



## 12<sup>th</sup> Annual Report 2008-09



Founder  
Late Mr. M. George Muthoot

## CORPORATE INFORMATION

### ***Board of Directors***

Mr. M G George Muthoot	- Chairman
Mr. George Alexander Muthoot	- Managing Director
Mr. George Jacob Muthoot	- Whole Time Director
Mr. George Thomas Muthoot	- Whole Time Director
Mrs. Sara George	- Director
Mrs. Anna Alexander	- Director
Mr. George M Alexander	- Whole Time Director
Mr. P George Varghese	- Independent Director
Justice K John Mathew	- Independent Director

### ***Company Secretary***

Rajesh A

### ***Statutory Auditors***

M/s. Rangamani & Co.  
Chartered Accountants, Card Bank Premises,  
Vadaikanal South Bank Road, Alleppey – 688 011

### ***Registered Office***

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

### ***Corporate Identification Number***

U65910KL1997PLC011300

### ***RBI Registration Number***

N. 16.00167

### ***Website***

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

### ***Bankers***

Axis Bank  
Development Credit Bank  
Dhanalakshmi Bank  
HDFC Bank  
ICICI Bank  
IDBI Bank  
IndusInd Bank  
Kotak Mahindra Bank  
Punjab National Bank  
State Bank of India  
State Bank of Travancore  
Syndicate Bank  
Yes Bank



## ***Powering Lives***

*At Muthoot, we believe life is about living dreams.  
And acquiring the power to make dreams reality.*

*The Muthoot group has been striving over a century to do just that. To power lives of our customers, associates and our people. Through our operations as diverse as your aspirations, we have brought in new ideas and set new standards in every area of our operations, to give you the extra power to actualise your dreams.*

*That's been our dream. Year after year we relive this dream with renewed vigour, renewed focus and renewed commitment.*

Promoter  
**directors**

Mr. George Jacob Muthoot  
Whole Time Director

Mr. M.G. George Muthoot  
Chairman



Mr. George Thomas Muthoot  
Whole Time Director

Mr. George Alexander Muthoot  
Managing Director

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*Powering dreams*

**NOTICE**

**Notice** is hereby given that the **12<sup>th</sup> Annual General Meeting** of the members of Muthoot Finance Limited **will be held at 2<sup>nd</sup> Floor, Muthoot Chambers, Opposite Saritha Theatre Complex, Banerji Road, Ernakulam – 682 018 on Saturday, the 27<sup>th</sup> day of June, 2009 at 11.00 AM** to conduct the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.2009 and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. George Jacob Muthoot, Whole Time Director, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. George Thomas Muthoot, Whole Time Director who retires by rotation and being eligible offers himself for re-appointment
4. To appoint Auditors and fix their remuneration.

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

**Kochi, May 30, 2009**

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

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

**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 AND A 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.

## DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the **12<sup>th</sup> Annual Report** of the Company together with the audited financial statements for the year ended 31<sup>st</sup> March 2009.

### FINANCIAL RESULTS

The financial results for the year ended 31<sup>st</sup> March 2009 are summarized below:

(Amount in Rs. Lakhs)

Particulars	Yr. ended 31.03.09	Yr. ended 31.03.08
Income from Operations	62,040	36,864
Total Expenditure	46,167	26,355
Profit Before Depreciation	15,873	10,509
Depreciation and Other Non Cash Charges	1,056	811
Profit Before Tax	14,817	9,698
Provision for Tax/Deferred Taxes	5,045	3,338
Profit After Tax	9,772	6,360
Share Capital and Reserves	37,117	22,345
Subordinated Debts	10,991	4,000
Secured Non-Convertible Debentures	190,198	124,033
Bank Borrowings	110,676	58,849
Gross Retail Loan Assets under Management	336,900	222,627

### ECONOMIC SCENARIO

The fall out of economic slow down world over affected Indian economy to a degree more severe than what was earlier assessed. Demand recession across the globe has had deleterious impact on the export, manufacturing and real estate segments pulling down the GDP growth to an expected 6.7% in the last fiscal as against the previous year average of around 9%. The monetary and fiscal measures taken by the Government are expected to get reflected in the performance of the economy in the coming months, especially a benign interest rate scenario.

### BUSINESS ENVIRONMENT

The economic slow down felt especially in the second half of last fiscal together with tightening of the credit window by the banking system for fear of increase in non performing assets have positioned the gold loans as a convenient vehicle to tackle the liquidity problems of entrepreneurs, agriculturists and ordinary consumers. Coupled with the marketing efforts taken by the Company, the change in the business environment has enabled the company to register a robust 51% growth in its asset portfolio. Given the way the gold prices are poised to remain at high levels, we expect the demand growth for loans to be robust. As the popularity of gold loans increases across wide geographies, we expect the scope for big ticket loans to entrepreneurs, traders, jewellers etc to gather further momentum.

In the matter of resource mobilization through Secured Debentures, the Company offers attractive interest rates and was able to weather the competition from alternate investment instruments in the market. The portfolio registered a growth of 53% in the current year. The Company is offering a variety of instruments for long term investments. In a declining interest rate scenario, the Muthoot Star Bonds and Muthoot Doubling Bonds issued by the Company offer a safe investment opportunity to investors to lock into a high interest yield for a longer tenor. We expect the general interest rates for deposits to slide down and the rates now being offered by the Company will make the debentures of the Company a perfect investment option.



## BUSINESS PERFORMANCE

Robust loan growth, aggressive interest collection drive, forays into new geographies, intensive marketing efforts and launch of tailor made products have all enabled the Company to turn in impressive working results. While income registered a 68 % growth year over year, Profit Before Tax and Profit After Tax have risen by 52% and 53% year over year. 278 new branches were opened across various states and new Regional Offices were opened in Salem and Visakhapatnam. As part of invigorating the organizational structure, credit and operations were reorganised and the marketing set up was revamped with posting of customer relations executives at branches. Through a special drive, the Company has been able to institutionalize the system of regular interest collection and reduce the volume of overdue loans. Cost of funds went upto 12.19% from last year's 11.07% primarily due to increase in bank interest and interest on debentures raised. Bankers across the country either enhanced or sanctioned fresh limits indicating the confidence the Company enjoys from the financial system. Aggregate bank limit rose to Rs. 119,000 lakhs from last year's Rs. 65,000 lakhs

## NET WORTH

Your Board of Directors has decided to plough back the entire profits for the year further strengthening your Company's net owned funds position.

## RESOURCE MOBILISATION

### (a) Secured Debentures

During the year, Company raised Rs. 66,165 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.

### (b) Bank Finance

As part of the efforts to keep the borrowing costs under control, your Company resorted to multiple types of borrowings from the banking system. Short term demand loans and sell down of gold loan receivables under bilateral assignment enabled the Company to raise substantial funds at rates much below the prime lending rates of banks. The Company was also successful in placing with LIC Mutual Fund, debentures for Rs. 8,000 Lakhs at very attractive rate.

### (c) Subordinated Debts

Subordinated Debts continue to be another source for funding the operations of Company. Subordinated Debts represent Long Term source of funds for the Company and the amount outstanding as on 31.03.2009 is Rs. 10,991 lakhs. Subordinated Debts qualify as Tier II Capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

## RATING

Your Company's Short Term Instruments (Commercial Paper/Unsecured Non-Convertible Debentures) to the extent of Rs. 8,000 lakhs are rated by Fitch Ratings with "F1" rating indicating "highest credit quality." During the year, Fitch affirmed the existing rating.

