



Spreading the colour of change.
Annual Report 2009-2010

Muthoot Capital Services Ltd

Muthoot Capital Services Ltd., (MCSL) is a public limited company registered with the Reserve Bank of India and listed on the Bombay Stock Exchange. It was incorporated on 18th February 1994 and obtained its Certificate of Commencement of Business on 23rd March 1994.

MCSL was initially registered with an authorised capital of Rs. 100.00 lacs which was subsequently increased to Rs. 700.00 lacs and further to Rs. 15 Crores. To augment its fund base, the Company came out with a Public Issue in February 1995, which was oversubscribed.

In 1998, MCSL obtained a Non-Banking Finance Company registration (16.00024 dated 13th May 1998) from RBI and became a Category A - Deposit accepting NBFC. By the year 2000 the company stopped accepting deposits though it continued the status of Deposit taking NBFC categorised as a Loan Company.

MCSL has a strong presence in the banking and finance sector in rural and semi-urban areas in South India. The company offers non-convertible debentures, auto loans, small and medium enterprise loans, gold loans, lease financing and bonds.

MCSL also offers capital market services like financial advisory services, wealth management, insurance products of leading insurance and mutual fund companies.

MCSL has made its mark by providing customers with the right financing solution at competitive prices. Customer service of high quality, speedy service, reliability and professionalism are the other attributes that the organization has come to be known for. Advanced technology and information systems enable MCSL to develop innovative and creative financial solutions in close collaboration with business partners.

The expertise and experience of an expert team of management and business professionals provides customers with informed and competent service and advice.

MCSL leverages the extensive branch network of the Muthoot Pappachan Group to deliver financial services and products to the most remote of locations in Kerala, Tamil Nadu, Karnataka, Maharashtra and Andhra Pradesh.

Blue is associated with depth and stability

Message from the Managing Director

Dear Shareholders,



I have great pleasure in presenting before you the report covering the excellent performance by your Company for yet another year. Your Company has continued its outstanding performance in 2009-2010 in all parameters, in spite of the adverse economic situation across the globe, which had its impact on the Indian economy too. The consistent good performance of the Company is attributed to the adherence to our core values, namely integrity, ethical business practices, highest level of professionalism and focus on customer satisfaction. The performance is also supported by our ability to respond timely and aptly to the market demands, by introducing innovative loan products which suit the needs of the customer and our ability to keep the procedures simple and hassle-free for both disbursement as well as repayment. I would also like to place on record the continued contributions from the staff at all levels, through their steadfast commitment and dedication to the Company and its customers.

Another matter that gives us a lot of satisfaction and which augurs well for the continued performance of the Company is the increased level of recognition that Non-Banking Finance Companies are getting from Reserve Bank of India and the Government, as evidenced by the various indications and initiatives. The Government and Reserve Bank of India are realizing the sterling role played by NBFCs in meeting the credit gap in the rural and semi-urban areas for the unorganized sector consisting of individuals, farmers, rural artisans, small entrepreneurs, etc. It is quite gratifying to note the measures being implemented to ensure adequate and sustainable supply of credit to the NBFCs, to enable them to continue credit delivery to the tiny sector in Indian economy so as to support the economic growth of the nation. Boosted by the demand in economy, aided by our ability to respond to it expeditiously and supported by the Government's and RBI's measures to ensure adequate fund flow to NBFCs, your Company is well poised to continue its good performance in the coming year also.

I am extremely grateful for the support extended by the members of the Company for the decisions taken by and the course of action set by the Board of Directors and the Management for improving the performance of the Company. I would also like to place on record my sincere appreciation to the dedicated and motivated employees of the Company. I firmly believe that the company will continue to enjoy the trust and confidence from the members and loyalty and contribution from the employees, so that the Company may achieve many more highs in its performance in the years ahead.

Best Regards,

Thomas George Muthoot

Managing Director

Blue is the color of truth and moderation.

From The Desk Of The Chief Executive Officer

The year that went by was one of the worst in recent times for the Indian economy. It was a year in which our economy was subjected to the effects of the global financial turmoil and as a result suffered a sizeable setback in our GDP growth. However, on account of many reasons, a lesser dependence on international trade compared to domestic consumption, a substantial saving in our oil import bill due to the falling oil prices, and a very strict control regime in the financial services sector, to mention a few, the backlash our economy received was substantially less compared to the major developed economies in the world. It is also worth mentioning and a matter of pride to all of us that no financial institution in India failed, in spite of many giant banks and financial institutions across the world failing miserably in the aftermath of the global financial crisis.

Muthoot Capital Services Ltd continued to perform well under all segments, in spite of the difficulties in the financial sector and the slow down in the economy. Our ability to keep in constant contact with the market and respond to the demands expeditiously, combined with our adherence to good business practices and the highest level of professionalism, has helped the Company continue its brilliant performance. The commitment, loyalty and dedication of the work force have also contributed a lot in reaching the high levels of performance.

The total income of the Company increased from Rs. 1,738.62 lakhs during the previous year to Rs. 2,247.56 lakhs in the year ended 31st March 2010, registering a growth of 29.27%. The profit before tax recorded a jump of 30.21% from Rs. 835.15 lakhs in the previous year to Rs. 1087.42 lakhs during the current and the net profit increased from Rs. 541.75 lakhs to Rs. 717.29 lakhs, recording an impressive growth of 32.40%. The net worth of the Company increased from Rs. 1,609.75 lakhs as on 31.03.2009 to Rs. 2,136.92 lakhs as on 31.03.2010.

