- The Company created an instruction manual for employees, eliminating the room for operational ambiguity
- The Company's audit reports are reviewed by an Audit Committee headed by an Independent Director
- The Company has adopted a whistle blower policy
- The Company created regional and central cell to address customer grievances.

The result: Muthoot Finance practices among the most credible governance standards in India's gold loan industry.

STRENGTHS

What makes us different?

Muthoot Finance

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

Presence: Muthoot has the largest branch network Indian among gold loan NBFCs with 3,678 branches across 20 states, the national capital territory of Delhi and four Union Territories.

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

Credit base: Muthoot's credit facilities with multiple banks, superior credit rating and asset quality helped mobilise adequate low-cost funds. .

Intellectual capital: Muthoot possessed a dedicated team of 25,351 members (as on 31st March 2012), professionally trained to service customers. .

Senior management: Muthoot's senior management possesses extensive experience in the Indian gold loan industry, with the ability to increase business through dynamic operational leadership and a strategic vision.

Customer-centric approach: Muthoot conducts a comprehensive survey according to established locational guidelines before selecting relevant branch sites.

Customer service: Muthoot provides a friendly customer experience with no processing charges, as well as interest chargeable only for the actual number of days for which loan is availed.

Asset under management: The Company is the largest gold loan Indian NBFC with gold loan assets under management of Rs. 24,417 crore, growing at a CAGR of 78% over the five years leading to 2011-12.

Economies of scale: The Company leverages distribution economies of scale through 3,678 branches by reducing the overall cost of functioning per branch. Operating expense to average retail loans declined from 5.45% in 2008-09 to 4.02% in 2011-12.

Net worth: The Company's net worth was Rs. 2,923 crore in 2011-12, a 119% increase over the previous year.

MILESTONES

The growth story

1887

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

1939

Commences gold loan business

2001

Muthoot Finance receives RBI license to function as an NBFC

2004

Receives highest rating of F1 from Fitch Ratings for a short-term debt of Rs. 200 mn

2005

Retail loan and debenture portfolio crosses Rs. 5 bn

2007

- Retail loan portfolio crosses Rs. 14 bn
- Net owned funds crosses Rs. 1 bn
- Accorded SI-ND-NBFC status
- Branch network crosses 500 branches

2008

- Retail loan portfolio crosses Rs. 21 bn
- Retail debenture portfolio crosses Rs. 12 bn
- Fitch affirms the F1 short term debt rating with an enhanced amount of Rs. 800 mn
- Converted into a public limited company

2009

- Retail loan portfolio crosses Rs. 33 bn
- Retail debenture portfolio crosses Rs. 19 bn
- Net owned funds crosses Rs. 3 bn
- Gross annual income crosses Rs.6 bn
- Bank credit limits crosses INR 10 bn
- Branch network crosses 900 branches

2010

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

2011

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

2012

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

2013

- Raises INR 2.59 bn through Non-convertible Debenture Public Issue – Series III

Management discussion and analysis

India's gold loan industry

Gold production

India's gold production is a fraction of the world's output (around 2,500 tonnes a year), the only producer being Hutti Gold Mines in Karnataka (3.5 tonnes of gold a year). However, in terms of total government gold reserves, India ranks 11th globally with 557.7 tonnes. Over the last decade, the gold import into India hovered around 700 tonnes and in last two years, increased to around 900 tonnes.

Gold consumption

- India ranks as the largest consumer of gold globally, accounting for one-fourth of the world's gold demand. Household gold consumption increased from US$ 19 billion in 2009 to US$ 45 billion in 2011. Over the past 10 years, household gold consumption has increased at a CAGR of 21%.
- Gold represented 10% of total Indian household savings in 2010-11.
- Globally, nearly 50% of the demand is in the form of jewellery, around 40% for investment in bars, coins, ETFs and similar investments; around 10% is for industrial use.
- In India, nearly 61% of the demand is in the form of jewellery and the rest is for investments
- Gold consumption accounted for 2.3% of GDP in 2011-12. Gold imports are an estimated 72% of India's current account deficit.

Gold import market

India is the world's largest consumer of gold. India imported 969 tonnes in 2011 and is expected to import a lower quantum in 2012 (Source: World Gold Council). According to a report of the Prime Minister's Economic Council (PMEAC), the country's total gold imports during 2011-12 was likely to have touched US$ 58 billion, accounting for a sizeable part of the rising current account deficit (US$ 32.8 billion in the first half of 2011-12). However, India's gold imports have already started falling. According to World Gold Council, the country's gold imports declined from 298 tonnes in January-March 2011 quarter to 157 tonnes in the October-December 2011 quarter. PMEAC projected gold imports to slide to around US$ 38 billion in 2012-13 as gold prices remained high at around Rs. 28,000 per 10 grams.

Gold loan market

The vast size of gold present in India has translated into the creation of a large gold

India ranks as the largest consumer of gold globally, accounting for one-fourth of the world's gold demand.

loan industry in India. The current market size of the organized sector including portfolio of NBFC's and banks could be around Rs.1,500 bn. This is only a small portion of the total gold holding in India. Hence, the potential for further expansion of the gold loan market exist.

Interestingly, the size of India's unorganised (partnership or sole proprietorship firms) gold loan sector has been estimated at least couple of times of the organised segment. At least 10-15 players currently operate in every Indian village or town, the majority being unorganised. India's gold loan customers comprise the following: agriculturists, small businessmen, entrepreneurs, vendors, retail traders, contractors, transport operators, small and medium industries, self-employed professionals and salaried individuals.

Growth drivers of India's gold loan market

The existence of large household savings in India due to socio-cultural reasons provides the basis for the development of the gold loan industry. Further, the increase in gold prices over the last 11 years has positioned gold as an attractive investment option. The gold loan industry has grown in recent years due to the following reasons:

- A pioneering initiative by India's NBFC sector to position gold loans as a convenient vehicle to enhance liquidity through product awareness .
- NBFC sector increased its branch network on a pan India level in rural and semi-urban areas resulting in an increase in new customer base.
- Transparency in the gold loan business and the ease with which loans can be availed prompted a shift of customer base from the country's unorganised to organised sector

The role of NBFCs

The shift from India's unorganised gold loan segment to the organised has been catalysed by the responsible role played by the country's non-banking finance companies through the following provisions:

Low disbursal times: NBFCs disburse loans quicker than other players without compromising the documentation discipline and KYC requirements.

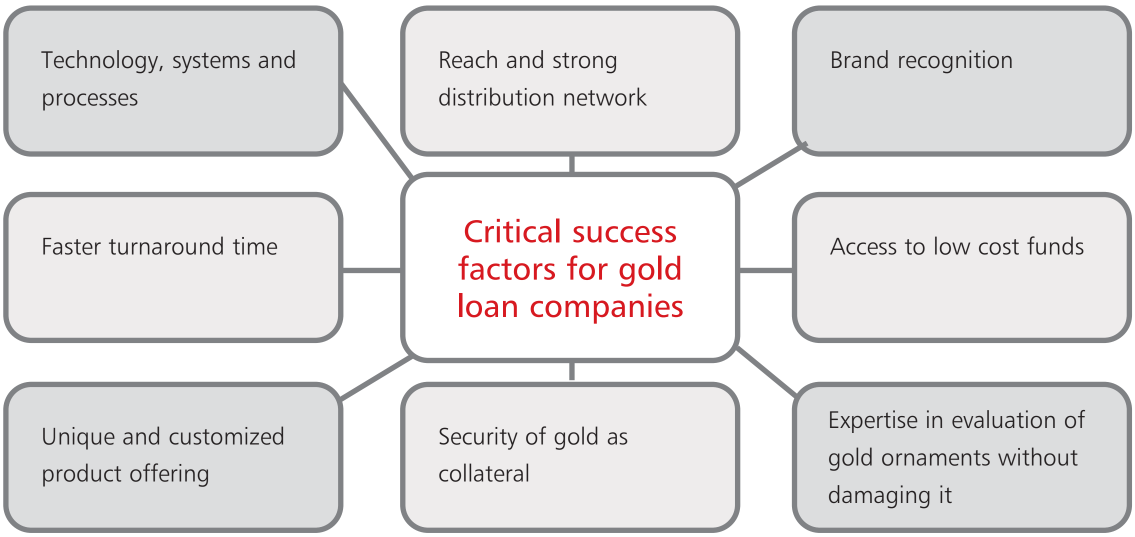
Fund availability: Since NBFCs have access to organized credit, the availability of funds is not a constraint. Since the unorganized sector operates through proprietary funds, availability of funds remains as a constraint.

Low interest rates: The interest rates charged by NBFCs have been lower than the rates charged by the country's unorganised segment

Flexible repayment options: NBFCs made it possible for the interest and principal repayment being bunched at the end of the period in a lump sum resulting in a higher level of customer comfort.

Transparent and standardised operating practices: The transparent and standardized operating practices by NBFCs enhanced customer comfort which increased customer footfalls for NBFCs.

Critical success factors for gold loan companies



Sectoral challenges

Regulatory changes

Capping the loan to value is a welcome move as it will catalyse standardization in an industry which has reached a reasonable level of maturity. However, the level at which it has kept (60% of value of jewellery) may make it unattractive to borrowers who do not have additional gold holdings to make up for the shortage. This may drive them to the unorganized sector to which these norms do not apply.

Regulatory gaps

NBFCs do not have a level playing field vis a vis banks, since apart from the non applicability of LTV cap norms, banks have an advantage in terms of lower borrowing cost, lower capital requirement and lower risk weight. It is understood that bank's gold loan portfolio carry zero risk weight if the LTV is less than 75%, virtually allowing them to operate without capital. In this scenario, customer service will be the key factor driving business for NBFC sector.

Funding

Bank funding will be critical for the growth of the sector. Though the exposure ceiling of bank to a single NBFC, having gold loans to the extent of 50% or more of its total financial assets, was reduced from 10% to 7.5% of the bank's Total Capital Funds, there is adequate room for banks to further lend to the sector.

Negative perception / Image of the sector

While the regulatory measures were intended to bring standardization and reduce the growth of the sector, too many regulatory announcements in a short span of time and adverse media comments have sent out a negative perception. This has affected an individual company's ability to attract funding from capital market investors like mutual funds, financial institutions etc. Bringing back the confidence of these capital market investors poses a big challenge to the sector.

Outlook

India's total gold holding is estimated at 18000 tonnes. Of this, around 1000 tonnes is estimated to be lying with NBFCs and banks in the form gold loan assets under management. The remaining resides with Indian households (from the lower middle class to the upper rich). This represents a large market that could be progressively monetised for national economic benefit.

In the opinion of the Company, India's organised gold loan sector could grow sustainably for a number of years even if there was only a switch from India's unorganised sector to the organised through proper marketing initiatives and increase in the network. An effective LTV of 80%, coupled with a strong business focus and customised products, can potentially attract small borrowers, self-employed professionals, agriculturalists and artisans, among others. The credibility of the Indian organised gold loan segment could help catalyse social transformation especially in areas with high financial exclusion. The Company is optimistic of the long-term prospects of the business on account of a high 65% of India's large private gold stock being held by rural households as a well as large proportion of India's gold loan market remaining with the unorganised sector.

1 BUSINESS DRIVER

Financial management

Financial management involves planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the Company.

The Company sources funds for its gold loan business primarily from banks and financial institutions and through the issuance of Secured Non-Convertible Debentures. The funding profile as of March 31, 2012 stood as below:

	Rs. in Crores	%
Borrowings from Banks	9232	41%
Secured Non-Convertible Debentures (Muthoot Gold Bonds)	6610	29%
Secured Non-Convertible Debentures – Listed	1253	6%
Subordinated Debt	1480	6%
Commercial Paper	769	3%
Sell down of Receivables under Bilateral Assignments	3335	15%
Other Loans	39	0%
Total	**22718**	**100%**

Muthoot manages ongoing liquidity through an ongoing review of principal repayment on the one hand and fresh loan disbursements on the other. This ongoing review ensures adequate cash and bank balance without excessive holdings or dearth that could affect the profitable conduct of business.

The Company continued to enjoy the following ratings from two of India's leading credit rating agencies

Credit Rating Agency	Instruments	Ratings	Limit in Rs.(Lakhs)
CRISIL	Commercial Paper	CRISIL A1+	400,000
	Subordinated Debts	CRISIL AA-(Stable)	10,000
	Non Convertible Debentures	CRISIL AA-(Stable)	50,000
ICRA	Commercial Paper	ICRA A1+	20,000
	Short Term Bank Borrowings	ICRA A1+	480,300
	Subordinated Debts	ICRA AA-(Stable)	10,000
	Non Convertible Debentures	ICRA AA-(Stable)	20,000
	Long Term Bank Borrowings	ICRA AA-(Stable)	567,500

The Company maintained an average of Rs. 5 lakh in cash across all its branches to meet payout. Unexpected regional deficits were identified through a continuous monitoring of respective branch balances as well as by arrangements with various banks followed by immediate cash transfers.

The Company's structural liquidity management system measures liquidity positions on an ongoing basis with a scrutiny of liquidity requirements evolving under different assumptions. This monitors its asset and liability matching on an ongoing basis to ensure adequate liquidity at all times.

Key initiatives, 2011-12

- Muthoot increased its borrowings from banks from Rs. 6,053 crore as on March 31, 2011 to Rs. 9,232 crore as on March 31, 2012
- The Company responded to the revised RBI capital adequacy ratio requirement of 15% from March 31, 2011 with a 15.82% CAR as on March 31, 2011 and 18.29% as on March 31, 2012.
- The Company had Rs. 7,863 cr of outstanding Secured Non-convertible Debentures portfolio as on March 31, 2012 to strengthen its funding pipeline
- The Company made two public issue of Secured Non-Convertible Debentures raising Rs.1,153 cr

2 BUSINESS DRIVER

Sales and marketing

Muthoot's sales and marketing team drives the Company's widening presence, making it possible to touch areas relatively under-served by the country's banking network (conventional and alternative) and reach customers closer to where they live or work. The Company's sales and marketing team comprised 1912 managers, marketing executives and customer relations executives.

The Company prides itself on being able to provide a much-needed presence in rural and semi-urban centres. The Company has a direct presence without franchisees. Muthoot's network expansion is achieved through an analysis of demographic, competitive, regulatory, customer presence and land availability factors.

In addition to promotional activities for new branches, the Company's 1871 executives carry out loyalty programmes, make personal visits and cover high net worth clients as well. The Company's customer relations executives are responsible for product promotion and telemarketing. The Company invests extensively in promotional TV campaigns, print advertisements and road shows to enhance the Company's brand and gold loan product proposition. These initiatives translated into a sales and marketing spend of Rs. 87 cr in 2011-12 (Rs. 65 cr in 2010-11).

Initiatives, 2011-12

- Penetrated new markets and reached a larger number of customers previously serviced by the unorganised sector
- Emerged as a lead sponsor for Delhi Daredevils in the 2012 Cricket IPL season, graduating the Company's recall from a South Indian company into a national brand
- Used wall paintings to advertise its presence in rural India
- Branded buses, bus depots, local trains and boats in high-traffic areas to enhance brand visibility
- Repositioned gold loans from a distress to a smart lifestyle option to reduce the related stigma, which helped expand the product to upper-middle and upper income groups comprising businessmen, vendors, traders and farmers.

The Company will differentiate its products from those offered by other financial institutions through convenience, accessibility and expediency.

3 BUSINESS DRIVER

Systems and processes

In a business marked by dispersed rural and semi-urban locations where decisions in loan disbursement must be taken with relative speed and gold jewellery must be stored at the transaction location itself, success is derived from the ability to incorporate systems and processes into seamless organisational working.

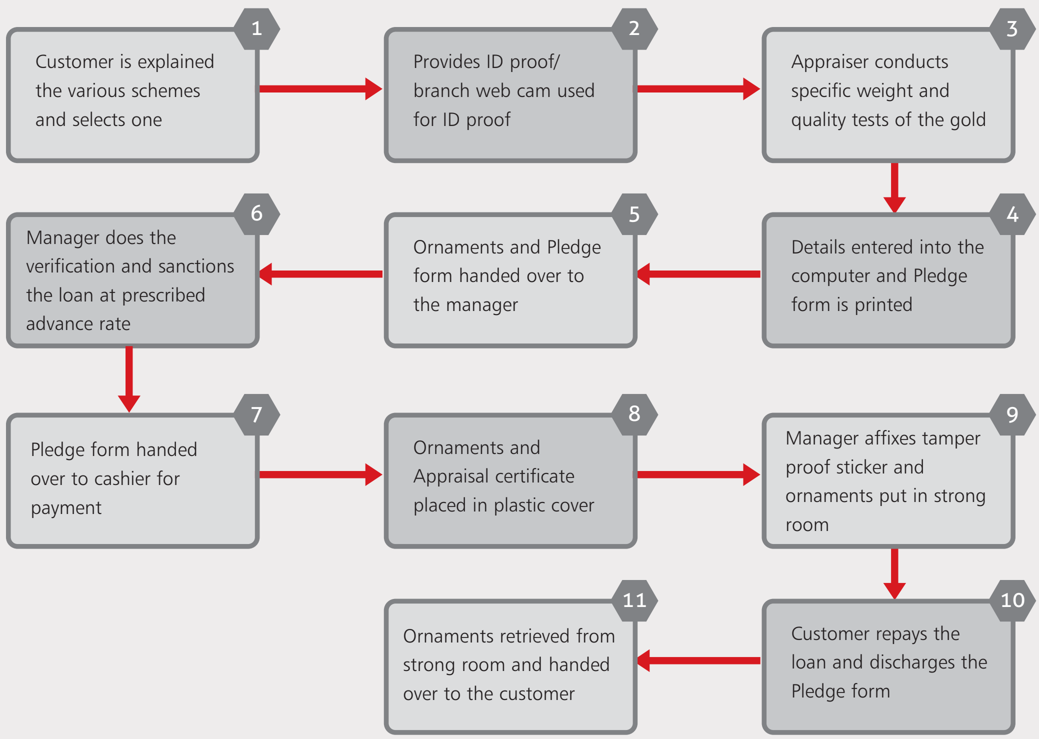
The Company's core business involves large number of loan disbursements – typically small ticket loans collateralised by gold jewellery to individuals. Besides, majority of the loans are across a wide semi-urban and rural landmass. This makes it imperative to follow standardised processes that eliminate decision making arbitrariness.