## INTERNAL CONTROL

The robust internal audit system and the periodical gold verification systems were further revamped with more focus on risk exposure, divergence from laid down instructions and compliance of governance standards. The quality of audit staff has also been improved by inducting into the audit team experienced Branch Managers. The strength of audit staff has also been increased in conformity with increase in business and branch strength.

## HUMAN RESOURCE MANAGEMENT

The Company has always believed that 'an entity is as good as its people'. The welfare measures taken by the Company like Personal Accident Cover for all employees, admission to Contributory Provident Fund, ESI Coverage at entry level itself, transparent policies relating to in cadre promotions, placement in centre of domicile for almost all employees and attractive incentive structures for contribution to business growth are all fall out of this recognition. Through a sustained promotion process, the percentage of managerial staff promoted from non supervisory cadre has gone up to 37%.

## PUBLIC DEPOSIT

Your Company continues to be a Systemically Important Non-Deposit taking NBFC and has not accepted any public deposits.

## CAPITAL ADEQUACY

As at 31.03.2009, the capital adequacy of the company stood at 16.30% as against the statutory requirement of 10%.

## RBI GUIDELINES

Your Company has complied with all regulatory compliances stipulated by the Reserve Bank of India from time to time and has been regular in filing all the required returns on time.

## CONVERSION OF THE COMPANY

The Company was converted into a Public Limited Company at the Extraordinary General Meeting held on 18<sup>th</sup> November, 2008 and consequently the name of the Company was changed to Muthoot Finance Limited.

## 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	Designation	Date of Commencement of employment	Gross remuneration	Qualification	Total	Last employment
1	Mr. M G George Muthoot	59	Chairman	28.07.2000	Rs. 30,000,000	B. Tech	36 years	Muthoot Bankers
2	Mr. George Alexander Muthoot	53	Managing Director	28.07.2000	Rs. 30,000,000	Chartered Accountant	30 years	Muthoot Bankers
3	Mr. George Thomas Muthoot	58	Whole Time Director	16.08.2005	Rs. 30,000,000	B. Sc	35 years	Muthoot Bankers
4	Mr. George Jacob Muthoot	56	Whole Time Director	16.08.2005	Rs. 30,000,000	B. Tech	33 years	Muthoot Bankers

## DIRECTORS

In accordance with the provisions of Section 255 & 256 of the Companies Act, 1956, Mr. George Jacob Muthoot and Mr. George Thomas Muthoot, Whole Time Directors retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

## AUDITORS

M/s Rangamani & Co., Chartered Accountants, the Statutory Auditor of the Company retires at the conclusion of the ensuing Annual General Meeting and has expressed their willingness to be appointed as the Auditors for a further period of one year. Company has received a letter from the Auditor to the effect that, if they are appointed, appointment will be within the statutory limits.

## ENERGY CONSERVATION, 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 : Rs. 22.86 lakhs

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

1. In the preparation of Annual Accounts, the applicable Accounting Standards had been followed;
2. The Directors had 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 that period;
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
4. The Directors had prepared the Annual Accounts on going concern basis.

**CORPORATE GOVERNANCE**

Your management has been taking initiatives to articulate greater standards of corporate governance in the Company since its inception. As part of bringing more transparency and independence to the Board, two independent directors were appointed last year. Moreover, Board has included this separate report on Corporate Governance in the Annual Report.

**(I) Board of Directors**

The Company has 9 Directors including Managing Director and an Executive Chairman. Composition of the Board of the Company is as under:

Name	Designation	Number of Board Meetings Attended
Mr. M. G. George Muthoot	Chairman	9
Mr. George Alexander Muthoot	Managing Director	9
Mr. George Thomas Muthoot	Whole Time Director	9
Mr. George Jacob Muthoot	Whole Time Director	9
Mr. George M Alexander	Whole Time Director	6
Mrs. Anna Alexander	Director	5
Mrs. Sara George	Director	6
Mr. P. George Varghese	Independent Director	7
Justice K John Mathew	Independent Director	7

9 Board meetings were held during the year on 24.04.2008; 15.07.2008; 31.07.2008; 18.09.2008; 21.10.2008; 03.12.2008; 31.12.2008; 20.01.2009 and 12.03.2009

**(II) Committees of the Board**

To assist the Board in effectively delivering its duties and in compliance of regulatory requirements, the Board has constituted the following committees:

**1. Audit Committee**

An Audit Committee of the Board was constituted on 25.03.2003. Presently the members of the Audit Committee include Mrs. Anna Alexander, Mr. P. George Varghese and Mr. George Alexander Muthoot. Committee met 4 times during the year. Terms of reference of Audit Committee include the following:

- A. Overseeing 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 the appointment and removal of external auditor, fixation of audit fee and also approval for payment of any other services.
- C. Reviewing with management the annual financial statements before submission to the Board

2. Risk Management Committee

Risk Management Committee was constituted on 12.06.2007 to assist the Board in overseeing requirements with regard to identification, evaluation and mitigation of operational, strategic and external environment risks. The committee oversees and evaluates risk management policy of the Company regularly. Presently members of the Committee include Mr. P. George Varghese, Justice K John Mathew, Mr. George Alexander Muthoot and Mr. George M Alexander. Committee met twice during the year.

3. Asset Liability Management Committee

To analyse and effectively monitor the liquidity position of the Company and to address the concerns of various risks associated with the operations of the Company and to provide for a comprehensive and dynamic framework for measuring, monitoring and managing liquidity and interest rate risks, ALM Committee was constituted on 25.03.2003. Presently committee consists of Mr. P. George Varghese, Justice K John Mathew, Mr. George Alexander Muthoot and Mrs. Anna Alexander. The Committee met 2 times during the year. ALM Committee assesses the following risks associated with the operations of the Company:

(a) Liquidity Risk

Measuring and managing the liquidity risk associated with the operations of the Company accords greater significance for the management as any short fall in this front can affect the operations of the Company adversely. Committee reviews the liquidity position of the Company at regular intervals and ensures better liquidity management. Statement of Structural Liquidity and Statement of Short Term Dynamic Liquidity as per the format prescribed by the RBI is placed before the Committee at regular intervals.

(b) Interest Rate Risk

Interest Rate Risk refers to the risk associated with the changes in the market interest rates. Any sudden change in the market interest rates in a disadvantageous manner could adversely affect the bottom line of the Company. Any such movements will adversely impact the Net Interest Margin of the Company. The Committee regularly reviews the Report on Interest Rate Sensitivity and review the present scenario and future outlook in general.

4. Other Committees

(a) Nomination Committee

Nomination Committee of the Board was constituted on 12.06.2007 to ensure fit and proper status of proposed and existing Directors; presently committee consists of Mr. George Alexander Muthoot, Mrs. Anna Alexander, Mr. P George Varghese and Justice K John Mathew. No meetings of the Committee were held during the year as there were no new appointments.

(b) Remuneration Committee

To oversee and approve remuneration payable to Directors of the Company, remuneration committee was constituted. Committee includes 3 members namely Mrs. Anna Alexander, Director, Mrs. Sara George, Director and Mr. George M Alexander. Committee met once during the financial year.

