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defying the law of gravity once more.

PAPPACHAN muthoot CAPITAL SERVICES

ANNUAL REPORT 2012-13

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MUTHOOT PAPPACHAN
1927-2004
FOUNDER CHAIRMAN

His vision, enterprise,
simplicity and humaneness
will forever guide us.

MESSAGE FROM THE MANAGING DIRECTOR



Dear Members,

Financial year 2012 – 2013 was a challenging year for the economies all over the world. The economies witnessed a slow recovery from the recessionary trends which had hit the global economy since 2008. Growth in advanced economies is expected to stabilize in 2013. The major risk of downturn has receded to some extent. Weaknesses in credit market, need for strong fiscal consolidation, developments in Cyprus and Italy etc. contributed to faltering recovery in the Euro area. Further fiscal consolidations are warranted in USA and Japan and policy actions are required in emerging markets and developing economies to maintain the pace of recovery.

In the year 2012 – 2013, Indian economy witnessed a sluggish growth. Policy actions, both at fiscal and monetary fronts were initiated to counter the challenges faced by the economy and to support growth.

The regulatory supervision on NBFCs has been increasing in the recent years with a view to ensure good corporate governance practices, healthy growth and quality loan assets. Based on the recommendations of Usha Thorat Committee which was set up to review the existing regulatory and supervisory framework of NBFCs, RBI had revised the norms for non-banking financial companies with regard to capital requirements, risk weights, provisioning and asset classification.

The organized market for automobile financing in India is growing at a steady pace. NBFCs play a vital role in providing finance complementing the banking system in the Country. There are many NBFCs engaged in the business of financing automobiles. Our Company has been able to carve out a place for itself in the business of two wheeler and three wheeler financing, especially in rural and semi urban areas. The Company's operations are mainly concentrated in Kerala and the other southern states of the Country. We have already started expanding into the northern states of the country also.

Currently we are operating in around 600 plus dealerships with a strong presence in Hero and Honda dealerships, which together contribute 80% of our two wheeler business. In the three wheeler segment, our Company has strategic finance tie up with Piaggio and Mahindra. With the proper product specification and marketing strategy, our Company has been able to cater to the requirements of more than two lakh customers so far.

Financial year 2012 – 2013 has been a successful one for our Company. The Company had disbursed ₹ 431.16 crores as vehicle loans during the financial year ended March 31, 2013 against ₹ 288.45 crores during the financial year ended March 31, 2012 registering a growth of 49.47% . The total income was ₹ 107.22 crores for the year ended March 31, 2013 as against ₹ 67.35 crores for the previous year, recording a growth of 59.18%. The net profits of the Company stood at ₹ 21.76 crores as compared to ₹ 15.51 crores in the previous year marking an increase of 40.30%. The capital adequacy ratio of our Company is 21.71% as on March 31, 2013 which is well above the statutory requirement of 15%.

Considering the growth in profits, the Board of Directors has recommended a final dividend of ₹ 4 per equity share. In the year 2013 – 2014, the Company plans to disburse ₹ 754 crores for financing automobiles. The Company has also plans to enter into tractor finance business and also to expand the business of used car finance on an all India basis.

Growth is not possible without a committed and hardworking workforce. I would like to thank all employees of the Company for the support and understanding and expect to continue to receive the same in the future also.

I also wish to express my gratitude to all the shareholders for the trust reposed in and the co-operation extended to the management of the Company and expects to continue the same in the future also. Let us all move forward with the common aim of promoting our Company as a leader in financial services sector with the highest level of professional management.

Regards,
Sd/-
Thomas George Muthoot
Managing Director

FROM THE DESK OF THE CHIEF EXECUTIVE OFFICER



Dear Members,

Your Company continued to perform well during the financial year 2012 – 2013, as is evident from the audited results of the Company. There was a lag in flow of credit from banks for the operations of the Company during the first quarter of the year. However, things changed from the second quarter and the Company was sanctioned additional ₹ 180 crores from banks at competitive rates for its working capital requirements. Boosted by the support from the financial institutions, the Company recorded excellent operational and financial performance in 2012 – 2013. The total income for the year ended March 31, 2013 was ₹ 107.22 crores as compared to ₹ 67.35 crores for the previous year, recording a growth of 59.18%. The total expenses for the year was ₹ 74.95 crores comprising of finance costs amounting to ₹ 36.32 crores, employee benefit expenses amounting to ₹ 21.75 crores, other expenses amounting to ₹ 14.71 crores, depreciation and amortization expenses amounting to ₹ 0.53crores and provisions amounting to ₹ 1.64 crores. The net profit of the Company registered a growth of 40.30% from ₹ 15.51 crores for the year ended March 31, 2012 to ₹ 21.76 crores for the year ended March 31, 2013.