The Company always believed in safeguarding the interests of all its stakeholders namely the shareholders, the employees, the customers and the public at large. The Company will continue to endeavor to reward the shareholders by striving to increase their wealth, the employees by taking care of their welfare, the consumers by ensuring their satisfaction in all areas and the public at large by contributing to the betterment of the society through social welfare measures.

With sincere regards,

R. Manomohanan

Chief Executive Officer

Annual Report, Directors and Committees

Board of Directors

Mr. Thomas John Muthoot	: Chairman
Mr. Thomas George Muthoot	: Managing Director
Mr. Thomas Muthoot	: Director
Mr. A.P. Kurian	: Director
Mr. Philip Thomas	: Director
Mr. R.K. Nair	: Director

Chief Executive Officer

Mr. R. Manomohanan

Company Secretary

Ms. Elizabeth Wilson

Audit Committee

Mr. Philip Thomas	: Chairman
Mr. A.P. Kurian	
Mr. Thomas Muthoot	
Mr. R.K. Nair	

Remuneration Committee

Mr. Philip Thomas	: Chairman
Mr. A.P. Kurian	
Mr. R.K. Nair	

Share Holders / Investors Grievance Committee

Mr. Thomas Muthoot	: Chairman
Mr. Thomas John Muthoot	
Mr. Thomas George Muthoot	

Share Transfer Committee

Mr. Thomas John Muthoot	: Chairman
Mr. Thomas Muthoot	
Mr. R. Manomohanan	

Blue is considered beneficial to the mind and body.

Auditors

M/s. K. Venkatachalam Aiyer & Co.

Kochi

Solicitors

Dandapani Associates

Kochi

Bankers

Dhanalakshmi Bank Ltd

ICICI Bank Ltd

State Bank of Travancore

HDFC Bank Ltd

Axis Bank

Registrars and Share Transfer Agents

Integrated Enterprises (India) Limited,

“Seema”, 41/426, Rajaji Road,

Near Abad Metro Hotel,

Kochi - 682 035.

Notice

Notice is hereby given that the 16th Annual General Meeting of the Members of MUTHOOT CAPITAL SERVICES LTD will be held on Saturday, 31st July, 2010, at 10 a.m. at The International Hotel, Veekshanam Road, Kochi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date together with the Report of the Directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. A.P. Kurian, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. R.K. Nair, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration. - M/s. K. Venkatachalam Aiyer & Co., Chartered Accountants, Building No. 41/3647 B, First Floor, BlueBird Towers, Providence Road, North End, Ernakulam, Cochin 682 018, retire in this meeting and being eligible offer themselves for re-appointment.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification the following as an ordinary resolution:

RESOLVED THAT in supersession of the resolution passed by the Company under section 293 (1) (d) of the Companies Act 1956 at the Annual General Meeting held on 29th August, 2008, the Board of Directors of the Company be and is hereby authorized to borrow for the purpose of the business of the company, such sum or sums of moneys as they may deem necessary, notwithstanding the fact that the moneys borrowed and the moneys to be borrowed (apart from temporary loans obtained in the ordinary course of business from banks) from time to time will exceed the aggregate of the paid up capital of the Company and its free reserves ie. reserves not set apart for any specific purpose, provided that the total outstanding amount of such borrowings shall not exceed Rs. 150 Crores over and above the aggregate of the paid up capital of the Company and its free reserves at any time.

7. To consider and if thought fit, to pass, with or without modification the following as an ordinary resolution:

“RESOLVED THAT in accordance with the provisions of Section 198, 269, 308, 309 and 311 read with Schedule XIII and other applicable provisions, if any of the Company’s Act, 1956

Blue symbolizes importance, confidence, power, and authority.

(including any statutory modifications or enactment thereof, for the time being in force), and subject to the approval of Central Government, if required, the consent of the Company be and is hereby accorded to increase the remuneration of Shri. Thomas George Muthoot, Managing Director from Rs. 1,25,000/- p.m to Rs. 5,00,000/- p.m. till the remaining period of appointment till 11.07.2011.

RESOLVED FURTHER THAT the above mentioned amount be paid as minimum remuneration in the event of absence or inadequacy of profits”.

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF SELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution/authority, as applicable, issued on behalf of the nominating organization.
2. The Register of Members and Transfer Books of the Company will be closed from 25th July, 2010 to 31st July, 2010 both days inclusive, for determining the names of Members eligible for Dividend.
3. Subject to the provisions of Section 206A of the Companies Act, 1956, if dividend recommended by the Board of Directors is approved, payment of such dividend will be made on or before 30th August, 2010, to those members whose names appear on the Company's Register of Members as on 31st July, 2010. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL / CDSL, for this purpose.
4. Shareholders holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for the payment of dividend. The Company or its Registrars cannot act on any request received directly from the shareholders holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the shareholders.
5. Shareholders holding shares in physical form are requested to inform the Company and shares in demat form inform the depository participant about any changes in their mailing address and also to quote folio numbers in all their correspondence with the Company.
6. Pursuant to Section 205A(5) of the Companies Act, 1956, any money transferred to Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven (7) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government and the shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company thereafter.