The Company streamlined and standardised and refined its processes and practices learned out of its rich experience over decades. In doing so, the Company led the industry in responsible process standardisation and took this as an important step towards the responsible management of public funds leading to business sustainability.

Loan disbursement process

- The amount financed is based on the value of jewellery.
- The valuation of gold jewellery is based on our centralised policies and guidelines.

Loan disbursement process



Loan appraisal process

Weighing
Appraiser weighs the ornaments using calibrated weighing machines

Preliminary tests
Conducts prescribed primary tests for quality of gold

Additional tests
Conducts additional tests for quality of gold

Standard valuation
Rate per gram fixed by the corporate office is used to decide loan amount

- The loan is solely based on the weight of gold content. Weight and value of stones in the jewellery is excluded.
- The Company adequately complies with Know Your Customer (KYC) norms and obtains photos of the customer through the webcam.

Loan appraisal process

- The gold loan approval process is linked with the appraisal of gold jewellery that serves as a collateral
- Each of our branches possess trained personnel with experience in appraising the quality of jewellery
- The appraisal process begins by weighing the jewellery using calibrated weighing machines. The jewellery is then subject to prescribed primary tests for gold quality, including stone and acid tests, followed by additional tests, if required, such as salt tests, sound, weight, pointed scratching, flexibility, colour, smell, usability, magnifying glass and finishing tests
- Once the jewellery passes these tests, loans are disbursed, based on the approved advance rate per gram of gold.

Safety and security

The pledged gold jewellery is packed by the joint custodians of the branch and placed in a polythene pouch with relevant loan documents and then stored in the branch strong room.

- Tamper-proof stickers are affixed on jewellery packets to ensure inventory integrity. Separate stickers are used by internal auditors who examine packets subsequently
- Steel doors and strong rooms help store gold jewellery as per industry standards and practices; the strong rooms are vaults with reinforced concrete cement structures
- Burglar alarms and security guards are deployed at all our branches
- Offsite surveillance cameras are installed at all sensitive branches (surveillance cameras across 2,800 branches as of March 31, 2012).

4 BUSINESS DRIVER

Human Resource Management

At Muthoot Finance, the primary objective of the human resource function is employee development. The Company offers its 25,351 employees the opportunity to harness their skills and extend frontiers.

The Company has an established Human Resource team, meeting its corporate resource needs on the one hand and catalysing individual career opportunities on the other.

The Company added 8,663 employees during the year under review. Induction training was conducted for new recruits at Staff Training College, Kochi, and New Delhi. This training comprised a residential programme covering the Company's history, policies, processes and products, among others.

To take the training initiative to higher levels, the Company established Regional Learning Centres in all its 57 Regional Offices. The Company focuses on training in soft skills, leadership, personality development, marketing and customer service, among others and is imparted by experienced personnel.

The Company empowers fresh employees with skills in gold quality appraisal systems and process and customer interaction through induction training programmes. This in-house training strengthens the talent pool and helps reinforce capabilities in new branches, strengthening the overall resource pool.

The Company's variable pay structure was linked to performance targets achieved by employees and branches. The Company strengthened its annual performance appraisal system, enhancing employee trust, commitment and delivery.

Name: Shivakumar M.
Place: Yapral, Andhra Pradesh
Purpose: Availed Gold Loan to buy an autorickshaw for livelihood

Name: K. Selva Kumar
Place: Puliyangudi, Tamil Nadu
Occupation: Farmer
Availed Gold Loan for growing lemon

RISK MANAGEMENT

De-risking the business

Like any other business, the business of gold loans is exposed to risks. Muthoot Finance identifies and assesses these risks with the objective to orchestrate an effective counter-strategy.

1 **Risk:** Any decline in the value of gold collateral following a fluctuation in gold prices could affect our loan integrity.	**Risk mitigation:** • Around 40% buffer is kept on the value of jewellery for calculation of the loan amount • The Company structures the loan solely based on the weight of gold content. The weight and value of stones embedded in the jewellery are not considered when valuing the jewellery. • The sentimental value of gold jewellery is also another factor which induces repayment and collateral redemption even when the collateral value declines below the value of the repayment amount
2 **Risk:** Any failure of the counterparty to abide by the terms and conditions of our business could impede profits	**Risk mitigation:** • The Company follows rigourous loan approval and collateral appraisal processes, along with a strong NPA monitoring and collection strategy • The gold jewellery used as collateral for loans can be readily liquidated through auctions; therefore, the possibility of recovering less than the amount due to the Company is low.
3 **Risk:** Any interest rate movement could hamper business profitability	**Risk mitigation:** • The majority of the company's borrowings and all loans and advances are at fixed rates of interest • The Company enjoys diverse funding sources, reducing the dependence on any single source • The funding is addressed through a combination of borrowings like working capital limits from banks, issue of commercial paper, non-convertible debentures and equity. • Loans are of shorter duration; demand is inelastic to interest rate changes.

4 **Risk:** Any failure of systems, people or processes or any external event could affect business sustainability	**Risk mitigation:** • The Company has instituted a series of checks and balances including an operating manual and audit (internal and external) reviews. • The Company has defined appraisal methods as well as 'know your customer' compliance procedures to mitigate operational risks • Any loss on account of failure by employees to comply with a defined appraisal mechanism is recovered from their variable incentive • The Company has laid down detailed guidelines on the physical movement of cash and gold • The Company introduced a centralised software to automate inter-branch transactions, enabling branches to be monitored centrally. • The Company installed surveillance cameras across 2,800 branches • The Company has Internal Audit Department and Centralised Monitoring System to assist the management in mitigating the above risk.
5 **Risk:** An inability to raise necessary funds to meet operational and debt servicing requirements could affect expansion	**Risk mitigation:** • An Asset and Liabilities Committee (ALCO) meets periodically to review liquidity based on future cash flows • The Company tracks the potential impact of loan prepayment at a realistic estimate from a near to medium-term liquidity position • The Company developed and implemented comprehensive policies and procedures to identify, monitor and manage liquidity risks • The source of funds has a longer maturity than loans and advances made, resulting in a positive asset-liability matching and hence, a low liquidity risk.
6 **Risk:** A cyclical or seasonal nature of business of a borrower could have an impact on the loan portfolio	**Risk mitigation:** • Our customers include people from various social strata – from low income levels to upper class • Our borrower profile consists of people engaged in various income generation activities. • Our branch geographic spread of branches mitigates cyclical pressures in different regions

Internal control

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

Corporate Social Responsibility

Muthoot Group is a responsible corporate citizen, enhancing value for its shareholders, providing career growth for its employees and value for the communities of its presence.

Towards a better environment

Muthoot Group helps protect the environment through the following initiatives:

SEED Quiz: Muthoot Group and *Mathrubhoomi* daily organised the Student Empowerment for Environmental Development quiz across more than 5,000 schools in 38 Educational districts in Kerala.

Ente Adukkalathottam-My Kitchen Garden: Muthoot Group and *Malayala Manorama* organised seminars in Trivandrum, Kochi and Calicut called Ente Adukkalathottam (My kitchen garden) to enhance awareness on pesticide residues in fruit and vegetables and promoting cultivation within household premises to support healthy living.

Clean City-Green City Marathon and Road Show: Muthoot Group participated in a Clean City-Green City Marathon by Kochi Municipal Corporation, focusing on effective waste disposal. Muthoot partnered with Kochi Municipal Corporation to organise a road show as part of this project.

'Horn not OK please': This initiative by Muthoot Group and the Kochi chapter of CII's YI (Young Indians) increased attention on vehicular noise pollution.

E-Toilet at Indira Priyadarshini Children's Park: An award winning e-toilet was installed by Eram Scientific Solutions (P) Ltd. at Indira Priyadarshini Children's Park, Kochi, incorporating the latest technology in waste management and water conservation.

Towards socio-economic development

Muthoot Group engaged in responsible community development through the following initiatives:

- **Marriage assistance:** Muthoot Group extended financial help for the marriage of girls from underprivileged families, especially daughters of widows.
- **Cash awards:** Muthoot Group established Excellence Awards for the toppers of 200 government schools across seven educational districts in Kerala. The award carried a citation and a cash prize of Rs. 2500.
- **Awards to toppers:** Excellence awards were given to the best students of the Department of Commerce, St. Thomas College, Kozhencherry, Kerala and the toppers of Infant Jesus Anglo Indian School, Thangassery, Kerala.

- **Note book distribution:** Muthoot Group distributed 50,000 note books to underprivileged children in Andhra Pradesh, Tamil Nadu and Karnataka in 2011-12.
- **Distribution of school uniforms:** Muthoot Finance distributed school uniforms to needy children in government schools.
- **Examination counselling:** Muthoot organised an examination awareness building class for students in association with Fr. John Puthuva, Bharathmatha College, Thrikkakkara, Kochi.

Empowerment through self employment

Muthoot Finance strengthened the case for self-employment through the

following initiatives:

• **Donations:** Muthoot donated six sewing machines to the physically challenged at Edakkara, Calicut. Sewing machines were also donated to 50 under privileged families identified through our branches.

Solace to the suffering

Muthoot provided assistance to the economically weaker sections through the following initiatives:

• **Christmas Celebrations:** Muthoot Group organised a Christmas celebration for cancer patients at Ernakulam General Hospital.

• **Food Distribution:** Food was provided to inpatients of the Ernakulam General Hospital on 4th and 5th February 2012 in commemoration of our Founder's Day.

• **Mini marathon:** Muthoot Group and Y'S Men International organised a mini marathon to raise funds for cancer and palliative care patients at Ernakulam General Hospital on World Cancer Day (4th February 2012)

• **Award for the best young researcher:** Muthoot Group instituted an award of Rs. 200,000 in cash and a citation in memory of our Founder Chairman Late M. George Muthoot to be presented annually to the best young researcher in nephrology.

• **Assistance to poor patients:** Muthoot Group provided assistance for dialysis to needy patients at leading hospitals in various cities; assistance was provided to under-privileged patients affected by cancer, heart problems and kidney disease, among others.

Road safety

Muthoot Group attempted to prevent road accidents through the following measures:

Creation of a centre: Muthoot Group launched a 'Centre for Promoting/Creating Traffic Awareness at the office of the Assistant Commissioner of Police (Traffic), Kochi.

Profile of Directors

M.G. George Muthoot

M.G. George Muthoot is a graduate in engineering from Manipal University, and is a businessman by profession. He is the National Executive Committee Member of the Federation of Indian Chamber of Commerce and Industry ("FICCI") and the current Chairman of FICCI Kerala State Council. He was conferred the Mahatma Gandhi National Award for social service for the year 2001 by the Mahatma Gandhi National Foundation. He is an active member of various social organisations including the Delhi Malayalee Association, Kerala Club, Rotary Club, National Sports Club and has been chosen for several awards by the Rotary International and the Y's Mens International for community development and social service. He has been the member of the Managing Committee of Malankara Orthodox Syrian Church for over 31 years and is presently the lay trustee of the Malankara Orthodox Syrian Church and a member of the working committee of the Indian Orthodox Church. Recently, he was conferred the HH Baselios Mathew I Award by Catholicate of the Syrian Orthodox Church Mathews the First Foundation for the year 2008 for his services to the Church. Mr. M G George Muthoot is also a recipient of "ASIAN BUSINESS MAN OF THE YEAR 2011" from UK-KERALA BUSINESS FORUM and was also conferred with "Business Leadership for the year 2012" at Golden Peacock Awards, Bengaluru.

George Thomas Muthoot

George Thomas Muthoot is a businessman by profession. He is an undergraduate. He has over 30 years of experience in managing businesses operating in the field of financial services.

George Jacob Muthoot

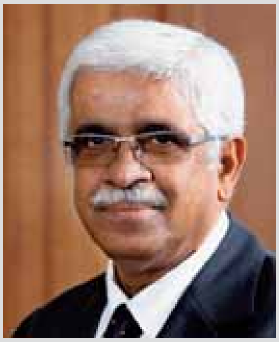
George Jacob Muthoot has a degree in civil engineering from Manipal University and is a businessman by profession. He is a member of the Trivandrum Management Association, the Confederation of Real Estate Developers Association of India (Trivandrum) and the Trivandrum Agenda Task Force. He is also a member of the Rotary Club, Trivandrum (South), governing body member of the Charitable and Educational Society of Trivandrum Orthodox Diocese, Ulloor, Trivandrum, Finance Committee Member, Mar Diocese College of Pharmacy,Althara, Trivandrum and Mar Gregorious Orthodox Christian Mercy Fellowship, Trivandrum. He has over 30 years of experience in managing businesses operating in the field of financial services

George Alexander Muthoot

George Alexander Muthoot is a chartered accountant who qualified with a first rank in Kerala and ranked 20th overall in India, in 1978. He has a bachelor degree in Commerce from Kerala University where he was a rank holder and gold medalist. He was also awarded the Times of India group Business Excellence Award in customised Financial Services in March 2009. He served as the Chairman of the Kerala Non banking Finance Companies Welfare Association from 2004 to 2007 and is currently its Vice Chairman. He is also the Member Secretary of Finance Companies Association, Chennai. He is the founder member for The Indus Entrepreneurs International, Kochi Chapter and is now a member of the Core Committee of The Indus Entrepreneurs International Kochi Chapter. He has over 30 years of experience in managing businesses operating in the field of financial services

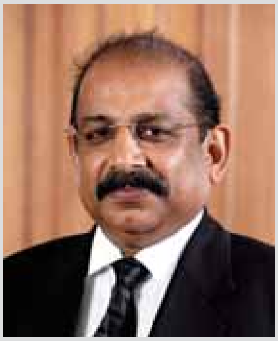
K. John Mathew

K. John Mathew is a graduate in law from the Government Law College, Ernakulam and is a retired judge of the High Court of Kerala. He has served as the Chairman of the Cochin Stock Exchange and was a SEBI nominee director of the Cochin Stock Exchange from 2002 to 2007. He is currently the President of the Peoples Council for Social Justice, Kerala.



P. George Varghese

P. George Varghese is a graduate in mechanical engineering from Kerala University and holds a masters degree in business administration from Cochin University of Science and Technology. A well reputed industrialist that Kerala has seen in the last decades, Mr. P George Varghese is also a trustee of the IMA Blood Bank, Kochi and is a member of the governing council of DC School of Management and Technology. He has served as the vice-president of the Kerala Management Association from 2006 to 2007 and has been on the managing committee of the Indo American Chamber of Commerce from 1992 to 1999. He is also a member of the CII-Kerala.



John K Paul

John K Paul is a graduate in engineering from the Regional Engineering College, Kozhikode and a businessman by profession. He is the director of Popular Vehicles & Services Limited,, a leading and well reputed dealers of vehicles and automobile accessories from Kerala. He is also a trustee of the Kuttukaran Institute for HRD, which is a leading institution offering professional courses. He was the president of the Kerala Chamber of Commerce and Industry from 2005 to 2006. He was also the president of both the Kerala Hockey Association from 2005 onwards and the Ernakulam District Hockey Association from 2004 onwards.

George Joseph

George Joseph is a first rank holder commerce graduate from Kerala University. He is also a certified associate of the Indian Institute of Banking and Finance. He is the former chairman and managing director of Syndicate Bank. He joined Syndicate Bank as an executive director on April 01, 2006 and was elevated to the post of Chairman and Managing Director on August 02, 2008 and subsequently retired from office on April 30, 2009. Before joining the Syndicate Bank, George Joseph was employed with Canara Bank for over 36 years.

Frequently asked questions

Q Are gold imports related to the gold loan market?

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

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

Gold imports form the second-highest outgo in the country's import bill (after crude oil). Therefore, the import of gold widens the country's current account deficit. However, the gold remains in the country and creates wealth for the nation. For centuries, gold has remained as a stable asset especially in times of uncertainties. During the 1991 crisis, the government of India secured an emergency loan from International Monetary Fund by physically pledging its gold reserves. History has proved that gold has remained as a currency without borders.