**(III) General Body Meetings**

(a) Annual General Meetings

Details	Date	Time	Venue
11 <sup>th</sup> Annual General Meeting	10 <sup>th</sup> September, 2008	11.00 A M	Registered Office
10 <sup>th</sup> Annual General Meeting	17 <sup>th</sup> August, 2007	10.00 A M	Registered Office
9 <sup>th</sup> Annual General Meeting	21 <sup>st</sup> August, 2006	10.00 A M	Registered Office

## (b) Extraordinary General Meeting

Date	Time	Venue
18 <sup>th</sup> November, 2008	11.00 A M	Registered Office
27 <sup>th</sup> December, 2008	10.00 A M	Registered Office

(IV) 12<sup>th</sup> Annual General Meeting

Date	Time	Venue
27 <sup>th</sup> June, 2009	11.00 A M	Registered Office

**ACKNOWLEDGEMENT**

Your Directors thank the Company's customers, banks, rating agency, 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 guidance and support received from them from time to time.

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

**Kochi, May 30, 2009**

Registered Office:

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

Sd/-

**M G George Muthoot**  
**Chairman**

## AUDITORS' REPORT TO THE SHAREHOLDERS OF MUTHOOT FINANCE LTD.

1. We have audited the attached Balance Sheet of Muthoot Finance Limited, Kochi (the company) as at 31<sup>st</sup> March 2009, and the annexed Profit and Loss Account for the year ended on that date which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (the 'Act'), and based on the information and explanations given to us, we give in Annexure- I, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. As required by the Non- Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008, we give in Annexure - II a statement on the matters specified in the paragraph 3 and 4 of the said directions.
5. Further to our comments in the Annexures referred to in paragraphs 3 & 4 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purpose of the audit have been received from branches not visited by us.
  - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
  - d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable.
  - e) On the basis of written representations received from the directors, as on 31<sup>st</sup> March 2009 and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March 2009 from being appointed as director under Section 274(1)(g) of the Act.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
    - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2009,
    - ii. In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

Alleppey  
30<sup>th</sup> May, 2009

PERPRO RANGAMANI & CO.  
Chartered Accountants

Sd/-  
R. SREENIVASAN  
Membership No. 20566

**Annexure - I to the Auditors' Report**

(Referred to in para 3 of our report of even date)

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government, we state that:

**1. Fixed Assets**

The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. According to the information and explanation given to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner which, in our opinion, is reasonable, having regard to the size of the company and nature of the assets. No material discrepancies have been noticed on such verification. No substantial part of fixed assets have been disposed off during the year to affect the going concern assumption.

**2. Inventories**

Since the company has not dealt with any goods and has not held stock at any time during the year, the requirements of clause (ii) of paragraph 4 of the Order relating to inventories are not applicable.

**3. Loans and Advances**

i) The Company has not granted any loans, secured or unsecured, to any parties covered in the register maintained u/s 301 of the Act.

ii) The Company has taken unsecured loans from its Directors and their relatives and from three other Companies, covered in the register maintained u/s 301 of the Act. The maximum amount involved during the year and the year end balance of such loan aggregates to Rs.6,354.13 lakhs and Rs.4,693.25 lakhs respectively. In our opinion, the rate of interest and other terms and conditions of such loans is not prima facie prejudicial to the interest of the company. The company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest.

**4. Internal Control Procedures**

In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with size of the company and the nature of its business for the purchase of fixed assets and for the rendering of services. Further, on the basis of our examination of the books of accounts and records of the company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

**5. Interested Transactions**

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 made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, prima facie, have been made at prices which are reasonable having regard to the nature of the service and the prevailing market prices at the relevant time.

**6. Fixed Deposits**

According to the information and explanations given to us, the company has not accepted any public deposit, hence the requirement of clause (vi) of paragraph 4 of the Order is not applicable.

**7. Internal Audit**

The Internal Audit functions are carried out by the Internal Audit Department of the company and reported to the management. In our opinion, the internal audit system is commensurate with the size of the company and the nature of its business.

**8. Cost Records**

To the best of our information and according to the explanations given to us, the maintenance of cost records prescribed by Central Government under section 209 (1) (d) of the Act is not applicable to the Company.

**9. Statutory Dues**

- i) According to records of the company and the information and explanations given to us, undisputed statutory dues, to the extent applicable, including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Wealth tax, Sales tax, Service Tax, Value Added Tax, Customs Duty, Excise duty, Cess and any other statutory dues were regularly deposited during the year with the appropriate authorities.
- ii) According to the information and explanations given to us, there are no undisputed statutory dues payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Wealth tax, Sales tax, Service Tax, Value Added Tax, Customs Duty, Excise duty, Cess and any other statutory dues which are outstanding as at 31st March 2009, for a period of more than six months from the date they became payable.
- iii) According to the information and explanations given to us, there are no dues of Income tax, Wealth tax, Sales Tax, Customs Duty, Excise duty and Cess which have not been deposited on account of dispute. There are dues of service tax that have not been deposited with appropriate authorities on account of dispute and the forum where the disputes are pending is given below.

Nature of Dues	Amount * Rs. In lakhs	Period to which the amount relates	Forum where dispute is pending
Service Tax Penalty on above	91.91 91.91	2003 to 2007	Customs, Central Excise and Service Tax Appellate Tribunal
* 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.			

**10. Accumulated Losses**

The Company does not have any accumulated Loss as at 31<sup>st</sup> March 2009 and it has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

**11. Repayment of Loans**

According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.

**12. Others**

- i. 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.
- ii. The Company is not a Chit Fund, Nidhi or Mutual Benefit Fund / Society. Hence the requirement of clause (xiii) of paragraph 4 of the Order is not applicable to the company.
- iii. The company has kept adequate records of its transactions and contracts in shares, securities, debentures and other investments and timely entries have been made therein. The shares, securities, debentures and other investments are held in the name of the company.
- iv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.



- v. As per the information and explanations given to us, term loans were applied for the purpose for which they were obtained.
- vi. In our opinion and according to the information and explanations given to us, on the basis of an overall examination of the Balance Sheet of the Company, funds raised on short term basis, prima facie, have not been used during the year for long term investment.
- vii. The Company has made preferential allotment of equity shares to parties covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the company.
- viii. According to the information and explanations given to us, the Company has created securities in respect of Secured Non-convertible Debentures issued.
- ix. Since the company has not made any public issue, the requirement of clause (xx) of paragraph 4 of the Order is not applicable to the company.
- x. According to the information and explanations given to us, a fraud on or by the company has not been noticed or reported during the year.

Alleppey  
30<sup>th</sup> May, 2009

PERPRO RANGAMANI & CO.  
Chartered Accountants

Sd/-  
R. SREENIVASAN  
Membership No. 20566

**Annexure - II to the Auditors' Report**

(Referred to in para 4 of our report of even date)

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

- i. The Company is engaged in the business of non-banking financial institution and has obtained the Certificate of Registration dated 13<sup>th</sup> November 2001 from the Reserve Bank of India.
- ii. The Company is entitled to continue to hold the Certificate of Registration in terms of its asset / income pattern as on 31<sup>st</sup> March 2009.
- iii. The Company is not classified as an Asset Finance Company during the year ended 31<sup>st</sup> March 2009.
- iv. The Board of Directors has passed a resolution for the non-acceptance of any public deposits.
- v. The company has not accepted any public deposits during the year ended 31<sup>st</sup> March 2009.
- vi. According to the information and explanations given to us, the Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction 2007.
- vii. According to the information and explanations given to us, the capital adequacy ratio as disclosed in the return submitted to the Bank in form NBS- 7, has been correctly arrived at and such ratio is in compliance with the minimum CRAR prescribed by Reserve Bank of India.
- viii. The company has furnished to the Reserve Bank of India the annual statement of capital funds, risk assets/exposures and risk asset ratio (NBS-7) within the stipulated period.

