

Soaring high on the wings of trust





MUTHOOT PAPPACHAN

1927 - 2004

FOUNDER CHAIRMAN

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



MESSAGE FROM THE MANAGING DIRECTOR

Dear Members,

2013 - 2014 was a very challenging year for the economies all over the world. While some of the economies witnessed recovery trends, India looked to be on that path only towards the end of the year. Growth in advanced economies is expected to stabilize going forward. The major risk of downturn has receded to some extent.

In spite of the recovery trend globally, India continued its weak economic situation till about the last quarter of the year. Policy actions, both at fiscal and monetary fronts, were initiated to counter the challenges faced by the economy and to support growth. But, presumably on account of the looming elections, no major decisions were taken, which all impacted the overall decision making process of various corporates, leading to lower growth.

The growth of less than 5% for fiscal year 2013 - 2014 impacted the economy. But with the new political scenario and the overall expectation of better governance and decision making, the growth should pick up in 2014 - 2015. Stronger global growth, improving export competitiveness, a favorable monsoon, and a confidence boost from recent policy expectations should deliver a modest growth rebound. However, fiscal restraint and a tighter monetary stance are likely to act as headwinds, slowing the recovery.

The Society of Indian Automobile Manufacturers (SIAM) has reported that the overall domestic sales of vehicles during the year 2013 - 2014 grew marginally by 3.53% as compared to the year 2012 - 2013. The sales of passenger vehicles declined by 6.05%. Three wheelers sales declined by 10.90%. Passenger carriers and goods carriers declined by 12.74% and 2.53% respectively. Two wheelers registered growth of 7.31%. Within the two wheelers segment, scooters and motorcycles grew at 23.24% and 3.91% respectively, while mopeds declined by 8.35%.

Considering the difficult macro economic conditions and challenging business environment, the Company's performance during the year under review was satisfactory. The Company continued its focus on financing of two wheelers and penetration into rural market. The focus on three wheelers has reduced on account of the defaults that were being noticed in that segment. The loan assets increased from ₹ 482 crores as on 31.03.2013 to ₹ 692 crores as on 31.03.2014. The total revenues for the year 2013 - 2014 grew by 48.07% compared to the previous year. However the finance cost and other costs increased leading to margins being under pressure and profitability remained flat.

Currently we are operating in around 1000 plus dealerships with a strong presence in Hero and Honda dealerships, which together contribute 75% of our two wheeler business. With the proper product specification and marketing strategy, our Company has been able to cater to the requirements of nearly four lakhs customers so far. In view of the defaults faced in three wheeler financing segment, the Company has put on hold the financing of three wheelers, except in special cases.

In spite of the profits not having grown significantly over the previous year, the Board of Directors has recommended a final dividend of ₹ 4.50 per equity share.

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 expects 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 to receive 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 CHIEF EXECUTIVE OFFICER'S DESK

Dear Shareholders,

I am happy to inform you all that your Company has continued to perform well during the financial year 2013 - 2014 as is evident from the audited results of the Company. In spite of the overall gloomy economic scenario and the tardy growth in automobile sales, your Company did well. The total vehicle loans disbursed during the financial year ended March 31, 2014 was ₹ 581.63 crores as against ₹ 431.17 crores during the financial year ended March 31, 2013 registering an increase of 34.90%.

The loan portfolio stood at ₹ 692 crores as on March 31, 2014 as against ₹ 482 crores as on March 31, 2013 recording a growth of 43.5%. There was a lag in flow of credit from banks for the operations of the Company during the first quarter of the year, else the growth could have been even better. However, things changed from the second quarter and the Company was sanctioned additional ₹ 141 crores during the year from banks at competitive rates for its working capital requirements.

Boosted by the support from the financial institutions, the Company recorded good operational and financial performance in 2013 - 2014. The total income for the year ended March 31, 2014 was ₹ 158.76 crores as compared to ₹ 107.22 crores for the previous year, recording a growth of 48.07%. The total expenses for the year were ₹ 125.18 crores comprising of finance costs amounting to ₹ 60.45 crores, employee benefit expenses amounting to ₹ 34.78 crores, other expenses amounting to ₹ 26.47 crores depreciation and amortization expenses amounting to ₹ 0.79 crores and provisions amounting to ₹ 2.69 crores. Compared to the previous year the growth in expenses were at a faster pace than the growth in income. The delinquencies noticed mainly in the three wheeler loans led to higher provisioning and loss on account of sale of repossessed vehicles. The delayed sanction by Banks of additional facilities also led to underutilization of man power for some part of the year. The challenging economic scenario also led to increase in interest costs. This led to a lower growth in the net profit of the Company, 2.05% up from ₹ 21.76 crores for the year ended March 31, 2013 to ₹ 22.21 crores for the year ended March 31, 2014.