Q Do gold loans influence gold imports?

Gold loans have not influenced gold imports, since people do not buy gold in order to get it financed. Gold is imported to make jewellery. When people are in an urgent need of funds and when formal credit is difficult, they pledge gold ornaments and mobilise money. NBFCs provide loans against 'household used gold ornaments' only. India is said to be having around 18,000 tonnes gold and it imports around 700-900 tonnes every year. NBFCs would have an outstanding gold holding of around 360 tonnes, which means a holding of around 2.00% of the total gold holding in India.

Q How do gold price movements impact gold loan growth?

Gold price is not the sole factor which drives the gold loan business. As far as Muthoot Finance is concerned, from 2006 to 2012, the gold loan portfolio grew at a CAGR of 78%, of which the impact of the gold price was only about 25%. This business is based on the basic assumption that the borrower has a temporary requirement of money and an organised lender is willing to lend money on reasonable terms against household used gold ornaments. Hence, the gold price is only incidental to the loan and not the main factor driving the business.

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

The growth of organised gold loan NBFCs was largely due to increase in their reach through an addition to the nationwide branch network as also a shift of customers from the unorganised to the organised gold loan segment. Thanks to the aggressive marketing efforts of NBFCs, the product enjoys better awareness among the masses. This resulted in gold loan being accepted as the most convenient, quick and hassle free loan.It transitioned from a distress loan product to a lifestyle loan. Further, the high stock of gold jewellery in India created a ready collateral pool which also paved the way for the growth of this sector.

Q Why do people take gold loans?

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

Q What are the prerequisites for gold loans?

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

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

- **Counters a debt trap:** A gold loan is settled either by repayment or, in case of default, by sale of the pledged security. The cycle of non-payment, recovery mechanisms, restructuring and consequent difficulties to borrower do not happen in a gold loan. In a worst case scenario, the borrower may lose his gold but does not fall into a debt trap.

- **Simple procedures, fast disbursal:** The formalities in availing gold loans are minimal and procedures are simple. This makes gold loans ideal for meeting short term liquidity requirements

- **No depreciation of underlying asset:** Unlike other secured loans, the probability of depreciation of underlying asset is less and so, the lender always enjoys a great degree of comfort not available in other loans. This enables the lender to take a flexible approach, much to the relief of the borrower.

- **Suited for the unorganised sector:** Gold loans are ideal for India's large workforce, employed mainly in the unorganised sector and lack documents to prove their incomes. Since gold is a liquid collateral and since the need is for a short term working capital requirement and the ticket size is small, submission of liquid collateral obviates the need for a credit appraisal and credit scoring.

- **Gains for the wider economy:** India has the world's largest stock of privately held gold of about 18,000 tonnes. When this gold is kept idle in our lockers and vaults, it is a huge drag on the Indian economy: it has the effect of keeping billions of dollars in savings outside the financial system.

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

Gold price constitutes only one among the several factors that drive the gold loan business. Hence, gold price has only a limited impact on the business. Gold loans are given against a collateral of household used gold ornaments and not against bullion. Gold loans are generally availed for meeting a short term working capital gap of the borrower. It is generally availed for some productive purposes and it is an exposure on the future cash flow of the borrower backed by collateral of gold jewellery. The average ticket size of gold loans is around Rs. 40,000, essentially using ornaments of 25-30 grams as security for each loan, indicating the small savings of the individual. Around 40% of the value of jewellery is kept as margin. Stones embedded in the jewellery are not considered for valuing the gold jewellery. This ensures that replacement cost of the jewellery to be higher than the redemption amount of the loan. Generally, gold loans are of short duration with an average tenure of 4-5 months. Gold loans carry first priority for repayment in a borrower's basket of borrowings since the borrower wants to retrieve his personal ornaments at the first opportunity. This suggest that the common man is using his personal valuable for meeting some emergency working capital requirement and retrieves his valuable at the first opportunity when he has surplus funds. Hence gold price seems to have only secondary importance in the gold loan business.

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

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

Our gold loan portfolio is diversified through the following modes:

- Geographically spread across states, districts, cities, towns and villages

- Social status of the borrowers are among the lower-class, lower middle-class, middle-class, upper middle-class, lower upper class

- The loanee occupations comprise agriculturalists, traders, transport operators and small-scale unit owners, among others

For a lender, gold jewellery as security is only incidental. The borrowers taking loans from us are not trying to take a bet on the gold prices, but have a genuine loan requirement. When their need is fulfilled, they repay the loan and recover their security. For all the above reasons, we feel that a concentration risk does not exist.

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

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

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

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

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

Borrowers would not like to travel long distance carrying the gold ornaments. They prefer a location near their home. NBFCs have a wide network spread across the country and are in a position to cater to the requirement of borrowers. Moreover, the cost effective model of NBFCs enable them to operate such a large network.

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

All major gold loan NBFCs comply with capital adequacy, risk weightage and provisioning norms stipulated by RBI.

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

- The recent LTV cap of 60% of the value of jewellery is applicable only to NBFCs.
- Gold loans granted by banks can be classified under agriculture for the purpose of priority sector, whereas the same loan granted by NBFC to the same borrower is not eligible to be classified under agriculture for the purpose of priority sector classification.
- Risk weightage of gold loans given by banks with LTV of less than 75% is zero whereas the same loan given by an NBFC carries a risk weightage of 100%.
- Capital Adequacy Ratio for banks is only 9% with a minimum Tier I capital of 6% whereas for gold loan NBFCs it is 15% with minimum Tier I capital of 12%.

Q Does this sector require an LTV cap?

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

Q How big is the unorganized sector?

- Unorganised lenders exist in every village and town of this country. Almost all are run by individuals.
- Given the magnitude of operations, the unorganized sector could be at least a couple of times bigger than the organized sector.

Q Will gold loan NPA affect the business?

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

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

- Though a majority of our customers do have bank account, everyone prefers to avail of a loan cash.

The reasons could be:

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

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

Q Do gold loans abet money laundering?

• The average ticket size of our loan is around Rs.41,000

• Of the total gold loan portfolio of Rs.24417crs as on 31st March 2012, 59% of the loans had a ticket size equal to/less than one lakh rupees; 28% of the loans had a ticket size of above one lakh rupees upto three lakhs rupees; and only 13% of the loans had a ticket size above three lakhs rupees. However, even the average ticket size of loans above three lakhs rupees was only five lakhs rupees.

• The Company complies with KYC norms, obtains address proof and identity proof and takes photographs of the customer through a webcam.

• A person always carry a better option to sell his jewellery if his intention is to derive maximum value since the maximum LTV on a gold loan is 60%.

• Inaddition, the person will be leaving a trail of the transaction supported by the documents mentioned above.

Hence considering the small ticket size, KYC compliances required and alternative easier options available to a person with higher realisation, gold loans extended by NBFCs do not abet money laundering.

Q How is gold auction conducted?

• Ornaments are taken for auction once they become overdue or when the receivable value on the loan exceeds the realizable value of the ornaments

• Notice is sent to the defaulted borrower well in advance informing him of the auction date and venue by registered post

• Thereafter, the gold is auctioned publicly in the presence of the auctioneer.

• If the amount realized is more than the amount receivable, the surplus is refunded to the borrower.

Q Are interest rates high?

• Lending rates primarily depend on the cost of borrowings and operational expenses of the NBFC.

• Cost of borrowings for an NBFC has traditionally been high since unlike banks it does not have access to low cost funding sources like a current account and savings account. Every single rupee borrowed will be at the market rate of interest.

• Since NBFCs operate as a last mile connectivity and especially gold loans ticket size being low and volume handled high, operational expenses are high. For FY12, this was around 4%.

• However, our average lending rate for FY12 was around 22% which is one of the lowest. This was around 19% in FY11. The increase in lending rate was primarily on account general increase in cost of borrowings of almost 3% during the year.

• Unless NBFCs are provided options for getting funding at lower rates, lending rates cannot be reduced below a certain level.

Q How safety and security of pledged items ensured?

• Gold ornaments taken as collateral security is kept in a strong room in the same branch premises where the transaction has taken place.

• Strong room is under dual custody.

• Burglary alarms are installed in all branches.

• Majority of our branches are under CCTV surveillance connected to a central location.

• Security Guards (with gun/without gun) are deputed to branches depending on the security threat.

• Insurance coverage is taken on stored gold ornaments

• Internal Audit Department does routine inspections

• Vigilance Department periodically reviews the security aspects of branches.

Q What is the customer grievance mechanism?

• If the Customer has any grievance about any aspect concerning the service availed from the branch, he should first bring it to the notice of the Branch Manager concerned.

• If the Branch Manager could not resolve the grievance, the Customer shall take up the the matter with the Regional Manager concerned, to whom branch is reporting, whose address is displayed in the branch premises.

• If the Regional Manager also could not resolve the grievance, the Customer may write to the Grievance Redressal Cell Officer at Corporate Office.

Statutory Section

Corporate information

Muthoot Finance

Board of Directors

M G George Muthoot (Chairman)

George Alexander Muthoot (Managing Director)

George Thomas Muthoot (Whole Time Director)

George Jacob Muthoot (Whole Time Director)

George Joseph (Non-Executive Independent Director)

P George Varghese (Non-Executive Independent Director)

John K Paul (Non-Executive Independent Director)

K John Mathew (Non-Executive Independent Director)

Company Secretary

Rajesh A

Statutory Auditors

Rangamani & Co.

Registered Office

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

Registrar and Transfer Agents

Link Intime India Private Limited
Surya, 35, Mayflower Avenue
Behind Senthil Nagar, Sowripalayam Road
Coimbatore – 641028
Tel: (91 422) – 2314792, 2315792
Fax: (91 422) – 2314792
Email: coimbatore@linkintime.co.in
Website: www.linkintime.co.in

CIN: L65910KL1997PLC011300

RBI Regn. No: N.16.00167

Notice of AGM

Notice is hereby given that the 15th Annual General Meeting of the members of Muthoot Finance Limited will be held at Kerala Fine Arts Society Hall, Fine Arts Avenue, Fore Shore Road, Kochi, Kerala – 682 016 on Saturday, the 01st day of September, 2012 at 10:30 A M to conduct the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend
3. To appoint a Director in the place of Mr. George Joseph who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Mr. John K Paul who retires by rotation and being eligible offers himself for re-appointment
5. To appoint Auditors and fix their remuneration.

For and on behalf of the Board of Directors

Rajesh A
Company Secretary

Kochi, July 30, 2012

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

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF IN THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing the proxy in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members/Proxy should bring dully filled attendance slips sent herewith to attend the meeting.
4. The Register of Director's Share Holding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the AGM.
5. The Register of Contracts maintained under Section 301 of the Companies Act, 1956 will be available for inspection by the members at the Registered Office of the Company.
6. The Register of Members and Share Transfer Books will remain closed from August 18, 2012 to September 01, 2012 (both days inclusive).
7. The dividend, if declared, will be paid on or after 01st September, 2012 to the members so entitled, whose names appear in the Register of Members on the close of business hours on August 17, 2012. In respect of shares held in electronic form, the dividend will be paid to those beneficial owners whose name appears in the statement furnished by the depositories for the purpose.
8. Members are requested to address all correspondence to the Registrar and Transfer Agents: Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg Bhandup (West), Mumbai 400 078, India, Tel: (91 422) 2596 0320, Fax: (91 422) 2596 0329, Toll Free: 1-800-22-0320.
9. Recognizing the spirit of the MCA Circular No. 17/ 2011 and 18/2011 Company henceforth propose to send documents like the Notice convening the General Meetings, Financial Statements, Auditors' Report, Directors' Report etc. to the email address provided by you with your depositories. We request you to update your email address with your depository participant to ensure that annual report and other documents reach you on your preferred email.
10. Members desirous of obtaining any information/asking questions are requested to address their questions in writing to the Company atleast 7 days before the date of the Meeting so that the information required may be made available at the Meeting.
11. Pursuant to the Clause 49 of the Listing Agreement, profile of the directors seeking re-appointment is given in a statement attached hereto.

Additional Information of Directors Seeking Re-Appointment

Name of Director	George Joseph	John K Paul
Date of Birth	26/04/1949	28/03/1953
Nationality	Indian	Indian
Date of Appointment	21/07/2010	21/07/2010
Qualifications	B.Com; CAIIB	B.Tech
Brief Profile	George Joseph is a first rank holder commerce graduate from Kerala University. He is also a certified associate of the Indian Institute of Banking and Finance. He is the former chairman and managing director of Syndicate Bank. He joined Syndicate Bank as an executive director on April 01, 2006 and was elevated to the post of Chairman and Managing Director on August 02, 2008 and subsequently retired from office on April 30, 2009. Before joining the Syndicate Bank, George Joseph was employed with Canara Bank for over 36 years.	John K Paul is a graduate in engineering from the Regional Engineering College, Kozhikode and a businessman by profession. He is a director of Popular Vehicles & Services Limited, leading and well reputed dealers of automobiles and accessories from Kerala. He is also a trustee of the Kuttukaran Institute for HRD, a leading institution offering professional courses. He was the president of the Kerala Chamber of Commerce and Industry from 2005 to 2006. He was also the president of both the Kerala Hockey Association from 2005 onwards and the Ernakulam District Hockey Association from 2004 onwards.
Chairmanship/ Directorship in other Indian Companies	Chairman Wonderla Holdings Private Limited	1. Popular Vehicles and Services Limited 2. Popular Kuttukaran Cars Private Limited 3. Popular Auto Dealers Private Limited 4. Popular Auto Spares Private Limited 5. Popular Auto Works Private Limited 6. Kerocon Equipments Private Limited 7. Prabal Motors Private Limited
Chairmanship/ Membership of Committees of the Board of Directors of other Indian Companies of which he is a Director	Chairman, Audit Committee Wonderla Holdings Private Limited	Nil

Directors' Report

Muthoot Finance

Dear Shareholders,

Your Directors have pleasure in presenting the 15th Annual Report of the Company together with the audited financial statements for the year ended 31st March, 2012.

1. Financial Results

The financial results for the year ended 31st March, 2012 are summarized below:

(Amount in Rs. Lakhs)

Particulars	2011–12	2010–11
Income from Operations	454,906	231,587
Total Expenditure	314,289	150,238
Profit Before Depreciation	140,617	81,349
Depreciation and Other Non Cash Charges	7,492	5,228
Profit Before Tax	133,125	76,121
Provision for Tax/Deferred Taxes	43,922	26,703
Profit After Tax	89,202	49,418
Share Capital and Reserves	292,573	133,441
Subordinated Debt	148,011	71,059
Secured Non-Convertible Debentures	786,284	419,823
Bank Borrowings	923,197	605,283
Gross Retail Loan Assets under Management	2,467,360	1,586,845

2. Economic Scenario

The fall in values of investments triggered primarily by the deceleration in economic growth and high inflation characterized the economic scenario in the year gone by. The huge fiscal and current account deficits in the context of declining export growth led to substantial erosion in the exchange rate of Indian rupee and triggered a sovereign rating reduction by some of the rating agencies. These developments throw a dark shadow on the growth prospects of the country in the fiscal 2012-13 and despite a huge consumption demand, the nation's GDP growth reaching 8% looks improbable.

3. Business

Increase in foot print, aggressive marketing efforts and tweaking of products in response to market conditions enabled the Company to improve its loan book by 55% taking the outstanding to Rs. 2,467,360 Lakhs. The cost of borrowed funds went upto 12.20% compared to 8.87% in fiscal 2010-11. Despite this, we could, thanks to overall control on expenditure, efficient collection of interest and control on NPAs, retain the Net Interest Margin at 10.65%. Total income grew by a very creditable 96% to Rs. 454,906 lakhs. Profit Before Tax rose by 75% to Rs. 133,125 lakhs and Profit After Tax by 80% to Rs. 89,202 lakhs. The Return on Average Retail Loans rose to 4.40% as compared to 4.24% in fiscal 2010-11.

Financial Year 2011-12 flags a significant mile stone in the gold loan industry as it marks the beginning of a consolidation phase and your Company too has taken cautious steps in moving towards such a positive direction. The Gross Retail Loan Assets under Management as on 31st March, 2012 stood at Rs. 2,467,360 lakhs registering a year over year growth of 55%. While the total income grew by 96% to reach at Rs. 454,906 lakhs on 31st March, 2012, Profit After Tax stood at Rs. 89,202 lakhs as against a figure of Rs. 49,418 lakhs reported during the previous financial year.

945 new branches were opened during the financial year taking the branch network as on 31st March, 2012 to 3,678 branches spread across 21 states and 4 union territories. The average gold loan outstanding per branch has increased from Rs. 5.75 crores to Rs. 6.64 crores as on March 31, 2012.

4. Dividend

Based on Company's performance, your Directors are pleased to recommend a maiden dividend of 40% on the equity shares (Rs. 4 per Equity Share) of the Company which is payable on obtaining the approval of the shareholders of the Company in the 15th Annual General Meeting. The dividend payout amount for the current year inclusive of additional tax on dividend will be Rs. 172.81 Crores.