Alleppey  
30<sup>th</sup> May, 2009

PERPRO RANGAMANI & CO.  
Chartered Accountants

Sd/-  
R. SREENIVASAN  
Membership No. 20566

BALANCE SHEET AS AT 31<sup>st</sup> March 2009

	Sch.No.	Amount in Rs.	
		As at 31.03.09	As at 31.03.08
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS</b>			
Share Capital	1	490,000,000.00	50,000,000.00
Reserves & Surplus	2	3,221,687,583.66	2,184,485,487.71
<b>LOAN FUNDS</b>			
Secured Loans	3	30,087,449,958.77	18,400,192,307.43
Unsecured Loan	4	1,568,479,289.15	752,866,714.00
<b>Total</b>		<b>35,367,616,831.58</b>	<b>21,387,544,509.14</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block		1,482,663,238.91	1,215,252,057.50
Less: Depreciation		320,756,348.13	222,738,793.13
Net Block	5	1,161,906,890.78	992,513,264.37
Capital Work in Progress		-	63,632,800.17
<b>INVESTMENTS</b>	6	75,307,940.00	55,307,940.00
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Cash & Bank Balances	7	8,825,315,098.31	2,580,375,319.22
Current Assets	8	1,747,701,811.98	1,161,620,691.63
Loans and Advances	9	25,837,483,503.86	18,056,850,281.36
Total		36,410,500,414.15	21,798,846,292.21
Less: Current Liabilities and Provisions	10	2,367,902,569.35	1,615,265,980.61
Net Current Assets		34,042,597,844.80	20,183,580,311.60
<b>MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF</b>		87,804,156.00	92,510,193.00
<b>Total</b>		<b>35,367,616,831.58</b>	<b>21,387,544,509.14</b>
Significant Accounting Policies and Notes on Accounts	13		

As per our report of even date attached.

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

PERPRO RANGAMANI & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-  
R.SREENIVASAN  
Membership No. 20566

Sd/-  
M.G.GEORGE MUTHOOT  
Chairman

Sd/-  
GEORGE ALEXANDER MUTHOOT  
Managing Director

Sd/-  
RAJESH A  
Company Secretary

Place: Kochi  
Date: May 30, 2009

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009

		Amount in Rs.	
	Sch.No.	2008-09	2007-08
<b>INCOME</b>			
Interest Income		6,062,393,138.94	3,579,368,536.39
Other income		141,627,969.82	107,008,079.99
		<b>6,204,021,108.76</b>	<b>3,686,376,616.38</b>
<b>EXPENDITURE</b>			
Interest Expenses	11	3,097,699,180.78	1,797,992,194.07
Administrative expenses	12	1,404,946,889.03	795,561,263.74
Depreciation	5	98,777,363.00	74,139,222.00
Directors' Remuneration		120,900,000.00	48,900,000.00
		<b>4,722,323,432.81</b>	<b>2,716,592,679.81</b>
Profit Before Tax		1,481,697,675.95	969,783,936.57
Less: Provision for Income Tax	507,940,437.00		
Provision for Fringe Benefit Tax	416,676.00		
Deferred Tax Liability/(Asset)	(3,861,533.00)	504,495,580.00	333,815,411.00
Profit After Tax		977,202,095.95	635,968,525.57
Statutory Reserve		195,440,419.00	127,193,705.00
Add: Balance carried forward from previous year		1,566,404,454.91	1,057,629,634.34
<b>Balance carried to Balance sheet</b>		<b>2,348,166,131.86</b>	<b>1,566,404,454.91</b>
Basic and diluted Earnings per share (Face value Rs.10/-)		19.94	127.19
Significant Accounting Policies and Notes on Accounts	13		

As per our report of even date attached.

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

PERPRO RANGAMANI & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-  
R.SREENIVASAN  
Membership No. 20566

Sd/-  
M.G.GEORGE MUTHOOT  
Chairman

Sd/-  
GEORGE ALEXANDER MUTHOOT  
Managing Director

Sd/-  
RAJESH A  
Company Secretary

Place: Kochi  
Date: May 30, 2009

SCHEDULES	Amount in Rs.	
	As at 31.03.2009	As at 31.03.2008
<b>SCHEDULE - 1 Share Capital</b>		
<b>Authorised</b>		
Rs. 50,00,00,000 divided into		
5,00,00,000 Equity shares of Rs.10 each	500,000,000.00	86,000,000.00
(Previous year - 86,00,000 Equity shares of Rs.10 each)		
<b>Issued , Subscribed and Paid-up</b>		
4,90,00,000 Equity shares of Rs.10 each		
(Previous year - 50, 00,000 Equity shares of Rs.10 each)	490,000,000.00	50,000,000.00
<b>Notes:-</b>		
1) Company made a preferential allotment of 10,00,000 Equity Shares of Rs.10/- each at a premium of Rs.240/- per share pursuant to board resolution dtd. 31/07/2008 and another allotment of 10,00,000 Equity Shares of Rs.10/- each at a premium of Rs.240/- per share pursuant to board resolution dtd. 31/12/2008		
2) 4,20,00,000 Equity Shares of Rs.10/- each were allotted as fully paid bonus shares by capitalisation of amount from Profit & Loss Account pursuant to a shareholders resolution passed at the Annual General Meeting held on 10th September 2008.		
<b>SCHEDULE - 2 Reserves &amp; Surplus</b>		
Securities Premium	755,000,000.00	275,000,000.00
Statutory Reserve	538,521,451.80	343,081,032.80
Profit and loss Account	1,928,166,131.86	1,566,404,454.91
	<b>3,221,687,583.66</b>	<b>2,184,485,487.71</b>
<b>Notes:-</b>		
1) Increase in Securities Premium of Rs.4800 lakhs represents premium on preferential allotment of 20,00,000 Equity Shares of Rs.10/- each at a premium of Rs.240/- .		
2) Deduction from Profit and Loss Account of Rs.4200 lakhs represents capitalisation of amount from Profit & Loss Account on account of allotment of 4,20,00,000 Equity Shares of Rs.10/- each as fully paid bonus shares.		