The Company continued to focus on financing of two wheelers and three wheelers. The total vehicle loans disbursed during the financial year ended March 31, 2013 was ₹ 431.16 crores as against ₹ 288.45 crores during the financial year ended March 31, 2012 registering an increase of 49.47%. The loan portfolio stood at ₹ 456.73 crores as on March 31, 2013 as against ₹ 296.79 crores as on March 31, 2012 recording a growth of 53.89%. During the year under review, the Company had also securitised auto loan (3 wheeler) receivables with Dhanlaxmi Bank Ltd for ₹ 41.39 crores for a consideration of ₹ 37.26 crores. The aggregate amount outstanding under securitisation as on March 31, 2013 is ₹ 27.81crores.

The Company has framed various schemes like chequeless scheme, 100% funding scheme, 1% interest scheme etc. to cater to the choice of the customers. The exemplary services rendered by Company have helped it to be a financier of choice among the customers.

The Company recognises greater growth prospects in the years to come. The Company is planning to tap the huge potential available by adding new products and expanding its operations in the northern part of the country too.

The Management and the entire workforce are excited about the huge opportunity and are all geared to take the performance of the Company to greater heights in the current year.

Anticipating your continued support and understanding in the years to come.

With regards,

Sd/-

R. Manomohanan

Chief Executive Officer

DIRECTORS AND COMMITTEES

Board of Directors

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

Chief Executive Officer

Mr. R. Manomohanan

Chief Finance Officer

Mr. Anil Kumar R.

Company Secretary

Ms. Malathy N.

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	

Bank Finance Committee

Mr. Thomas George Muthoot	Chairman
Mr. Thomas Muthoot	

Auditors
M/s K. Venkatachalam Aiyer & Co.
Kochi

Solicitors
Dandapani Associates, Kochi

Bankers
State Bank of Travancore
State Bank of India
Dhanlaxmi Bank Ltd
South Indian Bank Ltd
State Bank of Hyderabad
ICICI Bank Ltd
Federal Bank Ltd
Kotak Mahindra Bank Ltd
HDFC Bank Ltd
Indusind Bank Ltd
Axis Bank Ltd
City Union Bank Ltd
ING Vysya Bank Ltd

Registrars and Share Transfer Agents
Integrated Enterprises (India) Ltd.
(Securities Transfer Division)
2nd Floor, 'Kences Towers'
No.1, Ramakrishna Street,
T. Nagar, Chennai – 600 017

NOTICE

Notice is hereby given that the 19th Annual General Meeting of the members of MUTHOOT CAPITAL SERVICES LTD will be held on August 8, 2013, Thursday at 10.00 a.m. at the International Hotel, P.B. No. 3563, Veekshanam Road, Kochi – 682 035 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2013 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. Philip Thomas, 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, Kochi – 682 018 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 accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 (including any statutory modifications or enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to increase the salary of Mr. Thomas George Muthoot, Managing Director from ₹ 9,00,000/- p.m. to ₹ 12,50,000/- p.m. and perquisites limited to ₹ 6,00,000 p.a. in addition to salary, effective from 01.04.2013 to 11.07.2016."

Notes :

1. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the special business set out above is annexed.

2. **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.

3. The Register of Members and Share Transfer Books of the Company will be closed from August 03, 2013 to August 8, 2013, both days inclusive, for determining the names of members eligible for dividend.

4. If final dividend as recommended by the Board of Directors is approved at the Annual General Meeting, payment of such dividend will be made on or before September 06, 2013, to those members whose names appear on the Company's Register of Members as on August 02, 2013. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership, as per the data as may be made available by NSDL / CDSL, for this purpose.

5. 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 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 shareholders.

6. Members are requested to furnish their bank account details for printing the same on the dividend warrants, to prevent fraudulent encashment of dividend warrants.

7. Shareholders holding shares in physical form are requested to inform the Company and those holding shares in demat form to inform the Depository Participant about any changes in their mailing address and also to quote folio numbers in all their correspondence with the Company.

8. 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.