5. Appropriations

Your Board proposes to transfer Rs. 892,024,022/- to the General Reserve in accordance with the Companies (Transfer of Profit to Reserves) Rules, 1975. Your Board also proposes to transfer Rs. 1,784,048,044/- to the Statutory Reserve maintained under Section 45 IC of the RBI Act, 1934. An amount of Rs. 742,038,311/- has been transferred for creation of Debenture Redemption Reserve Account as required under the Companies Act, 1956. Post transfer of profits to reserves and distribution of dividend, your Board proposes to retain Rs. 9,569,275,904/- in the Profit and Loss Account. The expenses incurred for Initial Public Offer amounting to Rs. 291,490,445/- have been written off against Securities Premium as per Section 78(2) of the Companies Act, 1956.

6. Regulatory Developments

The Reserve Bank of India vide circular no: DNBS.CC.PD.No. 265/03.10.01/2011-12 dated March 21, 2012 has directed all NBFCs engaged in lending against the security of gold jewellery to maintain a Loan To Value ratio not exceeding 60% of the value of Gold Jewellery. As a matter of abundant caution, we had been progressively reducing our lending rates per gram as a risk management measure, seeing the volatility in the gold prices during the last couple of months. We are complying to this direction from RBI. RBI also reduced the exposure ceiling of banks to a single NBFC having gold loans to the extent of 50% or more of its financial assets from 10% to 7.50% of the banks Total Capital Funds. The minimum Tier-I capital requirement of these NBFCs will be increased from 10% presently to 12% by 1st April, 2014.

7. Resource Mobilization

(a) Secured Debentures

With a view to diversify the funding profile of the Company, your Company successfully completed two public issues of Secured Non-Convertible Debentures during the year and moped up Rs. 115,260 lakhs. NCDs offered in the public issue are listed in the BSE Limited and/or National Stock Exchange of India Limited

Company raised Rs. 661,024 Lakhs, net of repayments, through private placement of Secured Non-Convertible Debentures. Funds raised through this route continue to be a substantial resource base for the Company. Your Company has also privately placed Secured Non-Convertible Debentures to the tune of Rs. 10,000 Lakhs which are listed in the Wholesale Debt Segment of the National Stock Exchange of India Limited.

(b) Bank Finance

Commercial Banks continued their support of the Company's asset growth. As of 31st March, 2012, borrowings from banks were Rs. 923,197 lakhs. The company also raised resources through sale of gold loan portfolio and the outstanding amount of gold loan sold under such bilateral sales as of 31st March, 2012 was Rs. 333,521 lakhs. Your Company's rated short term debt instruments were also placed with various mutual funds at competitive rates enabling the company to reduce the overall cost of liabilities.

(c) Subordinated Debts

Subordinated Debts continue to be another source for funding the operations of Company. Subordinated Debts represents long term source of funds for the Company and the amount outstanding as on 31st March, 2012 was Rs. 148,011 lakhs. It will qualify as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank Directions), 2007.

8. 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 Rs.(Lakhs)
CRISIL	Commercial Paper	CRISIL A1+	400,000
	Subordinated Debts	CRISIL AA-(Stable)	10,000
	Non Convertible Debentures	CRISIL AA-(Stable)	50,000
ICRA	Commercial Paper	ICRA A1+	20,000
	Short Term Bank Borrowings	ICRA A1+	480,300
	Subordinated Debts	ICRA AA-(Stable)	10,000
	Non Convertible Debentures	ICRA AA-(Stable)	20,000
	Long Term Bank Borrowings	ICRA AA-(Stable)	567,500

9. Internal Control

The Audit and Inspection Department of the Company through a team of 964 personnel ensures quality of the assets pledged and adherence to various risk management practices at all the operating units. The structure of the audit teams have been totally recast with decentralization of functions to match with the expansion in footprint without compromising control.

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

10. Human Resources

Being a service oriented Company; your company considers human resource capital as its most valuable asset. As of March 31, 2012, your company had 25,351 employees on its rolls at various organizational levels. Your Company offers employees the opportunity to harness their inherent skills and to brave newer frontiers at every phase of their growth. Your management is committed to providing a wholesome work environment and support with excellent training programs and workshops. Your Company provides extensive training to branch employees through training programs that are tailored to acquiring and honing their skills in all operational matters. While every new employee is introduced to the business through an orientation program and through training programs covering job-relevent topics, experienced branch employees receive additional training for upgradation of skills on an ongoing basis.

As of date, your company has established two Staff Training Colleges, one each in Cochin and in New Delhi, and 57 Regional Learning Centers located at Regional Offices spread across the country.

11. 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.

12. Capital Adequacy

Your Company's Capital Adequacy Ratio as of March 31, 2012 stood at 18.29% 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%.

13. RBI Guidelines

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

14. Directors

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

15. 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.

16. Personnel

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

SL No	Name of Employee	Age (yrs)	Designation	Date of Commencement of employment	Gross Remuneration (Rs. in Lakhs)	Qualification	Total Experience	Last employment
1	Mr. M G George Muthoot	62	Whole Time Director & Chairman	28.07.2000	Rs. 480	B. Tech	38 years	Muthoot Bankers
2	Mr. George Alexander Muthoot	56	Managing Director	28.07.2000	Rs. 480	FCA	32 years	Muthoot Bankers
3	Mr. George Thomas Muthoot	61	Whole Time Director	16.08.2005	Rs. 480	Under Graduate	37 years	Muthoot Bankers
4	Mr. George Jacob Muthoot	59	Whole Time Director	16.08.2005	Rs. 480	B. Tech	35 years	Muthoot Bankers

17. Directors' Responsibility Statement

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

1. In the preparation of Annual Accounts for the financial year 2011-12, the applicable Accounting Standards have been followed and there are no material departures;
2. They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for financial year;
3. They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
4. The annual accounts have been prepared on a going concern basis.

18. 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.

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

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

Total Foreign Exchange Earned	:	NIL
Total Foreign Exchange Expended	:	20.96 Lakhs

20. Acknowledgement

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

For and On Behalf of the Board of Directors

Kochi, July 30, 2012

M G George Muthoot
Chairman

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

Report on Corporate Governance

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

The Institute of Company Secretaries of India
New Delhi

I. Company's Philosophy on Corporate Governance

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

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

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

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

II. Board Of Directors

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

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

i. Composition of Board.

a. As of March 31, 2012, the Board of Directors of the Company comprises of eight Directors with an Executive Chairman. Of the 8 directors on the Board of Directors of the Company, 4 (50%) are Non-Executive Independent Directors and 4 (50%) are Executive Non-Independent Directors. The composition of the Board of Directors is in compliance with the requirements of Clause 49 of the Listing Agreement entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

b. All the Independent Directors have furnished individual declarations to the Board that they qualify the conditions of their being independent as per Clause 49 of the Listing Agreement.

c. None of the Directors on the Board are Members of more than ten Committees or Chairman of more than five Committees across all the companies in which they are Directors.

d. All Non-Independent Directors are related to each other being brothers and none of the Independent Directors are related to any other Directors on the Board in terms of the definition of "relative" given under the Companies Act, 1956.

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

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

Name of Director	Category	Number of Board Meetings During the Year		Whether attended last AGM	Number of Directorships in Other Public Companies		Number of Committee positions held in other Public Companies*	
		Held	Attended		Chairman	Member	Chairman	Member
M G George Muthoot	Non-Independent, Executive	7	7	Yes	1	7	0	0
George Alexander Muthoot	Non-Independent, Executive	7	7	Yes	0	8	2	2
George Jacob Muthoot	Non-Independent, Executive	7	7	Yes	0	8	0	1
George Thomas Muthoot	Non-Independent, Executive	7	7	Yes	0	6	0	1
K John Mathew	Independent, Non-Executive	7	7	Yes	0	0	0	0
P George Varghese	Independent, Non-Executive	7	6	Yes	0	3	1	2
George Joseph	Independent, Non-Executive	7	7	Yes	0	0	0	0
John K Paul	Independent, Non-Executive	7	5	Yes	0	1	0	0

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

iii. Seven Board meetings were held during the financial year 2011-12. 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	May 03, 2011	8	8
2	May 26, 2011	8	7
3	July 25, 2011	8	8
4	July 27, 2011	8	8
5	October 26, 2011	8	7
6	December 05, 2011	8	7
7	January 31, 2012	8	8

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

III. Audit Committee

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

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

a. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

b. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

c. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

d. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:

i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956

ii. Changes, if any, in accounting policies and practices and reasons for the same

iii. Major accounting entries involving estimates based on the exercise of judgment by management

iv. Significant adjustments made in the financial statements arising out of audit findings

v. Compliance with listing and other legal requirements relating to financial statements

vi. Disclosure of any related party transactions

vii. Qualifications in the draft audit report.

e. Reviewing, with the management, the quarterly financial statements before submission to the board for approval

f. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

g. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

h. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

i. Discussion with internal auditors on any significant findings and follow up there on.

j. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

k. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

l. To look into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

m. To review the functioning of the Whistle Blower mechanism, in case the same is existing.

n. To approve the appointment of Chief Financial Officer, if any.

o. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

iii. Composition

a. The Audit Committee comprises of 3 Directors of whom 2 are Independent Directors. All the members possess the necessary financial / accounting expertise/ exposure. Mr. George Joseph, former Chairman and Managing Director of Syndicate Bank, chairs the Committee.

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 (26.05.2011, 25.07.2011, 26.10.2011, 31.01.2012) during the year ended 31st March, 2012. 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. P George Varghese and Mr. John K Paul. Mr. K John Mathew is the Chairman of the Committee. The Remuneration Committee determines and recommends the remuneration of the Managing Director and Whole Time Directors based on the overall performance of the Company during the relevant financial year. The remuneration policy is in consonance with the existing industry practice.

ii. The Committee met one time (26.05.2011) during the year ended 31st March, 2012. Necessary quorum was present in all the meetings. The number of meetings attended by each member of the remuneration committee is as under:

Member	Number of meetings attended
K John Mathew, Chairman	1
P George Varghese	1
John K Paul	1

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

vi. Remuneration to Directors

Details of remuneration paid to Executive Non-Independent Directors as well as Non-Executive Independent Directors for the period ended March 31, 2012 are as under:

a. Non-Executive Directors

Name	Commission (Rs. in Lakhs)	Sitting Fees (Rs. in Lakhs)
George Joseph	4.00	1.00
P George Varghese	4.00	0.85
John K Paul	4.00	0.65
K John Mathew	4.00	0.80
Total	**16.00**	**3.30**

b. Managing Directors and Whole Time Directors

Name of Director	Salary (Rs. in Lakhs)	Allowances & Incentives (Rs. in Lakhs)
M G George Muthoot Chairman and Whole Time Director	144	336
George Alexander Muthoot Managing Director	144	336
George Thomas Muthoot Whole Time Director	144	336
George Jacob Muthoot Whole Time Director	144	336
Total	**576**	**1344**

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

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

iii. The Committee met three times during the year ended 31st March, 2012 (15.06.2011, 22.09.2011, 15.02.2012). Necessary quorum was present in all the meetings. The number of meetings attended by each member of the Shareholder's/Investors' Grievance committee is as under:

Member	Number of meetings attended
Mr. John K Mathew, Chairman	3
Mr. John K Paul	1
Mr. George Thomas Muthoot	3

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	693	347
No. of Complaints Resolved during the year	693	347
No. of Complaints pending on March 31, 2012	Nil	Nil

v. Mr. Rajesh A 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

Muthoot Finance

following address:

Rajesh A., *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	2010-11	2009-10	2008-09
Date and Time	September 28, 2011 10:30 A.M.	September 25, 2010 11:00 A.M.	June 27, 2009 11:00 A.M.
Place of Meeting	Kerala Fine Arts Society Hall Fine Arts Avenue, Fore shore Road Cochin – 682 016	Muthoot Chambers, 2nd Floor, Opposite Saritha Theatre Complex, Banerji Road, Ernakulam, Kerala - 682018	Muthoot Chambers, 2nd Floor, Opposite Saritha Theatre Complex, Banerji Road, Ernakulam, Kerala - 682018

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

Date of AGM	Details of Special Resolution Passed
September 28, 2011	Special Resolution under Section 314(1B) of the Companies Act, 1956 for appointment of George M Alexander as Vice President – Operations (South)
September 25, 2010	Nil
June 27, 2009	Nil

iii. No Extraordinary General Meetings were held during the Financial Year 2011 – 12.

iv. No Postal Ballot was conducted during the financial year 2011 – 12

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

b. Moneys raised through Public Issue of Equity Shares as well as Public Issues of Secured Non-Convertible Debentures have been utilized 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 : Saturday, September 01, 2012

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 September 01, 2012.

c. Financial Year

April 01, 2011 to March 31, 2012

d. Date of book closure

18th August, 2012 to 01st September, 2012
(both days inclusive) for payment of Dividend

e. Dividend Payout Date

Between September 02, 2012 to September 30, 2012

f. Listing of Securities

BSE Limited
Floor 25, P. J Towers, Dalal Street
Mumbai – 400 001

&

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

g. Stock Code/Symbol/ISIN of Equity Shares

BSE : 533398

NSE : MUTHOOTFIN

ISIN : INE414G01012

h. Listing Fees and Depository Fees

Annual Listing Fee for the year 2012-13 and Annual Custody/Issuer Fee for the year 2012-13 have been paid to Stock Exchanges and Depositories respectively.

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

High, Low (based on closing prices) and number of shares traded during each month in the year 2011-12 on National

Muthoot Finance

Stock Exchange of India Limited and BSE Limited:

Month	National Stock Exchange		BSE Limited	
	High Price	Low Price	High Price	Low Price
May	198.90	154.75	198.00	154.75
Jun	183.20	150.35	183.00	150.40
Jul	194.40	156.60	194.40	156.60
Aug	198.40	156.90	198.00	165.15
Sep	189.90	158.65	188.00	159.10
Oct	187.00	153.50	186.80	153.80
Nov	218.40	143.95	190.80	164.00
Dec	178.50	150.00	184.90	151.00
Jan	185.90	152.20	185.80	148.55
Feb	187.00	153.15	185.40	154.05
Mar	172.00	120.05	171.85	120.00

j. Performance of the share price in comparison (based on closing prices) to broad based indices – BSE Sensex and NSE Nifty as on March 31, 2012

	BSE (% Change)		NSE (% Change)	
Period	Muthoot Finance	Sensex	Muthoot Finance	Nifty
FY 2011-12	-28.26%	-10.50%	-28.03%	-9.23%

k. Registrars and Transfer Agent

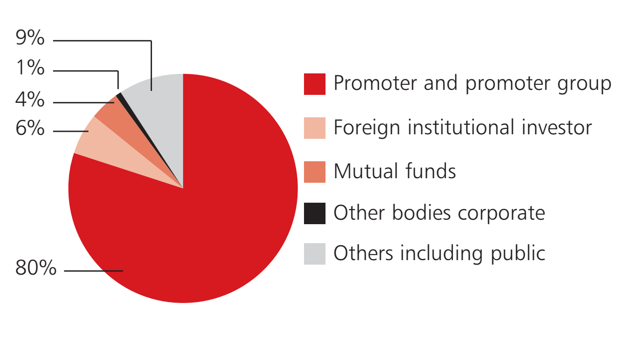
Link Intime India Private Limited
Surya, 35, Mayflower Avenue, Behind Senthil Nagar
Sowripalayam Road, Coimbatore – 641028
Tel: +91 422-2314792, 2315792 • Fax: +91 422-2314792
E-mail: coimbatore@linkintime.co.in
Contact Person: S Dhanalakshmi

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 March 31, 2012

Category	No. of Shares	%
Promoters and Promoter Group Holding	297,797,872	80.12
Foreign Institutional Investors	23,289,136	6.27
Mutual Funds	13,067,571	3.51
Other Bodies Corporate	4,092,269	1.10
Others including Public	33,465,920	9.00
Total	**371,712,768**	**100.00**



n. Shareholding pattern by size as on March 31, 2012

Category (Shares)	No. of Shareholders	Shares	% of Total Shares
1 – 500	63,872	5,131,102	1.38
501 – 1000	800	609,771	0.16
1001 – 2000	377	548,768	0.15
2001 – 3000	172	421,977	0.12
3001 – 4000	79	273,478	0.07
4001 – 5000	64	296,287	0.08
5001 – 10000	115	813,971	0.22
10001 and above	190	363,617,414	97.82
Grand Total	**65,669**	**371,712,768**	**100.00**

o. Top ten Equity Shareholders of the Company as on March 31, 2012

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

p. Equity Shares in the Suspense Account

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

Sl.No.	Description	No. of Shares
1	Number of shareholders and outstanding shares in the suspense account as on 03.05.2011	3,878
2	Number of shareholders who approached for transfer of shares from suspense account during the period 03.05.2011 To 31.03.2012	3,329
3	Number of shareholders to whom shares were transferred from suspense account during the period 03.05.2011 To 31.03.2012	3,329
4	Number of shareholders and outstanding shares in the suspense account as on 31.03.2012	549*

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

q. Dematerialization of shares

The Company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of our shares for scripless trading. 99.99 % of shares of the Company were held in dematerialized form as on March 31, 2012.