SCHEDULES	Amount in Rs.	
	As at 31.03.2009	As at 31.03.2008
<b>SCHEDULE - 3 Secured loans</b>		
Non-Convertible Secured Debentures (Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)	18,626,136,000.00	12,403,302,000.00
Non-Convertible Secured Debentures (Secured by mortgage of immovable property and charge on all movable fixed assets)	393,710,000.00	-
Bank Borrowings		
- Overdraft against Deposit with Banks	5,305,989.45	8,776,887.67
- Cash Credit / Short term loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances)	10,594,296,271.31	5,491,105,515.76
Term Loan (Secured by mortgage of immovable property and subservient charge on current assets, book debts and loans & advances)	400,000,000.00	300,000,000.00
Term Loan (Secured by specific charge on wind mills & Land appertunant thereto.)	68,001,698.01	85,007,904.00
Collateralised Borrowing & Lending Obligation	-	112,000,000.00
	<b>30,087,449,958.77</b>	<b>18,400,192,307.43</b>
<b>SCHEDULE - 4 Unsecured loans -(including Tier II Capital)</b>		
Deposits from Directors / Share holders	-	352,866,714.00
Loan from Directors / Relatives of Directors	467,107,791.15	
Inter Corporate Loan	2,217,498.00	-
Subordinated Debt (Tier II Capital)	1,099,154,000.00	400,000,000.00
	<b>1,568,479,289.15</b>	<b>752,866,714.00</b>
<b>SCHEDULE - 6 Investments</b>		
Shares in Subsidiary Company	-	55,000,000.00
Shares in Other Companies	75,307,940.00	307,940.00
	<b>75,307,940.00</b>	<b>55,307,940.00</b>
<b>SCHEDULE - 7 Cash &amp; Bank Balances</b>		
Cash in hand	468,512,698.39	271,641,806.34
Balances with Scheduled Banks		
- In CurrentAccounts	1,475,796,517.99	311,259,846.88
- In Deposit Accounts	6,881,005,881.93	1,997,473,666.00
	<b>8,825,315,098.31</b>	<b>2,580,375,319.22</b>

Amount in Rs.

**SCHEDULES**

**SCHEDULE - 8 Current Assets**

	As at 31.03.2009	As at 31.03.2008
Interest Receivable	1,177,540,676.17	655,652,265.85
Tax Deducted at Source	24,613,359.35	9,487,413.64
Sundry Debtors	70,187,579.27	54,671,335.59
Govt. of India Securities	–	118,125,000.00
LIC Mutual Fund-Liquid Fund	10,000,000.00	10,000,000.00
Advance Income tax	461,123,296.19	310,589,876.55
Advance - Fringe Benefit Tax	4,236,901.00	3,094,800.00
	<b>1,747,701,811.98</b>	<b>1,161,620,691.63</b>

**SCHEDULE - 9 Loans and Advances**

Retail Loans	25,559,834,151.25	17,921,822,052.70
Other Deposits & Advances	277,649,352.61	135,028,228.66
	<b>25,837,483,503.86</b>	<b>18,056,850,281.36</b>

**SCHEDULE - 10 Current Liabilities and Provisions**

a) Current liabilities

Audit Fee Payable	300,000.00	175,000.00
Interest Payable	1,156,802,720.92	644,601,657.00
T.D.S.Payable	20,794,118.81	15,493,411.18
Other Current Liabilities	587,227,747.83	535,974,700.00
Other Creditors	40,441,112.69	28,638,859.33
	<b>1,805,565,700.25</b>	<b>1,224,883,627.51</b>

b) Provisions

Deferred Tax	37,872,328.10	41,733,861.10
Provision for NPA	16,107,428.00	9,256,890.00
Provision for Income Tax	507,940,437.00	336,068,315.00
Provision for Fringe Benefit Tax	416,676.00	3,323,287.00

Total

**2,367,902,569.35**      **1,615,265,980.61**

**SCHEDULES**

	2008-09 (Rs.)	2007-08 (Rs.)
<b>Amount in Rs.</b>		
<b>SCHEDULE - 11 Interest Expenses</b>		
Interest on Secured Debentures	1,687,152,698.75	1,084,859,725.70
Interest on Others	1,410,546,482.03	713,132,468.37
	<b>3,097,699,180.78</b>	<b>1,797,992,194.07</b>
<b>SCHEDULE - 12 Administrative and other expenses</b>		
Payment to Employees	617,853,277.99	367,229,222.71
Provident fund	22,572,091.20	14,531,366.35
E.S.I Account	4,154,566.17	3,040,846.27
Group Gratuity premium	14,110,987.19	8,123,732.00
Directors sitting fee	134,500.00	-
Postage, telegram and telephone	27,469,336.70	17,635,962.38
Printing and Stationary	44,458,739.42	31,509,640.41
Rent paid	130,721,549.48	81,868,987.01
Travelling and Conveyance	42,337,364.56	26,684,952.97
Bank charges	69,466,201.35	25,502,434.26
Electricity charges	33,584,011.74	22,403,326.30
Repairs and maintenance	61,705,322.73	41,682,769.70
Water Charges	746,575.00	606,499.00
Taxes and licence fee	11,044,511.23	11,660,867.89
Staff welfare account	18,323,301.09	12,424,728.21
Legal & Professional Charges	16,362,828.50	11,442,040.59
Insurance charges	21,217,877.78	13,028,820.00
Hire charges	23,301.00	40,188.00
Newspaper and Periodicals	93,134.50	62,286.97
Business Promotion expense	25,032,413.54	17,628,151.82
Advertisement	207,707,590.63	66,749,572.50
Vehicle Maintenance	5,679,855.48	4,912,005.40
Audit and Inspection expenses	12,087,306.75	7,086,065.00
Miscellaneous expenditure written off:		
- FM Radio Licence fee	9,401,600.00	2,350,400.00
- Computer software	1,508,107.00	267,373.00
Audit fee:		
- for audit	225,000.00	125,000.00
- for taxation	75,000.00	50,000.00
Provision for NPA	6,850,538.00	6,914,025.00
	<b>1,404,946,889.03</b>	<b>795,561,263.74</b>



**SCHEDULE -5-FIXED ASSETS**

Name of asset	GROSS BLOCK				Rate %	DEPRECIATION				NET BLOCK	
	As at 31.03.2008	Additions	Deductions	As at 31.03.2009		Upto 31.03.2008	For the Year	Deductions During the year	Total as on 31.03.2009	As at 31.03.2009	As at 31.03.2008
Land	513,801,346.00	31,641,566.00		545,442,912.00	0	0.00		0.00	0.00	545,442,912.00	513,801,346.00
Building	175,906,539.35	6,323,339.60		182,229,878.95	5	26,586,894.28		7,630,835.00	34,217,729.28	148,012,149.67	149,319,645.07
Furniture & Fixtures	198,311,955.08	47,133,939.21		245,445,894.29	18.10	73,474,480.38		25,477,004.00	98,951,484.38	146,494,409.91	124,837,474.70
Plant & Machinery	80,041,908.02	11,9831,977.15		199,873,885.17	13.91	22,078,314.03		19,087,702.00	41,166,016.03	158,707,869.14	57,963,593.99
Computer	46,481,670.05	6,0979,554.45		107,461,224.50	40.00	26,647,878.45		20,059,401.00	46,707,279.45	60,753,945.05	19,833,791.60
Motor Car	20,109,779.00	2,693,524.00	1,192,719.00	21,610,584.00	25.89	8,761,080.10		3,440,678.00	11,441,950.10	10,168,633.90	11,348,698.90
Wind Mill	180,598,860.00	0.00		180,598,860.00	20.00	65,190,145.89		23,081,743.00	88,271,888.89	92,326,971.11	115,408,714.11
	<b>1,215,252,057.50</b>	<b>268,603,900.41</b>	<b>1,192,719.00</b>	<b>1,482,663,238.91</b>		<b>222,738,793.13</b>		<b>98,777,363.00</b>	<b>320,756,348.13</b>	<b>1,161,906,890.78</b>	<b>992,513,264.37</b>
Previous year	<b>646,370,783.78</b>	<b>570,356,370.72</b>	<b>1,475,097.00</b>	<b>1,215,252,057.50</b>		<b>149,483,747.13</b>		<b>74,139,222.00</b>	<b>222,738,793.13</b>	<b>992,513,264.37</b>	<b>496,887,036.65</b>

**SCHEDULE-13 NOTES FORMING PART OF ACCOUNTS**

**1. BACKGROUND**

Muthoot Finance Ltd. was incorporated as a private limited company on 14<sup>th</sup> March 1997 and was converted into a public limited company on 17<sup>th</sup> November 2008. The company is promoted by The Muthoot Group which has diversified interests in 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).