9. Members who have not encashed their dividend warrant(s) for the financial years 2005–2006, 2006–2007, 2007-2008 ,2008-2009 , 2009 – 2010, 2010 - 2011 and 2011 – 2012 are requested to make their claims to the Company.

10. Members/Proxies are requested to bring the attendance slip duly filled in for attending the meeting. No duplicate will be issued at the venue of the meeting.

11. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the meeting.

12. As per Circulars issued by the Ministry of Corporate Affairs, Members are requested to provide their email address to the Company / the Registrar and Transfer Agents or update the same with their depositories to enable the Company to send the documents in electronic forms.

13. Notice of this Annual General Meeting, Audited Financial Statements for 2012 – 2013 along with Directors' Report and Auditor's Report are available on the website of the Company **www.muthootcap.com**

14. Members desiring any information about the annual accounts at the meeting are requested to write to the Company so as to reach the Company latest by 25th July, 2013.

15. Details of Directors seeking reappointment at the Annual General Meeting as required under Clause 49 of the Listing Agreement is as follows :

1. (a) Name : Mr. A. P. Kurian

   (b) Age : 79 yrs

   (c) Experience: has more than 50 years experience in financial and non financial sector. Served with Reserve Bank of India as Research officer, Dy. Director and Director - Economics Dept.; with UTI as Director Investment, Director Planning and Development and Executive Trustee; with erstwhile Apple Mutual Fund Asset Management Co as advisor and as Executive Chairman with Association of Mutual Funds in India.

   (d) Present position : Independent Director, member of Audit Committee and Remuneration Committee.

   (e) Other directorships : Director of Muthoot Fincorp Ltd, Geojit BNP Paribas Financial Services Ltd, Granules India Ltd and J P Morgan Asset Management India Pvt Ltd.

   (f) Category : Non executive director.

2. (a) Name : Mr. Philip Thomas

   (b) Age : 83 yrs

   (c) Experience: has more than 40 years experience in financial sector. Served with Reserve Bank of India and IDBI as Senior Manager, retired as Executive Director from IDBI; was the founder Chairman of Stock Holding Corporation of India; worked as Chairman and Member Secretary of various Committees and Study Groups appointed by RBI; worked as Nominee Director on the Board of various state financial corporations and state industrial corporations representing RBI and IDBI; headed various departments of IDBI such as Project Finance, Resources Management, Rehabilitation Finance etc.

   (d) Present position : Independent Director, Chairman of Audit Committee and Remuneration Committee.

   (e) Other directorships : Director of Devon Plastics Ltd, Indus Venture Management Pvt Ltd.

   (f) Category : Non executive director

   Mr. A. P. Kurian and Mr. Philip Thomas are not related to any of the directors of the Company and do not hold any equity shares of the Company.

16. NO GIFT COUPONS / GIFT VOUCHERS will be issued to the members.

By Order of the Board of Directors,

sd/-

Malathy N.

Company Secretary

Kochi

05.05.2013

Item No. : 6

In view of the additional responsibilities and business volumes shouldered by Mr. Thomas George Muthoot as Managing Director of the Company, the Board of Directors at its meeting held on 5th May, 2013 decided to revise, as approved by Remuneration Committee of the Board of Directors, the salary of Mr. Thomas George Muthoot, Managing Director from ₹ 9,00,000 p.m. to ₹ 12,50,000 p.m. and perquisites limited to ₹ 6,00,000 p.a., effective from 01.04.2013 to 11.07.2016.

The remuneration proposed is as under:

Salary

₹ 12,50,000/- p.m.

Perquisites

In addition to the salary, Mr. Thomas George Muthoot shall also be entitled to perquisites, benefits and allowances like accommodation (furnished or otherwise) reimbursement of expenditure or allowance in respect of maintenance, utilities such as gas, electricity, water, furnishings and house repairs, medical reimbursement for himself and his family, medical insurance for himself and his family, and leave on full pay, leave travel concession for himself and his family, personal accident insurance, club fees, etc. and such other allowances, perquisites and benefits in accordance with the rules of the Company or as may be allowed by the Board from time to time, provided that the total perquisites shall be limited to ₹ 6,00,000 p.a.

Provision of car for use on Company's behalf and telephone at residence will not be considered as perquisites. However, personal long distance calls on telephone and use of car for private purpose shall be billed by the Company and recovered.

He will also be entitled to reimbursement of all entertainment and other expense properly incurred for the business of the Company.

For the purpose of above monetary limits, the following perquisites shall not be included:

a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

c) Encashment of leave at the end of the tenure.