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 March 31, 2012.

XIII. Adoption of Mandatory and non-mandatory requirements of Clause 49

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

Annexure I

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

To,
The members of **Muthoot Finance Limited**

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, 2012, 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.

Place: Kochi
Date: July 30, 2012

George Alexander Muthoot
Managing Director

Annexure 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 2012, as stipulated in Clause 49 of the Listing Agreements of the Company with Stock Exchanges.

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

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

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

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

R. Sreenivasan
Partner
Membership No. 020566

Place: Kochi
Date: July 30, 2012

AUDITOR'S REPORT

To
The Shareholders of
MUTHOOT FINANCE LIMITED

1. We have audited the attached Balance Sheet of Muthoot Finance Limited, Registered and Corporate Office: Muthoot Chambers, Opposite Saritha Theatre Complex, 2nd Floor, Banerji Road, Kochi 682 018, India, (the company) as at 31st March 2012, the statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (the 'Act'), and based on the information and explanations given to us, we give in Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraphs 3 above, we report that:
   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
   b. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books
   c. The Balance Sheet, Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of accounts.
   d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable.
   e. On the basis of written representations received from the directors, as on 31st March 2012 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March 2012 from being appointed as director under Section 274(1)(g) of the Companies Act,1956.
   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the Significant Accounting Policies and notes thereon 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 2012;
      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 for the year ended on that date.

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

R. Sreenivasan
Partner
M. No. 020566

Place: Kochi
Date: May 15,2012

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 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 programme of verification, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. We are informed that no material discrepancies were noticed on such verification.

(c) No substantial part of fixed assets has been disposed off during the year.

(ii) (a) The Company is a Non-Banking Finance Company and has not dealt with any goods and the company does not hold any inventory during the period under audit. Accordingly, the provisions of clause 4 (ii) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.

(iii) (a) 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 24 parties covered in the register maintained u/s 301 of the Companies Act, 1956, the maximum amount of which during the year was Rs. 8,829.94 Lakhs and the year-end balance of such loan is Rs. 7,917.88 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 are also regular.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, with regard to the purchases of fixed assets and for rendering of services. During the course of our audit, 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 Rs. 500,000 /- in respects of any party during the year have been made at prices which are reasonable as per the information available with the Company.

(vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public attracting the provisions of Section 58A and Section 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1976 with regard to the deposits accepted from the public.

(vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

(viii) According to the information and explanations given to us, in respect of the Company, Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.

(ix) (a) The Company is regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues, applicable to it.

(b) According to the information and explanations given to us, no undisputed statutory dues payable in respect of Provident Fund, Investor Education Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues which are outstanding for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of Sales tax, 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 Rs. In Lakhs *	Period to which the amount relates	Forum where dispute is pending
Service tax Penalty on above	117.28 298.93	2003-2008	Customs, Central Excise and Service Tax Appellate Tribunal, Bangalore
Income Tax	137.82	AY 2009-10	Commissioner of Income Tax appeals (Kochi)

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

(x) The company does not have any accumulated loss as at 31st March 2012 and it has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

(xi) According to the records of the company examined by us and the information and explanations given to us, we are of the opinion that the company has not defaulted during the period in repayment of dues to financial institution, bank or debenture holders.

(xii) The Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and in such cases, in our opinion, adequate documents and records are maintained.

(xiii) The Company is not a Chit Fund or a Nidhi/Mutual Benefit Fund/Society and accordingly the provisions of Clause 4(xiii) of the Companies (Auditors Report) Order 2003(as amended) are not applicable to the Company.

(xiv) According to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order 2003(as amended) are not applicable to the Company.

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

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

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

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

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

(xx) The Management has disclosed the end use of money raised by initial public offer of equity shares in Note 32 to financial statements, which has been verified by us.

(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 Rs 6,270,000/- 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)

R. Sreenivasan
Partner
M. No. 020566

Place: Kochi
Date: May 15,2012

BALANCE SHEET As on 31st March 2012

(Amount in Rs.)

Particulars	Note No.	As on 31.03.2012	As on 31.03.2011
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	3	3,717,127,680.00	3,202,127,680.00
(b) Reserves and surplus	4	25,540,191,610.73	10,141,997,327.14
Non-current liabilities			
(a) Long-term borrowings	5	62,416,534,000.00	26,692,183,927.54
(b) Other Long term liabilities	6	2,686,932,622.83	1,258,608,335.34
Current liabilities			
(a) Short-term borrowings	5	92,386,821,997.45	72,414,080,555.46
(b) Trade Payables & Other current liabilities	7	44,227,654,771.30	22,899,692,596.81
(c) Short-term provisions	8	2,746,756,151.84	601,308,483.31
TOTAL		233,722,018,834.15	137,209,998,905.60
ASSETS			
Non-current assets			
(a) Fixed assets	9		
(i) Tangible assets		2,621,055,595.49	1,835,566,789.69
(ii) Intangible assets		5,839,578.00	2,205,492.00
(iii) Capital work-in-progress		38,947,633.25	47,970,256.00
(iv) Intangible assets under development		16,417,598.00	-
(b) Non-current investments	10	75,049,940.00	75,049,940.00
(c) Deferred tax assets (net)	11	3,896,263.90	(24,731,039.10)
(d) Long-term loans and advances	12	1,098,701,048.62	903,861,822.11
(e) Other non-current assets	13	521,805.60	-
Current assets			
(a) Current investments	14	900,000,000.00	-
(b) Trade receivables	15	7,340,231,813.36	3,468,660,574.29
(c) Cash and Bank Balances	16	7,950,385,774.51	13,754,949,956.09
(d) Short-term loans and advances	17	213,600,221,753.42	117,057,216,978.52
(e) Other current assets	18	70,750,030.00	89,248,136.00
TOTAL		233,722,018,834.15	137,209,998,905.60

Notes on accounts form part of the final accounts

As per our report of even date attached

For and on behalf of the Board of Directors

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

M. G. George Muthoot
Chairman & Whole time Director

George Alexander Muthoot
Managing Director

R. Sreenivasan
Partner
Membership No. 020566

Oommen K. Mammen
Chief Financial Officer

Rajesh A.
Company Secretary

Kochi
15.05.2012

STATEMENT OF PROFIT AND LOSS For the year ended 31st March 2012

(Amount in Rs.)

Particulars	Note No.	Year ended 31.03.2012	Year ended 31.03.2011
Revenue from Operations	19	45,366,721,274.94	23,015,053,898.99
Other income	20	123,835,843.05	143,623,885.06
Total Revenue		**45,490,557,117.99**	**23,158,677,784.05**
Expenses:			
Employee benefits expense	21	4,144,769,607.69	2,209,492,340.43
Finance costs	22	23,698,992,605.22	10,382,873,701.36
Other expenses	23	3,393,182,896.45	2,239,473,939.97
Directors Remuneration		192,000,000.00	192,000,000.00
Depreciation and amortization expense	9	329,168,631.00	180,980,377.63
Provisions and Write Offs	24	419,971,428.00	341,750,963.00
Total Expenses		**32,178,085,168.36**	**15,546,571,322.39**
Profit Before Tax		**13,312,471,949.63**	**7,612,106,461.66**
Tax expense:			
Current tax		4,420,859,032.00	2,670,450,189.13
Deferred tax		(28,627,303.00)	(108,002.00)
Profit for the year		**8,920,240,220.63**	**4,941,764,274.53**
Earnings per equity share of Rs. 10/- each			
Basic & Diluted		24.29	15.78

Notes on accounts form part of the final accounts

As per our report of even date attached

For and on behalf of the Board of Directors

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

M. G. George Muthoot
Chairman & Whole time Director

George Alexander Muthoot
Managing Director

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Partner
Membership No. 020566

Oommen K. Mammen
Chief Financial Officer

Rajesh A.
Company Secretary

Kochi
15.05.2012

CASH FLOW STATEMENT For the year ended 31st March 2012

(Amount in Rs.)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Taxation	**13,312,471,949.63**	**7,612,106,461.66**
Adjustments for:-		
Add: Provision for Non-Performing Assets and Standard assets	350,743,161.00	323,463,448.00
Add: Finance Cost	23,698,992,605.22	10,382,873,701.36
Add: Income Tax Paid	-	32,270,673.31
Add: Loss on Sale of Fixed Assets		126,523.66
Add: Depreciation and amortisation	329,168,631.00	180,980,377.63
Less: Profit on sale of Fixed Assets	(395,480.00)	-
Less: Interest received on Bank Deposits	(122,569,358.05)	(142,922,344.06)
Less: Income from Investments	-	-
Operating profit before working capital changes	**37,568,411,508.80**	**18,388,898,841.56**
Adjustments for:-		
(Increase) / Decrease in Loans and Advances	(96,737,844,001.41)	(63,061,723,871.91)
(Increase) / Decrease in Trade receivables	(3,871,571,239.07)	(2,076,638,100.88)
(Increase) / Decrease in other receivables	(521,805.60)	-
Increase / (Decrease) in Current liabilities	200,121,258.91	170,618,143.56
Increase / (Decrease) in Other Liabilities	16,619,780.12	2,084,622.84
Cash generated from operations	**(62,824,784,498.25)**	**(46,576,760,364.83)**
Finance cost paid	(19,909,082,618.81)	(11,201,220,093.91)
Direct tax paid	(4,354,210,016.47)	(2,605,320,536.82)
Net cash from operating activities	**(87,088,077,133.53)**	**(60,383,300,995.56)**
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,118,784,042.80)	(773,859,022.54)
Sale of Fixed Assets	888,000.00	577,676.00
(Increase) / Decrease in Capital Work in Progress	(7,394,975.25)	(44,078,305.00)
Investments in Bonds	(900,000,000.00)	-
Interest received on Bank Deposits	141,067,464.05	58,184,352.30
Income from Investments	-	-
Net Cash from Investing Activities	**(1,884,223,554.00)**	**(759,175,299.24)**
C CASH FROM FINANCING ACTIVITIES		
Net Proceeds from Issue of Debentures	34,646,126,000.00	16,289,746,000.00
Increase / (Decrease) in Loan from Directors / Relatives of Directors	(559,539,664.19)	246,991,251.18
Increase / (Decrease) in Borrowings from Bank /Financial Institutions	31,790,835,065.18	39,250,586,116.59
Increase / (Decrease) in Inter Corporate Loan	127,400,000.00	(13,700,000.00)
Increase / (Decrease) in Subordinated debt	7,695,240,000.00	3,859,175,000.00
Increase / (Decrease) in Commercial Papers	746,665,550.00	6,947,812,350.00
Initial Public Offer of Equity Shares	9,012,500,000.00	2,556,899,241.00
Expenses for Initial Public Offer of Equity Shares	(291,490,445.04)	-
(Increase)/ Decrease in bank deposits held for greater than 3 months	127,027,902.43	(1,737,685,096.98)
Net Cash from Financing Activities	**83,294,764,408.38**	**67,399,824,861.79**

CASH FLOW STATEMENT (Contd.) For the year ended 31st March 2012

(Amount in Rs.)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
D NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(5,677,536,279.15)	6,257,348,566.99
Cash And Cash Equivalent at the Beginning of the Year	10,989,181,938.11	4,731,833,371.12
Cash And Cash Equivalent at the End of The Year	**5,311,645,658.96**	**10,989,181,938.11**
Components of Cash and Cash Equivalents at the end of the year		
Current Account with Banks	2,989,294,021.61	9,329,383,145.97
Deposit with Banks	50,000,000.00	309,708,876.00
Cash on Hand	2,272,351,637.35	1,350,089,916.14
Total	**5,311,645,658.96**	**10,989,181,938.11**

Notes on accounts form part of the final accounts

As per our report of even date attached

For and on behalf of the Board of Directors

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

M. G. George Muthoot
Chairman & Whole time Director

George Alexander Muthoot
Managing Director

R. Sreenivasan
Partner
Membership No. 020566

Oommen K. Mammen
Chief Financial Officer

Rajesh A.
Company Secretary

Kochi
15.05.2012

NOTES ON ACCOUNTS For the year ended 31st March 2012

1. BACKGROUND

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

The Company made an Initial Public Offer of 5,15,00,000 Equity Shares of the face value Rs. 10/- each at a price of Rs. 175/- raising Rs. 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 recognized and expenses are accounted on accrual basis with necessary provisions for all known liabilities and losses. Income from Non- Performing Assets is recognized only when it is realized. Income and expense under bilateral assignment of receivables accrue over the life of the related receivables assigned. Interest income and expenses on bilateral assignment of receivables are accounted on gross basis.

2.4 Employee Benefits

A) Short Term Employee Benefits:

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

B) Post employment benefits

a) Defined Contribution Plan

Provident Fund

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

b) Defined Benefit Plan

Gratuity

The Company makes annual contribution to a Gratuity Fund administered by Trustees and managed by 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.

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

2.5 Fixed Assets

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

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

2.6 Foreign Exchange Transactions

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

2.7 Intangible Assets

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

2.8 Taxes on Income

Income Tax expenses comprises of current tax and deferred tax (asset or liability). Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act 1961. Deferred tax is recognized, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized 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 recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the net selling price of the assets or their value in use. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

2.11 Provisions, Contingent Liabilities & Contingent Assets

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

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

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

2.12 Debenture Redemption Reserve

In terms of General Circular No. 9/2002 dated April 18, 2002 issued by the Ministry of Corporate Affairs, Company has created Debenture Redemption Reserve in respect of Secured Non-Convertible Debentures issued through public issue.

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

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

2.13 Provision for non Performing Assets

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

2.14 Leases

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

Where the Company is the Lessor:

Assets given on operating leases are included in fixed assets. Lease income is recognised in the 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 recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

2.15 Segment Reporting

Identification of segments:

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

b) In the context of Accounting Standard 17 on Segment Reporting, issued by the Institute of Chartered Accountants of India, Company has identified business segment as the primary segment for the purpose of disclosure.

c) Company operates in a single geographical segment. Hence, secondary geographical segment information disclosure is not applicable

d) The segment revenues, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.

Unallocated items:

Unallocated items include income, 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.

NOTES ON ACCOUNTS For the year ended 31st March 2012

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

3. SHARE CAPITAL

3.1 Share Capital (Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Authorised		
450,000,000 Equity Shares of Rs. 10/- each (Previous Year: 450,000,000 Equity Shares of Rs. 10/- each)	4,500,000,000.00	4,500,000,000.00
5,000,000 Preference Shares of Rs. 1000/- each (Previous Year: 5,000,000 Preference Shares of Rs. 1000/- each)	5,000,000,000.00	5,000,000,000.00
Issued, Subscribed & Paid up		
371,712,768 Equity Shares of Rs. 10/- each fully paid	3,717,127,680.00	3,202,127,680.00
(Previous Year: 320,212,768 Equity Shares of Rs. 10/- each fully paid)		
Total	3,717,127,680.00	3,202,127,680.00

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

3.2 Terms and Rights attached to Equity Shares

The Company has only one class of equity shares having face value Rs. 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 March 31, 2012 and March 31, 2011 is set out below:

Particulars	Equity Shares	
	Number	Amount
Shares outstanding at the beginning of the year	320,212,768	3,202,127,680.00
Shares Issued during the year	51,500,000	515,000,000.00
Shares outstanding at the end of the year	371,712,768	3,717,127,680.00

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

Sl. No.	Name of Shareholder	As on 31.03.2012		As on 31.03.2011	
		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	14.80%
2	George Alexander Muthoot	44,464,400	11.96%	44,464,400	13.89%
3	George Jacob Muthoot	44,464,400	11.96%	44,464,400	13.89%
4	George Thomas Muthoot	44,464,400	11.96%	44,464,400	13.89%
5	Susan Thomas	29,985,068	8.07%	29,985,068	9.36%

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

Particulars	Aggregate No. of Shares issued in the financial years				
	2011-12	2010-11	2009-10	2008-09	2007-08
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	252,000,000	42,000,000	Nil
Shares bought back	Nil	Nil	Nil	Nil	Nil

4. RESERVES AND SURPLUS

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
a. **Securities Premium Account**		
Balance at the beginning of the year	2,364,771,561.00	-
Add: Securities premium credited on Share issue	8,497,500,000.00	2,364,771,561.00
Less: Premium Utilised for Initial Public Offering expenses (Refer Note 4.1)	291,490,445.04	-
Closing Balance	**10,570,781,115.96**	**2,364,771,561.00**
b. **General Reserve** (Refer Note 4.2)		
Balance at the beginning of the year	-	-
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	892,024,022.00	-
Closing Balance	**892,024,022.00**	-

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

4. RESERVES AND SURPLUS (Contd.)

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
c. **Debenture Redemption Reserve** (Refer Note 4.3)		
Balance at the beginning of the year	-	-
Add: Amount transferred from surplus in the Statement of Profit and Loss	742,038,311.00	-
Closing Balance	**742,038,311.00**	**-**
d. **Statutory Reserve** (Refer Note 4.4)		
Balance at the beginning of the year	1,982,024,212.80	993,671,357.80
Add: Amount transferred from surplus in the Statement of Profit and Loss	1,784,048,044.00	988,352,855.00
Closing Balance	**3,766,072,256.80**	**1,982,024,212.80**
e. **Surplus in the Statement of Profit and Loss**		
Balance at the beginning of the year	5,795,201,553.34	1,841,790,133.81
Add: Net Profit For the year	8,920,240,220.63	4,941,764,274.53
Less: Appropriations		
Proposed Equity Dividend	1,486,851,072.00	-
Corporate Dividend Tax	241,204,420.00	-
Transfer to General Reserve	892,024,022.00	
Transfer to Debenture Redemption Reserves	742,038,311.00	-
Transfer to Statutory Reserves	1,784,048,044.00	988,352,855.00
Closing Balance	**9,569,275,904.97**	**5,795,201,553.34**
Total	**25,540,191,610.73**	**10,141,997,327.14**

4.1 Share Issue Expenses

The Company made an Initial Public Offer of 5,15,00,000 Equity Shares of Rs. 10/- each at a price of Rs. 175/- raising Rs. 9,012,500,000.00 during the month of April 2011. The expenses incurred for Initial Public Offer amounting to Rs. 291,490,445.04 has been written off against Securities Premium as per Section 78(2) of the Companies Act, 1956.