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 ACCOUNTING CONCEPT**

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 for non-performing assets as prescribed by Reserve Bank of India vide Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction 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.

**2.2 REVENUE RECOGNITION**

Revenues are recognised and expenses are accounted on accrual basis with necessary provisions for all known liabilities and losses. Income on Non-Performing Assets accrues and is recognised only when it is realised.

**2.3 EMPLOYEE RETIREMENT BENEFITS**

- a) Contributions are made to Provident Fund, Pension Fund and Employees Deposit Linked Insurance Scheme administered by Employees Provident Fund Organisation at the prescribed rates and are charged to Profit & Loss Account at actuals.
- b) The Company makes annual contribution to a Gratuity Fund administered by Trustees and managed by ICICI Prudential Life Insurance Co. Ltd. The Company accounts for its liability for future gratuity benefits based on actuarial valuation determined every year by the Insurance Company.

**2.4 FIXED ASSETS**

Fixed assets are stated at historical cost less accumulated depreciation. Depreciation is charged at the rates specified in Schedule XIV of the Companies Act, 1956 on Written Down Value method.

**2.5 INTANGIBLE ASSETS**

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

**2.6 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 and determined in accordance with the provisions of the Income Tax Act 1961. Deferred tax is recognized, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**2.7 INVESTMENTS**

Current investments are valued at lower of cost or market value. Long term investments are valued at cost.

**2.8 FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are accounted at the prevailing rates of exchange on the date of the transaction.

## 2.9 PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

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

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

## 2.10 DEBENTURE REDEMPTION RESERVE

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

## 3. BALANCE SHEET

### 3.1 Secured Non-Convertible Debentures

The Company had privately placed Secured Non-Convertible Debentures under Non-cumulative scheme for a maturity period upto 5 years with an outstanding of Rs.161,695.57 Lakhs (Previous Year Rs.106,352.55 Lakhs) and under Cumulative scheme for a maturity period ranging from 36months to 90months with an outstanding of Rs.28,502.89 Lakhs (Previous Year Rs.17,680.47 Lakhs)

### 3.2 Subordinated Debts

Subordinated Debts are subordinated to the claims of other creditors and qualify as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction 2007. As on 31<sup>st</sup> March 2009, out of Rs.10,991.54 Lakhs outstanding, Rs.4,000 lakhs represents amounts raised from promoters and shareholders and remaining Rs.6,991.54 lakhs were raised from investors other than promoter group, both raised through private placement route.

### 3.3 Investments

Long term investments in fully paid equity shares as under (Rs. in Lakhs):

	<u>31.03.2009</u>	<u>31.03.2008</u>
a) Quoted		
Union Bank of India		
454 Equity shares of Rs.10/- each	0.49	0.49
b) Unquoted		
i) In Subsidiary Company	Nil	Nil
ii) In other company		
Muthoot Broadcasting Pvt. Ltd.		
25,800 Equity shares of Rs.10/- each	2.58	2.58
Muthoot Exchange Company Pvt. Ltd.		
4,500,000/- Equity shares of Rs.10/- each (10,00,000 equity shares of Rs.10/- each were sold during the year and hence not treated as subsidiary company)	450.00	550.00
Muthoot Securities Ltd.		
3,000,000/- Equity share of Rs.10/- each	300.00	Nil

### 3.4 FM Radio Station, Chennai

The company obtained licence from Government of India for establishing and operating FM Radio Station in Chennai, Tamil Nadu. Radio Station commenced its operations on 1<sup>st</sup> January 2008. Licence Fee of Rs.94,016,000/- is amortised over a period of 10 years starting from 1<sup>st</sup> January 2008 on straightline basis.

**3.5 Balances with Scheduled banks in Deposit Accounts**

Out of Rs.68,810.05 Lakhs (Previous Year- Rs.19,974.74 Lakhs) with Scheduled banks in Deposit Accounts, lien has been marked as under (Rs. In Lakhs):

	<u>31.03.2009</u>	<u>31.03.2008</u>
(i) As security for the purpose of counter guarantee	30.68	30.68
(ii) As security for purpose of overdraft facility	202.48	204.97
(iii) As credit enhancement for bilateral assignment of receivables	13,139.43	8,138.66

**3.6 Current Assets, Loans & Advances**

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

**3.7 Current investments**

Current investments consists of (Rs. In Lakhs): -

	<u>31.03.2009</u>	<u>31.03.2008</u>
10.25 % Govt. of India 2021 (Face value Rs.1,000 lakhs)	Nil	1181.25

The above securities were deposited with 'The Clearing Corporation Of India Ltd. (CCIL) as collateral for the purpose of borrowings under 'Collateralised Borrowing and Lending Obligation (CBLO) . The above investments were sold during the year.

**3.8 Retail Loans (Rs. In Lakhs)**

	<u>31.03.2009</u>	<u>31.03.2008</u>
Gross Retail Loan assets under management	336,900.81	222,627.96
Less: Sell down of receivables under bilateral assignment	81,302.47	43,409.74
Net Retail Loan assets as per Balance Sheet	255,598.34	179,218.22
Break-up of Gross Retail Loan assets under management (Rs. In Lakhs):		
Gold Loan Receivables	330,007.34	217,900.69
Loan against Muthoot Gold Bonds	6,701.62	4,555.05
Other Loans	191.85	172.22

**3.9 Deferred Tax @ 33.99% (Rs. In Lakhs)**

	<u>31.03.2009</u>	<u>31.03.2008</u>
<u>Deferred Tax Asset</u>		
Provision for NPA	(54.75)	(31.46)
<u>Deferred Tax Liability</u>		
Depreciation	433.47	448.80
Net Deferred Tax – (Asset) /Liability	378.72	417.34

**3.10 Loans and Advances (Rs. In Lakhs)**

	<u>31.03.2009</u>	<u>31.3.2008</u>
Loans and advances considered good -		
Fully secured	253,795.75	178,120.32
Unsecured	191.85	172.22
Loans and advances considered doubtful or bad-		
Fully secured	1,610.74	925.68
Loans and advances due by Director or officers or any of them either severally or jointly with others	Nil	Nil
Loans and advances due by firms or private companies in which any Director is a partner or a Director or a member.	Nil	Nil
Loans and Advances due by companies under the same management within the meaning of section 370(1) (B) of the Companies Act.	Nil	Nil
Maximum amount due by directors or officers at any time during the year	Nil	Nil

**4. PROFIT AND LOSS ACCOUNT**

4.1 Income and expense under bilateral assignment of receivables accrue over the life of the related receivables assigned. Interest income and expenses on the above are accounted on gross basis.