4.2 Transfer to General Reserve

In accordance with the Companies (Transfer of Profits to Reserves) Rules, 1975, Company has transferred an amount Rs. 892,024,022.00 (Previous Year: Rs. Nil) being 10% of the current profits to General Reserve.

4.3 Debenture Redemption Reserve

In accordance with Section 117C of the Companies Act, 1956, read with General Circular No. 9/2002 dated 18.04.2002 issued by the Ministry of Corporate Affairs and Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations 2008, Company is required to create a Debenture Redemption Reserve equal to the 50% of the value of debentures issued through public issue. Accordingly, Company has transferred an amount of Rs. 742,038,311.00 (Previous Year: Nil) to the Debenture Redemption Reserve. No appropriation was made from the Reserve Fund during the year.

4.4 Statutory Reserve

Statutory Reserve represents the Reserve Fund created under Section 45-IC of the Reserve Bank of India Act, 1934. An amount of Rs. 1,784,048,044.00 (Previous Year Rs. 988,352,855.00) representing 20% of Net Profit is transferred to the Fund for the year. No appropriation was made from the Reserve Fund during the year.

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

5. BORROWINGS

5.1 Borrowings – Secured and Unsecured

(Amount in Rs.)

Particulars	Non-Current		Current	
	As on 31.03.2012	As on 31.03.2011	As on 31.03.2012	As on 31.03.2011
Secured				
(a) Bonds/debentures				
Secured Non-Convertible Debentures	27,040,217,000.00	19,430,581,000.00	39,012,955,000.00	20,262,215,000.00
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)				
(Refer Note No. 5.2)				
Secured Non-Convertible Debentures	49,210,000.00	139,471,000.00		
(Secured by mortgage of immovable property and charge on all movable fixed assets)				
(Refer Note No. 5.2)				
Secured Non-Convertible Debentures -Listed	12,526,011,000.00	-	-	2,150,000,000.00
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)				
(Refer Note No. 5.3 & 5.4)				
(b) Term loans				
From banks				
Term Loan (Secured by specific charge on wind mills & Land appurtenant thereto and personal guarantee and collateral property of promoter directors)	-	16,275,927.54	16,275,927.54	17,380,491.00
Terms of Repayment : Repayable in Quarterly Instalments (Previous Year : Repayable in Quarterly Instalments)				
Short Term Loan (Secured by mortgage of immovable property and subservient charge on current assets, book debts, loans & advances and personal guarantee of Promoter Directors and collateral security by a group company)			400,000,000.00	400,000,000.00
Term Loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances and Rs. 2,000,000,000.00 is additionally secured by personal guarantee of Promoter Directors) (Terms of Repayment: Rs. 3,000,000,000.00 repayable in FY 2013-14 & Rs. 1,000,000,000.00 repayable in FY 2012-13)	3,000,000,000.00	-	1,000,000,000.00	-
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: repayable in FY 2013-14)	5,000,000,000.00	-	-	-

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

5.1 **Borrowings – Secured and Unsecured** (Contd.) (Amount in Rs.)

Particulars	Non-Current		Current	
	As on 31.03.2012	As on 31.03.2011	As on 31.03.2012	As on 31.03.2011
(c) Loans repayable on demand				
from banks				
Overdraft against Deposit with Banks			445,335.00	1,019,677.81
(Secured by a lien on Fixed Deposit with Banks)				
Cash Credit			48,123,397,187.11	28,909,612,651.46
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of Promoter Directors)				
(d) Short Term Loans				
From Banks			33,929,999,575.34	29,784,995,486.00
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of Promoter Directors)				
From Financial Institutions			850,000,000.00	1,000,000,000.00
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of promoter directors)				
Sub Total (a)	**47,615,438,000.00**	**19,586,327,927.54**	**123,333,073,024.99**	**82,525,223,306.27**
Unsecured				
(a) Loans repayable on demand				
from banks			-	399,998,726.00
(b) Loans and advances from related parties				
Loan from Directors and Relatives			258,052,000.00	817,591,664.19
Inter Corporate Loan			130,450,000.00	3,050,000.00
Subordinated Debt	407,786,000.00	407,136,000.00		
(Terms of Repayment: Repayable on maturity (Refer Note 5.5)				
(c) Other loans and advances				
Non-Convertible Debentures - Listed			-	2,000,000,000.00
Commercial Paper			7,694,477,900.00	6,947,812,350.00
Subordinated Debt	14,393,310,000.00	6,698,720,000.00	-	-
(Terms of Repayment: Repayable on maturity (Refer Note 5.5)				
Sub Total (b)	**14,801,096,000.00**	**7,105,856,000.00**	**8,082,979,900.00**	**10,168,452,740.19**
Total	**62,416,534,000.00**	**26,692,183,927.54**	**131,416,052,924.99**	**92,693,676,046.46**
Less: Amount included under Current Liabilities				
Current maturities of long term debt (Refer Note 7.1)			38,960,845,927.54	20,233,908,491.00
Unpaid Matured Debentures (Refer Note 7.2)			68,385,000.00	45,687,000.00
As per Balance Sheet	**62,416,534,000.00**	**26,692,183,927.54**	**92,386,821,997.45**	**72,414,080,555.46**
Long Term Borrowings	**62,416,534,000.00**	**26,692,183,927.54**		
Short Term Borrowings			**92,386,821,997.45**	**72,414,080,555.46**

* There is no continuing default as on Balance Sheet date in repayment of loans and interests.

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

5.2 Secured Non-Convertible Debentures

The Company had privately placed Secured Non-Convertible Debentures under Non-Cumulative Scheme for a maturity period upto 5 years with an outstanding of Rs. 59,748,398,000.00 (Previous Year Rs. 34,892,443,000.00) and under Cumulative scheme for a maturity period ranging from 36 months to 90 months with an outstanding of Rs. 6,353,984,000.00 (Previous Year Rs. 49,39,824,000.00).

Series	Date of allotment	Amount		Redemption Period	Interest Rate (%)
		As on 31.03.2012	As on 31.03.2011		
BR	01.03.2012-31.03.2012	5,351,346,000.00	-	60 months	11.5-12.5
BQ	23.01.2012-29.02.2012	7,983,367,000.00	-	60 months	11.5-12.5
BP	01.12.2011-22.01.2012	7,728,849,000.00	-	60 months	11.5-12.5
BO	19.09.2011–30.11.2011	7,053,786,000.00	-	60 months	11-12
BN	01.07.2011–18.09.2011	7,394,773,000.00	-	60 months	11-12
BM	01.04.2011–30.06.2011	6,421,794,000.00	-	60 months	11-12
BL	01.01.2011-31.03.2011	6,649,937,000.00	10,075,090,000.00	60 months	10-11.5
BK	01.10.2010-31.12.2010	4,317,298,000.00	6,088,720,000.00	60 months	9.5-11.5
BJ	01.07.2010–30.09.2010	2,493,888,000.00	4,721,637,000.00	60 months	9.5-11
BI	01.04.2010-30.06.2010	1,984,767,000.00	4,119,704,000.00	60 months	9-10.5
BH	01.01.2010-31.03.2010	1,920,251,000.00	3,006,037,000.00	60 months	9-10.5
BG	01.10.2009-31.12.2009	1,545,711,000.00	1,953,225,000.00	60 months	9.5-10.5
BF	01.07.2009-30.09.2009	1,298,097,000.00	1,802,960,000.00	60 months	10.5
BE	01.04.2009-30.06.2009	1,118,074,000.00	1,510,811,000.00	60 months	10.5-11.5
BD	01.01.2009-31.03.2009	595,181,000.00	1,244,974,000.00	60 months	11-12
BC	22.09.2008-31.12.2008	556,506,000.00	1,281,765,000.00	60 months	11-12
BB	10.07.2008-21.09.2008	336,509,000.00	892,702,000.00	60 months	11-11.5
BA	03.07.2008-09.07.2008	49,214,000.00	139,471,000.00	60 months	11-11.5
AZ	01.04.2008-02.07.2008	399,999,000.00	798,504,000.00	60 months	10.5-11
AY	01.01.2008-31.03.2008	272,886,000.00	411,226,000.00	60 months	10.5-11
AX	01.10.2007-31.12.2007	227,064,000.00	325,059,000.00	60 months	10.5-11
AW	01.07.2007-30.09.2007	174,939,000.00	337,810,000.00	60 months	10.5-11
AV	01.04.2007-30.06.2007	190,785,000.00	398,129,000.00	60 months	10.5-11
AU	01.01.2007-31.03.2007	21,831,000.00	292,650,000.00	60 months	9-11
AT	13.08.2006-31.12.2006	3,604,000.00	212,922,000.00	60 months	9-9.5
AS	01.05.2006-12.08.2006	1,305,000.00	138,413,000.00	60 months	8.5-9
AR	15.06.2005-30.04.2006	860,000.00	26,556,000.00	60 months	8-8.5
AQ	01.04.2005-14.06.2005	365,000.00	445,000.00	60 months	8-8.5
AP	07.02.2005-14.06.2005	380,000.00	493,000.00	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	163,000.00	163,000.00	60 months	8.5-9
AM	01.12.2004-31.12.2004	-	10,000.00	60 months	8.5-9
AI	01.10.2004-06.02.2005	2,561,000.00	2,611,000.00	60 months	10.2-12
AE	15.07.2004-30.09.2004	6,023,000.00	49,911,000.00	90 months	10.83-12
AD	01.07.2004-14.11.2004	230,000.00	230,000.00	60 months	9.5
	Total	66,102,382,000.00	39,832,267,000.00		

Out of the above Rs. 27,089,427,000.00 (Previous year Rs. 19,570,052,000.00) is included in long term borrowings, Rs. 38,944,570,000.00 (Previous year Rs. 20,216,528,000.00) is included in current maturities of long term debt (Note 7.1) and Rs. 68,385,000.00 (Previous year Rs. 45,687,000.00) is included in unpaid matured debentures (note 7.2).

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

5.3 Secured Non-Convertible Debentures – Listed

The Company privately placed Secured Rated Non-Convertible Listed Debentures with an outstanding of Rs. 1,00,00,00,000.00 (Previous Year: Rs. 2,15,00,00,000.00).

Series	Date of allotment	Amount		Redemption Period	Interest Rate (%)
		As on 31.03.2012	As on 31.03.2011		
L 4	12.01.2012	1,000,000,000.00	-	60 Months	13
L 3	30.03.2011		1,000,000,000.00	12 Months	12.50
L 2	25.03.2011		650,000,000.00	12 Months	12.50
L 1	23.03.2011		500,000,000.00	12 Months	12.50
Total		**1,000,000,000.00**	**2,150,000,000.00**		

Out of the above Rs. 1,000,000,000.00 (Previous year: Rs. Nil) is classified as Long Term and Rs. Nil (Previous Year: Rs. 2,150,000,000.00) is classified as Short Term borrowings.

5.4 Secured Non-Convertible Debentures – Public Issue

The outstanding amount of Secured Rated Non-Convertible Listed Debentures raised through Public Issue stood at Rs. 11,526,011,000.00 (Previous Year: Rs. Nil)

Series	Date of allotment	Amount		Redemption Period	Interest Rate (%)
		As on 31.03.2012	As on 31.03.2011		
PL 2	18.01.2012	4,593,198,000.00	-	2,3,5,5.5 years	13.00-13.43
PL 1	14.09.2011	6,932,813,000.00	-	2,3,5 years	11.75-12.25
Total		**11,526,011,000.00**	-		

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. As on 31st March 2012, out of Rs. 14,801,096,000.00 (Previous year Rs. 7,105,856,000.00) outstanding, Rs. 407,786,000.00 (Previous year Rs. 407,136,000.00) represents amounts raised from promoters and promoter group and remaining Rs. 14,393,310,000.00 (Previous year Rs. 6,698,720,000.00) raised from investors other than promoters and promoter group, raised through private placement.

Series	Date of allotment	Amount		Redemption Period	Interest Rate (%)
		As on 31.03.2012	As on 31.03.2011		
IX	01.11.2011-31.03.2012	4,081,076,000.00	-	66 months	12.67-13.39
E	21.03.2005	65,942,000.00	65,942,000.00	144 months	15
VIII	01.07.2011-31.10.2011	2,343,849,000.00	-	66 months	12.67
VII	01.01.2011-07.02.2011	437,284,000.00	437,284,000.00	72 months	11.61
VII	01.04.2011-30.06.2011	1,270,315,000.00	-	66 months	12.67
VII	08.02.2011-31.03.2011	1,080,398,000.00	1,080,398,000.00	66 months	12.67
VI	01.07.2010-31.12.2010	1,912,708,000.00	1,912,708,000.00	72 months	11.61
D	03.04.2004	14,058,000.00	14,058,000.00	144 months	15
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

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

Series	Date of allotment	Amount		Redemption Period	Interest Rate (%)
		As on 31.03.2012	As on 31.03.2011		
B	30.09.2003	110,000,000.00	110,000,000.00	144 months	15
IV	17.08.2009-31.12.2009	759,309,000.00	759,309,000.00	72 months	11.61
IV	01.07.2009-16.08.2009	263,617,000.00	263,617,000.00	69 months	12.12
IV	01.07.2009-16.08.2009	12,421,000.00	12,421,000.00	72 months	12.50
A	25.03.2003	111,249,000.00	111,249,000.00	144 months	15
III	15.12.2008-30.06.2009	193,191,000.00	193,191,000.00	72 months	12.5
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	**14,801,096,000.00**	**7,105,856,000.00**		

5.6 **Short Term Borrowings - Unsecured Non-Convertible Debentures – Listed**

The Unsecured Non-Convertible Debentures- Listed of Rs. Nil (Previous Year: Rs. 2,00,00,00,000.00) represents debentures private placed to a Mutual Fund governed by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

Series	Date of allotment	Amount		Redemption Period
		As on 31.03.2012	As on 31.03.2011	
E	10.03.2011	-	2,00,00,00,000.00	12 Months
	Total		**2,00,00,00,000.00**	

6. OTHER LONG TERM LIABILITIES

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Interest accrued but not due on long term borrowings	2,627,081,273.37	1,215,376,766.00
Security Deposit Received	59,851,349.46	43,231,569.34
Total	**2,686,932,622.83**	**1,258,608,335.34**

7. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
(a) Current maturities of long-term debt [Refer Note 7.1]	38,960,845,927.54	20,233,908,491.00
(b) Interest accrued but not due on borrowings	2,733,063,059.88	1,445,708,801.00
(c) Interest accrued and due on borrowings	1,917,256,253.60	839,406,815.44
(d) Unpaid matured debentures and interest accrued thereon (Note No. 7.2)	97,036,958.00	61,337,176.00
(e) Trade Payables	392,237,246.96	244,033,609.56
(f) Other payables		
Statutory Payables	121,660,728.32	74,064,371.81
Others	5,554,597.00	1,233,332.00
Total	**44,227,654,771.30**	**22,899,692,596.81**

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

7.1 Current Maturities of Long Term debts:

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Secured Non- Convertible Debentures	38,944,570,000.00	20,216,528,000.00
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)		
Term loan from Bank	16,275,927.54	17,380,491.00
(Secured by specific charge on wind mills & Land appurtenant thereto and personal guarantee and collateral property of Promoter Directors)		
Total	**38,960,845,927.54**	**20,233,908,491.00**

7.2 Unpaid matured debentures and interest thereon:

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Unpaid Matured Debentures	68,385,000.00	45,687,000.00
Interest on Unpaid Matured Debentures	28,651,958.00	15,650,176.00
Total	**97,036,958.00**	**61,337,176.00**

8. SHORT TERM PROVISIONS

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Proposed Dividend [Refer Note 29]	1,486,851,072.00	-
Provision for Corporate Dividend Tax	241,204,420.00	-
Provision for Non-Performing Assets (Refer Note 8.1)	181,304,464.00	69,645,945.00
Provision for Standard Assets (Refer Note 8.1)	529,985,918.00	290,901,276.00
Provision for Income Tax (Net of Advance tax & TDS Rs. 4,113,448,754.16 [Previous year: 2,429,688,926.82])	307,410,277.84	240,761,262.31
Total	**2,746,756,151.84**	**601,308,483.31**

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 as per the table below:

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Provision for Standard Assets		
Standard Assets	211,994,367,326.50	116,360,510,666.67
Provision at the beginning of the year	290,901,276.00	-
Additional provision made during the year	239,084,642.00	290,901,276.00
Provision at the close of the year	**529,985,918.00**	**290,901,276.00**
Provision for Non-Performing Assets		
Substandard Assets	1,356,377,587.00	433,843,571.00
Doubtful Assets	33,148,447.00	26,261,588.00
Total Non Performing Assets	1,389,526,034.00	460,105,159.00
Provision at the beginning of the year	69,645,945.00	37,083,773.00
Additional provision made during the year	111,658,519.00	32,562,172.00
Provision at the close of the year	**181,304,464.00**	**69,645,945.00**

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

9. FIXED ASSETS

(Amount in Rs.)