4.2 Provision for Non-Performing Assets (Rs. In Lakhs)	<u>31.03.2009</u>	<u>31.03.2008</u>
Substandard Assets	1610.74	925.68
Provision required @ 10% on substandard assets	161.07	92.57
Provision already available	92.57	23.43
Additional provision made during the year	68.50	69.14

4.3 Auditors' Remuneration (Rs. In Lakhs)	<u>2008-09</u>	<u>2007-08</u>
Statutory Audit	2.25	1.25
Tax Audit	0.75	0.50

4.4 Remuneration to Directors: (Rs. In Lakhs)	<u>2008-09</u>	<u>2007-08</u>
- Salary	1,209.00	489.00
- Sitting fee	1.35	--

4.5 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.1,954.40 Lakhs (Previous Year Rs. 1,271.93 Lakhs) representing 20% of Net Profit is transferred to the Fund for the year. No appropriation was made from the Reserve Fund during the year.

**5. GENERAL**

	<u>31.03.2009</u>	<u>31.03.2008</u> (Rs. in Lakhs)
5.1 Contingent liabilities not provided for:		
i) Counter Guarantee provided to banks	333.68	30.68
ii) Cash collateral provided as credit enhancement for bilateral assignment of receivables	13,139.43	8,138.66
iii) Over collateral provided as credit enhancement for bilateral assignment of receivables	775.07	1,411.76
5.2 Claims against the company not acknowledged as Debt		
i) Service Tax demand for the period-2003-2007 Commissioner of Central Excise, Customs and Service Tax, Cochin has raised a demand of Rs.91.91 lakhs towards Service tax liability and equal amount as penalty. The Appellate Authority admitted the Appeal preferred by the company. Pending disposal of appeal, no provision has been made by the company during the year.	91.91	Nil
5.3 Earnings in foreign currency	Nil	Nil
5.4 Expenditure in foreign currency: Import of equipments for FM Radio Station	22.86	202.55
5.5 Estimated amount of contracts remaining to be executed on capital accounts and not provided for	Nil	Nil
5.6 To the best of our knowledge and information, there are no amounts due to 'Supplier' as defined under "The Micro, Small and Medium Enterprises Development Act , 2006"		
5.7 Deposits from Shareholders including Directors	Nil	3528.67
5.8 Loan from Directors and relatives of directors	4,671.08	Nil

**5.9 Related Party Disclosures**
**Key Management Personnel**

- i. : M.G. George Muthoot
- ii. : George Thomas Muthoot
- iii. : George Jacob Muthoot
- iv. : George Alexander Muthoot

**Transactions with Related Parties**

Remuneration	1,227.20	501.48
Sitting fee	1.35	---
Interest Paid	1,052.52	984.58

**5.10 Earnings Per Share**

Net Profit for the year after tax	9,774.83	6,359.68
Weighted average number of Equity Shares outstanding	49,000,000	5,000,000
Earning Per Share (Basic and Diluted)	19.94	127.19

**5.11 Segment Reporting**

The Company is engaged in the business of three segments, Financing, Power Generation and FM Radio. In the context of Accounting Standard 17 on Segment Reporting, issued by the Institute of Chartered Accountants of India, the details are given below (Rs.In Lakhs):

	Financing	Power Generation	FM Radio	Total
Income	61,808.24	221.18	10.79	62,040.21
Expenses	46,569.78	242.21	411.24	47,223.23
Profit before tax	<u>15,238.46</u>	<u>-21.03</u>	<u>-400.45</u>	<u>14,816.98</u>

5.12 Previous Year's figures have been regrouped/ rearranged, where necessary to conform to current year's classifications.

PERPRO RANGAMANI & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-  
R.SREENIVASAN  
Membership No. 20566

Sd/-  
M.G.GEORGE MUTHOOT  
Chairman

Sd/-  
GEORGE ALEXANDER MUTHOOT  
Managing Director

Sd/-  
RAJESH A  
Company Secretary

Place: Kochi  
Date: May 30, 2009

## CASHFLOW STATEMENT

	Amount in Rs.	
	2008-09	2007-08
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit	977,202,096	635,968,526
Adjustments for:-		
Add:Provision for taxation	504,495,580	333,815,411
Add:Provision for NPA	6,850,538	6,914,025
Add:Financial Expenses	3097,699,181	179,7992,194
Add: FM Radio Licence & Software amortisation	4,706,037	
Add:Depreciation	98,777,363	74,139,222
Less: Profit on sale of Fixed Assets	184,589	80,521
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>4,689,546,206</b>	<b>2,848,748,857</b>
Adjustments for:-		
(Increase) / Decrease in Loans and Advances	(7,780,633,223)	(4,056,605,533)
(Increase) / Decrease in other receivables	(419,279,654)	(39,007,072)
Increase / (Decrease) in Current liabilities	580,682,073	765,780,468
Cash generated from operations	(2,929,684,598)	(481,083,280)
Financial Expenses	(3,097,699,181)	(1,797,992,194)
Direct tax paid	(506,193,068)	(318,523,288)
FM Radio Licence & Software		(91,610,593)
Net cash from operating activities	<b>(6,533,576,847)</b>	<b>(2,689,209,355)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(268,603,900)	(570,356,371)
Sale of Fixed Assets	617,500	671,442
(Increase) / Decrease in Capital Work in Progress	63,632,800	(50,477,922)
Investments in Shares	(20,000,000)	
Net Cash from Investing Activities	<b>(224,353,600)</b>	<b>(620,162,851)</b>
<b>C CASH FROM FINANCING ACTIVITIES</b>		
Net Proceeds from Issue of Debentures	6,616,544,000	3,571,145,000
Increase / (Decrease) in Loan from Directors / Relatives of Directors	114,241,077	44,971,106
Increase / (Decrease) in Bank Borrowings	5,070,713,651	1,711,522,940
Increase / (Decrease) in Inter Corporate Loan	2,217,498	(1,100,000)
Increase / (Decrease) in Subordinated debt	699,154,000	
Issue of Equity Shares	500,000,000	
Net Cash from Financing Activities	<b>13,002,870,226</b>	<b>5,326,539,045</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)</b>	<b>6,244,939,779</b>	<b>2,017,166,840</b>
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>2,580,375,319</b>	<b>563,208,479</b>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>8,825,315,098</b>	<b>2,580,375,319</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
Current Account with Banks	1,475,796,518	311,259,847
Deposit with Banks	6,881,005,882	1,997,473,666
Cash on Hand	468,512,698	271,641,806
<b>TOTAL</b>	<b>8,825,315,098</b>	<b>2,580,375,319</b>

**SCHEDULE TO THE BALANCE SHEET OF A NON-DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY**
**1) Disclosure 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)

<b>Particulars</b>		
<b>Liabilities side:</b>		
(1)	<b>Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:</b>	Amount out-standing as on 31.03.2009
	(a) Debentures : Secured	190,198
	: Unsecured	NIL
	(other than falling within the meaning of public deposits)	
	(b) Deferred credits	NIL
	(c) Term Loans	4,680
	(d) Inter-corporate loans and borrowing	22
	(e) Commercial Paper	NIL
	(f) Other Loans (specify nature)	
	Loan from Directors/ Relatives of Directors	4,671
	Subordinated Debt	1,0991
	Bank Borrowings	105,996