Fixed Assets	Gross Block				Accumulated Depreciation				Net Block	
	As on April 1, 2011	Additions	Disposals	As on March 31, 2012	As on April 1, 2011	Depreciation / Amortisation charge for the year	Deductions/ adjustments during the year	As on March 31, 2012	As on March 31, 2012	As on March 31, 2011
a Tangible Assets										
Land	537,161,512.00	8,697,700.00	-	545,859,212.00	-	-	-	-	545,859,212.00	537,161,512.00
Buildings	265,887,605.95	177,071,658.50	-	442,959,264.45	50,572,726.28	13,778,557.00	-	64,351,283.28	378,607,981.17	215,314,879.67
Furniture and Fixtures	553,456,073.62	294,600,745.18	-	848,056,818.80	184,237,604.06	102,075,770.00	-	286,313,374.06	561,743,444.74	369,218,469.56
Plant and Machinery	599,425,621.41	442,442,678.65	-	1,041,868,300.06	111,431,483.05	97,754,026.00	-	209,185,509.05	832,682,791.01	487,994,138.36
Computer	292,078,766.05	172,244,741.47	-	464,323,507.52	142,600,745.96	94,317,101.00	-	236,917,846.96	227,405,660.56	149,478,020.09
Motor Car	34,729,765.00	17,790,923.00	1,864,873.00	50,655,815.00	17,419,257.10	7,123,815.00	1,372,353.00	23,170,719.10	27,485,095.90	17,310,507.90
Wind Mill	180,598,860.00	-	-	180,598,860.00	121,509,597.89	11,817,852.00	-	133,327,449.89	47,271,410.11	59,089,262.11
Total	**2,463,338,204.03**	**1,112,848,446.80**	**1,864,873.00**	**3,574,321,777.83**	**627,771,414.34**	**326,867,121.00**	**1,372,353.00**	**953,266,182.34**	**2,621,055,595.49**	**1,835,566,789.69**
Previous year	1,691,093,148.15	773,859,022.54	1,613,966.66	2,463,338,204.03	449,040,094.71	179,641,086.63	909,767.00	627,771,414.34	1,835,566,789.69	1,242,053,053.44
b Intangible Assets										
Computer software	6,649,184.00	5,935,596.00		12,584,780.00	4,443,692.00	2,301,510.00		6,745,202.00	5,839,578.00	2,205,492.00
Total	**6,649,184.00**	**5,935,596.00**	-	**12,584,780.00**	**4,443,692.00**	**2,301,510.00**	-	**6,745,202.00**	**5,839,578.00**	**2,205,492.00**
Previous year	8,226,785.00	-	-	8,226,785.00	4,682,002.00	1,339,291.00	-	6,021,293.00	2,205,492.00	3,544,783.00
c Capital Work In Progress								-	38,947,633.25	47,970,256.00
Total	-	-	-	-	-	-	-	-	**38,947,633.25**	**47,970,256.00**
Previous year									47,970,256.00	3,891,951.00
d Intangible assets under Development										
Computer Software	-			-				-	16,417,598.00	-
Total	-	-	-	-	-	-	-	-	**16,417,598.00**	-
Previous year									-	

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

10. NON – CURRENT INVESTMENTS

Non – Current Investments in fully paid equity shares are as under: (Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
a) Quoted:		
Union Bank of India – valued at cost	49,940.00	49,940.00
454 Equity shares of Rs. 10/- each fully paid up		
(Previous year: 454 Equity shares of Rs. 10/- each fully paid up)		
Market Value	1,06,622.00	1,57,742.00
Aggregate Value of Quoted Investments	**49,940.00**	**49,940.00**
b) Unquoted:		
In other Companies – valued at cost		
Muthoot Exchange Company Private Limited	45,000,000.00	45,000,000.00
4,500,000/- Equity shares of Rs. 10/- each fully paid up (Previous year: 4,500,000/- Equity shares of Rs. 10/- each fully paid up)		
Muthoot Securities Limited	30,000,000.00	30,000,000.00
3,000,000/- Equity share of Rs. 10/- each fully paid up (Previous Year: 3,000,000/- Equity share of Rs.10/- each fully paid up)		
Aggregate Amount of Unquoted Investments	**75,000,000.00**	**75,000,000.00**
Total Non-Current Investment	**75,049,940.00**	**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 Amortization	(47,989,596.00)	(7,600,303.00)	(55,589,899.00)
Provision for Non Performing Assets	23,258,556.90	36,227,606.00	59,486,162.90
Net Deferred Tax Asset	**(24,731,039.10)**	**28,627,303.00**	**3,896,263.90**

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

12. LONG TERM LOANS AND ADVANCES

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Unsecured, considered good		
a. Capital Advances	277,944,953.61	457,303,560.16
b. Security Deposits	820,756,095.01	446,558,261.95
Total	**1,098,701,048.62**	**903,861,822.11**

Security Deposits includes Rs. 1,822,500.00 (Previous Year Rs. 1,822,500) being rent deposit due from Directors and Rs. 1,470,000.00 (Previous Year Rs. 1,470,000.00) being rent deposits due from firms in which directors are partners.

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

13. OTHER NON-CURRENT ASSETS

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
a. Long term trade receivables		
Unsecured, Considered good	521,805.60	-
Total	521,805.60	-

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

Current investments refers to investment in 9.90% Unsecured, Redeemable, Non-Convertible, Lower Tier II Subordinated Bonds issued by Yes Bank Limited Rs. 9,00,000,000.00 (Previous Year: Rs. Nil). The bonds were allotted on 28.03.2012 and are not listed as on the Balance Sheet date.

15. TRADE RECEIVABLES

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
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	7,106,893,367.00	3,397,295,767.00
Unsecured, considered good		
Interest Receivable on Retail Loans	4,305,033.00	3,450,944.00
Receivables from Money Transfer business	211,359,786.46	53,941,805.19
Wind Mill income receivable	2,498,202.00	4,568,267.70
Sub-Total	7,325,056,388.46	3,459,256,783.89
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good		
Wind Mill income receivable	15,175,424.90	9,403,790.40
Sub-Total	15,175,424.90	9,403,790.40
Grand Total	7,340,231,813.36	3,468,660,574.29

Receivables from money transfer business stated above include debts due by a private Company in which director is a member Rs. 59,004,190.05 (Previous year Rs. Nil).

16. CASH AND BANK BALANCES

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
I. Cash and Cash Equivalents		
a. Cash on hand	2,272,351,637.35	1,350,089,916.14
b. Balances with banks		
Current Accounts	2,989,294,021.61	9,329,383,145.97
Fixed Deposits (maturing within a period of 3 months)	50,000,000.00	309,708,876.00
II. Other Bank Balances		
Fixed Deposits on which lien is marked	257,504.55	234,725.55
Initial Public Offering for issue of Equity Shares - Balance in Escrow Account	5,558,943.00	-
Fixed Deposits given as Cash collateral for bilateral assignment of receivables	2,610,700,403.00	2,743,159,469.00
Fixed Deposits given as Security against borrowings	19,129,515.00	20,130,073.43
Fixed Deposits given as Security against Guarantees	3,093,750.00	2,243,750.00
Total	7,950,385,774.51	13,754,949,956.09
Fixed Deposits with more than 12 months maturity	153,351,262.55	2,478,475.55

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

17. SHORT-TERM LOANS AND ADVANCES

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Retail Loans (Refer Note 17.1)		
Secured, Considered good	211,879,336,783.40	116,267,276,977.57
Secured, Doubtful	1,389,526,034.00	460,105,159.00
Unsecured, considered good	115,030,543.10	93,233,689.10
Other Deposits & Advances		
Unsecured, considered good		
Prepaid Expenses	69,678,552.00	93,668,118.33
Service tax Pre-Deposit	8,300,000.00	4,300,000.00
Others	138,349,840.92	138,633,034.52
Total	**213,600,221,753.42**	**117,057,216,978.52**

Other deposits and advances stated above includes advances due by a private Company in which director is a member Rs. 6,873,743.00 (Previous year Rs. Nil).

17.1 Retail Loans

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Gross Retail Loan assets under management	246,736,014,591.50	158,684,548,832.67
Less: Sell down of receivables under bilateral assignment	33,352,121,231.00	41,863,933,007.00
Net Retail Loan assets as per Balance Sheet	213,383,893,360.50	116,820,615,825.67
Break-up of Gross Retail Loan assets under management		
Gold Loan Receivables	244,172,988,522.40	157,280,721,276.57
Loan against Muthoot Gold Bonds	2,447,995,526.00	1,310,593,867.00
Other Loans	115,030,543.10	93,233,689.10

18. OTHER CURRENT ASSETS

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Interest receivable on Bank Deposits	70,750,030.00	89,248,136.00
	70,750,030.00	**89,248,136.00**

19. REVENUE FROM OPERATIONS

(Amount in Rs.)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Interest Income on Retail Loans	45,157,743,486.60	22,840,518,160.30
Income from Windmill	17,673,626.90	22,130,667.00
Other Operating Income	191,304,161.44	152,405,071.69
Total	**45,366,721,274.94**	**23,015,053,898.99**

20. OTHER INCOME

(Amount in Rs.)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Interest from Fixed Deposits with Bank	122,569,358.05	142,922,344.06
Profit on sale of Fixed Assets	395,480.00	-
Other non-operating income	871,005.00	701,541.00
Total	**123,835,843.05**	**143,623,885.06**

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

21. EMPLOYEE BENEFITS EXPENSE

(Amount in Rs.)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Salaries and incentives	3,729,727,301.15	2,024,892,597.17
Contributions to Provident and Other Funds	340,572,517.00	135,102,302.00
Staff welfare expenses	74,469,789.54	49,497,441.26
Total	**4,144,769,607.69**	**2,209,492,340.43**

22. FINANCE COSTS

(Amount in Rs.)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Interest Expenses	23,109,785,363.03	10,289,813,964.98
Other Borrowing Costs	589,207,242.19	93,059,736.38
Total	**23,698,992,605.22**	**10,382,873,701.36**

23. OTHER EXPENSES

(Amount in Rs.)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Postage, Telegram and Telephone	184,226,997.81	115,381,447.91
Printing and Stationary	155,221,041.88	110,602,420.67
Rent Paid	1,042,002,948.58	602,691,904.30
Travelling and Conveyance	167,540,453.36	113,537,575.06
Bank Charges	24,553,815.78	16,341,067.43
Electricity Charges	134,756,478.18	77,910,382.29
Repairs and Maintenance - Buildings	88,648,510.72	60,386,414.94
Repairs and Maintenance - Plant & Machinery	140,181,209.00	87,283,603.37
Repairs and Maintenance - Others	111,995,004.00	62,979,561.48
Water Charges	6,562,685.39	2,502,571.38
Rates & Taxes and License Fee	23,311,711.18	16,517,691.52
Legal & Professional Charges	59,729,105.23	113,667,819.50
Insurance Charges	24,327,372.64	13,978,898.96
Newspaper and Periodicals	1,789,696.93	789,713.61
Business Promotion Expense	267,357,850.35	118,738,426.66
Advertisement	866,294,807.95	646,693,874.79
Vehicle Hire & Maintenance	8,720,689.72	7,528,798.13
Internal Audit and Inspection Expenses	83,005,517.75	37,553,836.00
Income Tax Paid	-	32,270,673.31
Remuneration to Auditors (Refer Note 23.1)	1,027,000.00	700,000.00
Directors' Sitting Fee	330,000.00	570,000.00
Commission to Non-Executive Directors	1,600,000.00	533,332.00
Foreign Exchange Conversion Loss	-	187,403.00
Loss on Sale of Fixed Assets	-	126,523.66
Total	**3,393,182,896.45**	**2,239,473,939.97**

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

23.1 Auditors' Remuneration (including Service Tax)

(Amount in Rs.)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
For Statutory Audit	800,000.00	550,000.00
For Tax Audit	200,000.00	150,000.00
For Other Services	27,000.00	-
Total	**1,027,000.00**	**700,000.00**

24. PROVISIONS AND WRITE OFFS

(Amount in Rs.)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Provision For Non Performing Assets (Refer Note 8.1)	111,658,519.00	32,562,172.00
Provision For Standard Assets (Refer Note 8.1)	239,084,642.00	290,901,276.00
Bad Debt Written Off	69,228,267.00	18,287,515.00
Total	**419,971,428.00**	**341,750,963.00**

25. LEASES

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

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

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

Lease rentals received for assets let out on operating lease Rs. 856,845.00 (Previous year Rs. 588,981.00) are recognized as income in the Statement of Profit and Loss under the head 'Other Income' and lease payments for assets taken on an operating lease Rs. 1,042,002,948.58 (Previous year Rs. 602,691,904.30) are recognized as 'Rent Paid' in the Statement of Profit and Loss.

26. EMPLOYEE BENEFITS

a) **Defined Contribution Plan**

During the year, the Company has recognized in the Statement of Profit and Loss in Note 21 - Employee Benefit Expenses:

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Contribution to Provident Fund	190,843,817.00	67,884,012.00
Total	**190,843,817.00**	**67,884,012.00**

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.

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

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

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
A) Reconciliation of opening and closing balance of defined benefit obligation		
Defined benefit obligation at the beginning of the year	105,998,892.00	25,294,782.00
Interest Cost	9,009,906.00	2,023,583.00
Current Service Cost	38,803,636.00	8,914,168.00
Benefits paid	(2,879,347.00)	(3,056,249.00)
Actuarial (gain)/loss	69,558,743.00	72,822,608.00
Defined benefit obligation at the end of the year	**220,491,830.00**	**105,998,892.00**
B) Reconciliation of opening and closing balance of fair value of Plan Assets		
Fair value of plan assets at the beginning of the year	130,308,285.00	81,751,097.00
Expected rate of return on plan assets	11,076,204.00	6,540,088.00
Contributions	90,000,000.00	46,308,230.00
(Benefit paid)	(2,879,347.00)	(3,056,249.00)
Actuarial gains/(losses) on plan assets	569,068.00	(1,234,881.00)
Fair value of plan assets at the end of the year	**229,074,210.00**	**130,308,285.00**
C) Expense for the year		
Current service cost	38,803,636.00	8,914,168.00
Interest Cost	9,009,906.00	2,023,583.00
(Expected rate of return on plan assets)	(11,076,204.00)	(6,540,088.00)
Actuarial gains/(losses)	68,989,675.00	74,057,489.00
D) Investment details		
Insurer managed funds	229,074,210.00	130,308,285.00
E) Experience adjustment		
On Plan Liability (Gain)/Losses	11,359,449.00	32,796,303.00
On Plan Assets (Losses)/Gain	569,068.00	(1,234,881.00)
F) Actuarial assumptions		
Discount rate	8.5% p.a.	8.5% p.a.
Salary Escalation	10% p.a.	8% p.a.
Rate of return on plan assets	8.5% p.a.	8.5% p.a.
Attrition rate	2% p.a.	2% p.a.

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

27. FOREIGN CURRENCY TRANSACTIONS

The exchange difference amounting to Rs. Nil (Previous Year Rs. 187,403.00 (net loss)) arising on account of foreign currency transactions has been accounted in the Statement of Profit and Loss in accordance with Accounting Standard AS – 11 – Accounting for the effects of changes in foreign exchange rates.