<b>Assets side:</b>		
		Amount outstanding
(2)	<b>Break-up of Loans and Advances including bills receivables (other than those included in (4) below) :</b>	
	(a) Secured	255,407
	(b) Unsecured	2,967
(3)	<b>Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities:</b>	NIL
	(i) Lease assets including lease rentals under sundry debtors:	NIL
	(a) Financial lease	NIL
	(b) Operating lease	NIL
	(ii) Stock on hire including hire charges under sundry debtors	NIL
	(a) Assets on hire	NIL
	(b) Repossessed Assets	NIL
	(iii) Other loans counting towards AFC activities	NIL
	(a) Loans where assets have been repossessed	NIL
	(b) Loans other than (a) above	NIL
(4)	<b>Break-up of Investments:</b>	
	<b>Current Investments:</b>	
	1. Quoted:	
	(i) Shares : (a) Equity	NIL
	(b) Preference	NIL



	(ii) Debentures and Bonds	NIL
	(iii) Units of mutual funds	100
	(iv) Government Securities	NIL
	(v) Others (please specify)	NIL
	<b>2. Unquoted:</b>	
	(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
	<b>Long Term investments:</b>	
	<b>1. Quoted:</b>	
	(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
	<b>2. Unquoted:</b>	
	(i) Shares : (a) Equity	752.58
	(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:	Amount net of provisions		
		Secured	Unsecured	Total
	<b>1. Related Parties</b>			
	(a) Subsidiaries	NIL	NIL	NIL
	(b) Companies in the same group	NIL	NIL	NIL
	(c) Other related parties	NIL	NIL	NIL
	<b>2. Other than related parties</b>	255,246	2,967	258,213
	<b>Total</b>	<b>255,246</b>	<b>2,967</b>	<b>258,213</b>

<b>(6) Investor group-wise classification of all investments (current and long term ) in shares and securities (both quoted and unquoted):</b>			
	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	752.58	752.58
	(c) Other related parties	NIL	NIL
	2. Other than related parties	0.49	0.49
	Total	753.07	753.07

<b>(7) Other information</b>		
	Particulars	Amount
(i)	Gross Non-Performing Assets	
	(a) Related parties	NIL
	(b) Other than related parties	1,611
(ii)	Net Non-Performing Assets	
	(a) Related parties	NIL
	(b) Other than related parties	1,450
(iii)	Assets acquired in satisfaction of debt	NIL

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

**Capital to Risk Adjusted Ratio (CRAR)**

Items		2008-09	2007-08
i)	CRAR (%)	16.30	12.56
ii)	CRAR-Tier I capital (%)	12.51	10.58
iii)	CRAR-Tier II capital (%)	3.79	1.98

**Exposures**

**Exposure to Real Estate Sector**

Category		2008-09	2007-08
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

Rs. in crores

	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
<b>Liabilities</b>									
Borrowings from Banks					3	1062	42	0	1107
Market Borrowings-									0
Secured Non-convertible Debentures issued under private placement	159	130	101	300	664	495	53	0	1902
<b>Assets</b>									
Advances	492	699	424	480	326	135	0	0	2556
Investments								8	8

For and on behalf of the Board of Directors

Sd/-  
M.G.GEORGE MUTHOOT  
Chairman

Sd/-  
GEORGE ALEXANDER MUTHOOT  
Managing Director

Sd/-  
RAJESH A  
Company Secretary

**MUTHOOT FINANCE LTD.**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
 INFORMATION AS REQUIRED UNDER PART IV OF THE SCHEDULE VI OF THE COMPANIES ACT, 1956

**I Registration Details**

Registration No.	11300	State Code	09
Balance Sheet Date	31.03.09		
	Date Month Year		

**II Capital Raised during the year**

(Amounts in Rs. Thousands)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	440000

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

(Amount in Rs. Thousands)

	Total Liabilities	Total Assets
Sources of funds	35367617	35367617
	Paid up Capital	Reserves & Surplus
	490000	3221688
	Secured Loans	Unsecured Loans
	30087450	1568479
Application of Funds	Net Fixed Assets	Investments
	1161907	75308
	Net Current Assets	Misc. Expenditure
	34042598	87804
	Accumulated Loss	
	NIL	

**IV Performance of Company**

(Amount in Rs. Thousands)

	Turnover	Total Expenditure	
	6204021	4722323	
<input checked="" type="checkbox"/>	Profit / Loss Before Tax	<input checked="" type="checkbox"/>	Profit / Loss After Tax
+ -	1481698	+ -	977202

(Please tick Appropriate box + for Profit, - Loss)

Earnings per share

Rs.	Ps.	Dividend Rate %
19.94		0

**V Generic Names of Principal**

Product / Services of the Company (as per monetary terms)

Not Applicable

Item Code No.

(ITC Code)

Service Description

LOAN COMPANY
-----------------

 Sd/-  
 M.G. George Muthoot  
 Chairman

 Sd/-  
 George Alexander Muthoot  
 Managing Director

 Sd/-  
 Rajesh A  
 Company Secretary

**MEMBERS ARE REQUESTED TO QUOTE THEIR FOLIO NO. HERE: FOLIO NO...  
MUTHOOT FINANCE LTD.**

Regd. Office: Muthoot Chambers, Opp. Saritha Theatre Complex, Banerji Road, Kochi-18

**PROXY FORM**

I/We ..... of ..... in the district of .....  
being a member(s) (folio) of the above named Company hereby appoint Mr/Ms. ....  
of ..... in the district of ..... or failing him Mr/Ms ..... of .....  
..... in the district of ..... as my/our proxy to attend and vote for me/us on  
my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Muthoot Chambers, opp. Saritha Theatre Complex, Banerji  
Road, Kochi-18 on Saturday, the 27<sup>th</sup> day of June, 2009 at 11.00 AM.

Signed this ..... day of ..... 2009

Affix  
1 Re.  
Revenue  
Stamp

Full Name: .....

**Note:**

1. The proxy to be valid should be deposited at the Regd. Office of the Company at Muthoot Chambers, opp. Saritha Theatre Complex, Banerji Road, Kochi-18, not less than 48 hours before the time for holding the meeting.
2. The proxy should be executed on Re.1 revenue stamp.

<i>For Office use only</i>
<i>No. of Shares</i>
<i>Proxy No.</i>

**MUTHOOT FINANCE LTD.**

Regd. Office: Muthoot Chambers, Opp. Saritha theatre complex, Banerji Road, Kochi-18.

**Attendance Slip**

Please complete this attendance slip and hand it over at the entrance of the meeting hall.

Name of the member : .....

Folio No. :

I hereby record my presence at the at the Twelfth Annual General Meeting of the Company to be held at Muthoot Chambers, opp. Saritha Theatre Complex, Banerji Road, Kochi-18, on Saturday, the 27<sup>th</sup> day of June, 2009 at 11.00 AM

Signature of the member or proxy:







***Speak to our customer care: 98470 91119. Toll-free phone: 1800 425 1887***

Registered office: Muthoot Finance Ltd., Muthoot Chambers, Banerji Road, Kochi 682 018, Kerala, India.

Tel: +91 484 2396478, 2394712. Fax: +91 484 2396506. [mails@muthootgroup.com](mailto:mails@muthootgroup.com) [www.muthootgroup.com](http://www.muthootgroup.com)