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

28. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR):

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
(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 Rs. 52,007,698.00 (Previous year Rs. 52,007,698.00) as Service tax liability and penalty. During the course of the proceedings Company paid Rs. 20,86,391.00. The Appellate Authority admitted the Appeal preferred by the company and granted stay of recovery, on pre-deposit of Rs. 83,00,000.00 (Previous year Rs. 43,00,000.00). Pending disposal of appeal, no provision has been made by the company during the year.		
ii) Income tax demand for Assessment Year 2004-05, pending in appeal with ITAT (Net of amount already remitted)	-	-
Assistant Commissioner of Income Tax, Circle 1(3), Ernakulam has filed an appeal before ITAT against the order of Commissioner of Income Tax (Appeals) – II, Cochin demanding Rs. 52.37 Lakhs (Previous year Rs. 52.37 Lakhs). The Company has already paid the demand by way of Advance Tax, Tax Deducted at Source and adjustment against refund due. No additional income tax liability is expected. Hence no provision is required to be made by the company during the year.		
iii) Income tax demand for Assessment Year 2006-07, pending in appeal with ITAT (Net of amount already remitted)	-	-
Company has filed an appeal before ITAT against the order of Commissioner of Income Tax (Appeals) – II, Cochin demanding Rs. 15.21 Lakhs (Previous year Rs. Nil). The Company has already paid the demand by way of Advance Tax and Tax Deducted at Source. No additional income tax liability is expected. Hence no provision is required to be made by the company during the year.		
iv) Income tax demand for Assessment Year 2009-10, pending in appeal with Commissioner of Income Tax (Appeals), Kochi	13,782,470.00	-
Additional Commissioner of Income Tax, Range - 1, Kochi has passed an order demanding Rs. 13,782,470.00 towards income tax due for the Assessment Year 2009-10. The Commissioner of Income Tax (Appeals) admitted the appeal preferred by the Company. Pending disposal of appeal, no provision has been made by the company during the year.		
(b) Guarantees - Counter Guarantees Provided to Banks	218,493,750.00	32,543,750.00
(c) Other money for which the company is contingently liable		
Cash collateral provided as credit enhancement for bilateral assignment of receivables	2,610,700,403.00	2,743,159,469.00
Over collateral provided as credit enhancement for bilateral assignment of receivables	25,000,000.00	63,572,430.00
Corporate guarantee provided as credit enhancement for bilateral assignment of receivables	1,571,430,939.94	751,548,454.56
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	189,802,675.27	24,726,183.84

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

29. DIVIDENDS PROPOSED TO BE DISTRIBUTED TO EQUITY SHAREHOLDERS

Particulars	Total	Per share
Dividends proposed to be distributed to equity shareholders (Previous Year: Nil)	1,486,851,072.00	4.00

30. 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: (Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Profit/(Loss) after taxation for the years	8,920,240,220.63	4,941,764,274.53
Weighted average number of equity shares outstanding during the year	367,210,036	313,255,816
Face Value per share	Rs. 10/-	Rs. 10/-
Earnings Per Share	**24.29**	**15.78**

31. DISCLOSURE WITH REGARD TO DUES TO MICRO AND SMALL ENTERPRISES

Based on the information available with the Company and has been relied upon by the auditors, none of the suppliers have confirmed to be registered under "The Micro, Small and Medium Enterprises Development ('MSMED') Act, 2006". Accordingly, no disclosures relating to amounts unpaid as at the year ended 31st March, 2012 together with interest paid /payable are required to be furnished.

32. UTILIZATION OF PROCEEDS OF THE INITIAL PUBLIC OFFER OF EQUITY SHARES

The proceeds of the Initial Public Offer of equity shares have been utilized as under: (Amount in Rs.)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Share issue proceeds	9,012,500,000.00	-
Less: Issue Expenses paid	244,441,057.00	-
Given as Retail Loans	8,762,500,000.00	-
Closing Balance of unutilized proceeds	5,558,943.00	-
Balance in Escrow Account	5,558,943.00	

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

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
a) CIF Value of Imports of Capital Goods	433,005.85	6,327,358.62
b) Expenditure in foreign currency on accrual basis		
Professional Charges	1,582,700.00	Nil
Others	513,441.57	Nil

34. FRAUDS DURING THE YEAR

During the year, frauds committed by customer / staff of the Company amounted to Rs. 6,270,000.00 which has been recovered/written off / provided for.

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

35. DISCLOSURE OF RELATED PARTY'S TRANSACTION IN ACCORDANCE WITH ACCOUNTING STANDARD (AS-18) "RELATED PARTY DISCLOSURES" ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA.

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

Category	Name of the Related Party
Associates	1. Muthoot Vehicle & Assets Finance Limited 2. Muthoot Leisure And Hospitality Services Pvt. Limited 3. MGM Muthoot Medical Centre Pvt. Limited. 4. Muthoot Marketing Services Pvt. Limited. 5. Muthoot Broadcasting Pvt. Limited 6. Muthoot Exchange Company Pvt. Limited. 7. Backdrop Advertising Pvt. Limited 8. Muthoot Global Money Transfers Pvt. Limited 9. Emgee Board and Paper Mills Pvt. Limited 10. Mar Gregorios Memorial Muthoot Medical Centre 11. Muthoot Precious Metals Corporation 12. GMG Associates 13. Muthoot Insurance Brokers Private Limited 14. Emgee Muthoot Benefit Funds (India) Limited 15. Geo Bros Muthoot Funds (India) Limited 16. Muthoot Investment Advisory Services Private Limited 17. Muthoot Insurance Brokers Private Limited 18. Muthoot M George Permanent Fund Limited 19. Muthoot Medical Centre, Kozhencherry 20. Muthoot Securities Limited
Key Management Personnel	i) M. G. George Muthoot ii) George Thomas Muthoot iii) George Jacob Muthoot iv) George Alexander Muthoot
Relative Key Managerial Personnel	a) Sara George w/o M. G. George Muthoot b) Susan Thomas w/o George Thomas Muthoot c) Elizabeth Jacob w/o George Jacob Muthoot d) Anna Alexander w/o George Alexander Muthoot e) George M. George s/o M. G. George Muthoot f) Alexander M. George s/o M. G. George Muthoot g) George M. Jacob s/o George Jacob Muthoot h) George Alexander (Jr.) s/o George Alexander Muthoot i) Eapen Alexander s/o George Alexander Muthoot

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

b) Transactions with Related Parties during the year:

(Amount in Rs.)

Nature of transaction	Associates		Key Management Personnel		Relative of Key Management Personnel	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Purchase of Travel Tickets for Company Executives/Directors/ Customers	10,992,185.00	5,552,330.00				
Travel Arrangements for Company Executives/Customers	2,116,709.00	4,873,535.00				
Marketing of Money Transfer Business Outside the Country	1,582,700.00	-				
Accommodation facilities for Company Executives/Clients/ Customers	282,756.00	106,737.00				
Complementary Medical Health Check Ups for Customers/ Employees	1,349,750.00	1,862,400.00				
Release of Advertisements in Outdoor, Print and Electronic Media	217,093,783.94	118,734,867.00				
Brokerage paid for NCD Issue	1,958,942.00	-				
Interest paid on loans/ subordinated debts			85,984,482.00	90,349,968.00	30,043,158.00	16,028,871.00
Interest on Inter Corporate Loans	2,592,455.00	2,991,301.00				
Remuneration to Directors			192,000,000.00	192,000,000.00		
Remuneration to Directors' Relatives					1,568,000.00	1,496,000.00
Loans accepted			650,278,140.00	734,574,390.65	405,977,665.00	287,954,836.60
Loans Repaid			936,030,624.02	726,335,645.65	674,685,524.17	49,202,013.60
Sell down of receivables under Bilateral Assignment	950,000,000.00	300,000,000.00				
Inter Corporate Loans accepted	128,850,000.00	31,500,000.00				
Inter corporate Loans repaid	5,950,000.00	45,200,000.00				
Investment in Bonds	40,000,000.00					
Rent paid	2,940,000.00	2,940,000.00	3,060,000.00	3,007,500.00	199,992.00	183,326.00
Service Charges Collected	5,331,804.00	5,288,633.00				
Purchase of Fixed Assets	-	550,000.00				
Loans availed by the Company for which guarantee is provided by related parties	400,000,000.00	400,000,000.00	90,180,000,000.00	66,840,000,000.00	24,500,000,000.00	66,840,000,000.00
Loans availed by the Company for which collateral security is provided by related parties	400,000,000.00	400,000,000.00	135,000,000.00	135,000,000.00	-	-

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

(Amount in Rs.)

Particulars	Associates		Key Management Personnel		Relative of Key Management Personnel	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Investments in Equity Shares	75,000,000.00	75,000,000.00				
Debenture Issued	(40,000,000.00)	-				
Security Deposit Received	(40,000,000.00)	(40,000,000.00)				
Inter Corporate Loans	(130,450,000.00)	(3,050,000.00)				
Rent Deposit	1,470,000.00	1,470,000.00	1,822,500.00	1,822,500.00	100,000.00	100,000.00
Loans from Directors/Relatives			(536,086,000.00)	(821,188,484.02)	(102,800,000.00)	(320,907,859.17)
Trade Payables	(83,877,216.39)	(28,914,279.45)	(229,500.00)	-	(14,999.00)	-
Trade Receivable	59,004,190.05	-	-	-	-	-
Other Loans and Advances	6,873,743.00	-	-	-	-	-

NOTES ON ACCOUNTS (Contd.) For the year ended 31st March 2012

36. SEGMENT REPORTING

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

b) In the context of Accounting Standard 17 on Segment Reporting, issued by the Institute of Chartered Accountants of India, Company has identified business segment as the primary segment for the purpose of disclosure. The segment revenues, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.

c) Company operates in a single geographical segment. Hence, secondary geographical segment information disclosure is not applicable

Primary Business Segment Information (Amount in Rs.)

Particulars	Financing		Power Generation		Consolidated Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Segment Revenue:						
External Revenue	45,349,047,648.04	22,992,923,231.99	17,673,626.90	22,130,667.00	45,366,721,274.94	23,015,053,898.99
Inter segment Revenue		-		-	-	-
Total Revenue	**45,349,047,648.04**	**22,992,923,231.99**	**17,673,626.90**	**22,130,667.00**	**45,366,721,274.94**	**23,015,053,898.99**
					45,366,721,274.94	
Result:						
Segment Result	13,385,058,257.62	7,514,941,410.31	1,902,271.96	136,391.00	13,386,960,529.58	7,515,077,801.31
Other Income			-		-	-
Unallocated corporate income					123,835,843.05	143,623,885.06
Unallocated corporate expenses					(198,324,423.00)	(46,595,224.71)
Operating profit	**13,385,058,257.62**	**7,514,941,410.31**	**1,902,271.96**	**136,391.00**	**13,312,471,949.63**	**7,612,106,461.66**
Less: Provision for Current Tax / Deferred Tax					4,392,231,729.00	2,670,342,187.13
Profit after Tax	**13,385,058,257.62**	**7,514,941,410.31**	**1,902,271.96**	**136,391.00**	**8,920,240,220.63**	**4,941,764,274.53**
Other Information:						
Segment Assets	232,671,809,097.64	137,080,821,994.49	71,263,532.61	78,858,010.21	232,743,072,630.25	137,159,680,004.70
Unallocated Corporate Assets					978,946,203.90	50,318,900.90
Total Assets	**232,671,809,097.64**	**137,080,821,994.49**	**71,263,532.61**	**78,858,010.21**	**233,722,018,834.15**	**137,209,998,905.60**
Segment Liabilities	202,285,742,520.72	123,516,158,513.80	-	-	202,285,742,520.72	123,516,158,513.80
Unallocated Corporate Liabilities					2,178,957,022.70	349,715,384.66
Total Liabilities	**202,285,742,520.72**	**123,516,158,513.80**	**-**	**-**	**204,464,699,543.42**	**123,865,873,898.46**
Capital Expenditure	1,112,848,446.80	773,859,022.54	-	-	1,112,848,446.80	773,859,022.54
Depreciation	317,350,779.00	162,514,983.63	11,817,852.00	18,465,394.00	329,168,631.00	180,980,377.63
Non Cash Expenditure other than Depreciation	350,743,161.00	323,463,448.00	-	-	350,743,161.00	323,463,448.00

37. The Revised Schedule VI which has come to effect from April 1, 2011 has significantly impacted the disclosure and presentation of financial statements. Previous year's figures have been regrouped / rearranged, wherever necessary to conform to current year's classifications / disclosure.

As per our report of even date attached

For and on behalf of the Board of Directors

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

M. G. George Muthoot
Chairman & Whole time Director

George Alexander Muthoot
Managing Director

R. Sreenivasan
Partner
Membership No. 020566

Oommen K. Mammen
Chief Financial Officer

Rajesh A.
Company Secretary

Kochi
15.05.2012

SCHEDULE TO THE BALANCE SHEET OF A NON-DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY

Disclosure required as per Reserve Bank of India Notification No. DNBS.CC.PD.No. 265/03.10.01/2011-12 dated March 21, 2012

(Amount in Rs.)

Particulars	As on 31.03.2012	As on 31.03.2011
Loans granted against collateral of gold jewellery	210,820,867,291.40	115,416,788,269.57
Total assets of the Company	233,722,018,834.15	137,209,998,905.60
Percentage of Loans granted against collateral of gold jewellery to Total Assets	90.20%	84.12%

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

(Rs. in Lakhs)

Particulars	Amount out-standing as on 31.03.2012	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	827687	NIL
: Unsecured	0	NIL
(other than falling within the meaning of public deposits)		
(b) Deferred credits	NIL	NIL
(c) Term Loans	80740	NIL
(d) Inter-corporate loans and borrowing	1305	NIL
(e) Commercial Paper	80232	NIL
(f) Other Loans (specify nature)		
Loan from Directors/ Relatives of Directors	2581	NIL
Subordinated Debt	168004	NIL
Bank Borrowings	846234	NIL
Overdraft against Deposit with Banks	4	

(Rs. in Lakhs)

Particulars	Amount outstanding
Assets side:	
(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below) :	
(a) Secured	2132688
(b) Unsecured	1150

SCHEDULE TO THE BALANCE SHEET OF A NON-DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY

(Rs. in Lakhs)

Particulars	Amount outstanding
(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	9000
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL
2. Unquoted:	
(i) Shares : (a) Equity	NIL
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL
Long Term investments:	
1. Quoted:	
(i) Shares : (a) Equity	0.49
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL
2. Unquoted:	
(i) Shares : (a) Equity	750
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL

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

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties	NIL	NIL	NIL
2. Other than related parties	2132688	1150	2133838
Total	**2132688**	**1150**	**2133838**

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

Category	Market Value / Break up or fair value or NAV	Book Value (Net of provisions)
1. Related Parties		
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	750	750
(c) Other related parties	NIL	NIL
2. Other than related parties	9000.49	9000.49
Total	**9750.49**	**9750.49**

(7) Other information

(Rs. in Lakhs)

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	13895
(ii) Net Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	12082
(iii) Assets acquired in satisfaction of debt	NIL

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

CRAR

(Rs. in Lakhs)

Item	2011-12	2010-11
i) CRAR (%)	18.29	15.82
ii) CRAR-Tier I capital (%)	12.84	10.62
iii) CRAR-Tier II capital (%)	5.45	5.20

EXPOSURES

Exposure to Real Estate Sector

(Rs. in Lakhs)

Category	2011-12	2010-11
a) Direct exposure		
(i) Residential Mortgages -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans upto Rs. 15 lakhs may be shown separately)	NIL	NIL
(ii) Commercial Real Estate -		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial; or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non- fund based (NFB) limits;	NIL	NIL
(iii) Investments in Mortgage Backed Securities (MBS) and other 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

ASSET LIABILITY MANAGEMENT

Maturity pattern of certain items of assets and liabilities

	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 to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks / Financial Institutions			42	42	843,112	80,000			923,196
Market Borrowings-	59,078	45,228	43,051	90,318	229,400	344,772	145,376	54,016	1,011,239
Assets									
Advances	281,909	563,658	301,961	445,740	417,202	123,369			2,133,839
Investments					9,000			750	9,750

MUTHOOT FINANCE LIMITED

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

ATTENDANCE SLIP

15TH Annual General Meeting – September 01, 2012

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

I hereby record my presence at the 15th Annual General Meeting of the Company at Kerala Fine Arts Society Hall, Fine Arts Avenue, Fore Shore Road, Kochi, Kerala – 682 016 on Saturday, the 01st day of September, 2012 at 10:30 A M

Ledger Folio No. (s)____________________________ DPID No.*______________________ & Client ID No.*___________________

No. of Shares held____

Name and Address of the Member(s)/proxy ____

____

* Applicable for Members holding shares in electronic form.

____

Signature of the Member/Proxy

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

MUTHOOT FINANCE LIMITED

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

PROXY FORM

15TH Annual General Meeting – September 01, 2012

Ledger Folio No. (s)_____________________________DP ID No.*______________________& Client ID No.*__________________

No. of Shares held ____

I/We……………………………….of…………………in the district of…………… being a member/members the above named Company hereby appoint ……………….of ……………in the district of ……………or failing him ……………..of ……………in the district of ………………as my/our proxy to attend and vote for me/us on my/our behalf at the 15th Annual General Meeting of the Company to be held at Kerala Fine Arts Society Hall, Fine Arts Avenue, Fore Shore Road, Kochi, Kerala – 682 016 on Saturday, the 01st day of September, 2012 at 10:30 A M

Signed this……………..day of ………………2012

* Applicable for Members holding shares in electronic form.

Affix
₹ 1
Revenue
Stamp here

Signature(s) of Member(s)

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

Founder, Late Shri M. George Muthoot

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

Muthoot Finance

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