In view of the delinquency issues faced in the three wheeler segment, the Company has stopped financing of three wheelers. As against a disbursement of ₹ 87 crores in the year 2012 - 2013, the Company disbursed only ₹ 19.30 crores in the year under reference. In spite of this the overall disbursement saw a healthy growth of 34.90% over the previous year.

The Company introduced 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 more states in the northern part of the country.

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. Manomohan
Chief Executive Officer



DIRECTORS & 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 (upto 28.06.2014)	
Mr. R K Nair	
Ms. Radha Unni (from 28.06.2014)	

Chief Executive Officer

Mr. R Manomohanan

Chief Finance Officer

Mr. Vinodkumar M Panicker

Company Secretary

Ms. Malathy N (till 21.04.2014)
Mr. Syam Kumar R (from 02.06.2014)

Audit Committee

Mr. Philip Thomas (upto 28.06.2014)	Chairman
Mr. A P Kurian	
Mr. Thomas Muthoot	
Mr. R K Nair	

Remuneration Committee

Mr. Philip Thomas (upto 28.06.2014)	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

South Indian Bank Limited

Dhanlaxmi Bank Limited

Corporation Bank

ICICI Bank Limited

State Bank of Hyderabad

Indian Overseas Bank

HDFC Bank Limited

Kotak Mahindra Bank Limited

Lakshmi Vilas Bank

Federal Bank Limited

Indusind Bank Limited

Axis Bank Limited

City Union Bank Limited

Registrars and Share Transfer Agents

Integrated Enterprises (India) Limited
(Securities Transfer Division)

2nd Floor, 'Kences Towers'

No.1, Ramakrishna Street,

T. Nagar, Chennai – 600 017



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 20th Annual General Meeting of the Shareholders of MUTHOOT CAPITAL SERVICES LIMITED will be held on Wednesday the 3rd September, 2014 at 10.00 am at the International Hotel, Veekshanam Road, Kochi - 682 035 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Statement of Profit and Loss for the financial year ended 31st March, 2014, the Balance Sheet as at that date, the Report of the Board of Directors and the Report of the Auditors thereon.
2. To declare dividend on equity shares for the year ended 31st March 2014.
3. To appoint a Director in the place of Mr. Thomas Muthoot (holding DIN 00082099) who retires by rotation and being eligible offers himself for re appointment.
4. To appoint M/s K. Venkatachalam Aiyer & Co., Chartered Accountants, (Reg No. 004610S) Building No. 41/3647B, First Floor, Bluebird Towers, Providence Road, Kochi – 682018 as the statutory auditors of the Company until the conclusion of third Annual General Meeting to be held after this meeting subject to ratification at every Annual General Meeting and authorise the Board to fix their remuneration for the financial year ending 31st March 2015.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or reenactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. R K Nair (holding DIN 00631889), Director of the Company, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company with effect from 03.09.2014 to hold office for five consecutive years for a term up to 02.09.2019."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. A P Kurian (holding DIN 00008022), Director of the Company in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company with effect from 03.09.2014 to hold office for five consecutive years for a term up to 02.09.2019."
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:
"RESOLVED THAT Ms. Radha Unni (holding DIN 03242769) who was appointed as an Additional Director of the Company by the Board of Directors with effect from 28.06.2014, in terms of Section 161(1) of the Companies Act 2013 and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company with effect from 03.09.2014 to hold office for five consecutive years for a term up to 02.09.2019."



8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in supersession of earlier resolution passed, on 31.07.2012 pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, and pursuant to Section 180 (1)(c) of the Companies Act, 2013, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow from time to time any sum or sums of monies in any manner as may be required for the purpose of business of the Company, with or without security and upon such terms and conditions as they may think fit, notwithstanding that the monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of ₹ 1000 crores (Rupees one thousand crores only)."

"RESOLVED FURTHER THAT the Board be and is hereby authorized and empowered to arrange or settle the terms and conditions on which all such monies are to be borrowed from time to time as to interest, repayment, security or otherwise howsoever as it may think fit and to do all such acts, deeds and things and to execute all such documents, instruments and writings as may be required."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions if any, of the Companies Act, 2013 (the Act) read with Companies (Meeting of the Board and its powers) Rules, 2014 and read with clause 49 (VII) of the Listing Agreement entered into with Stock Exchange and subject to such approvals, consents, sanctions and permission as may be necessary, consent of the members of the Company be accorded to the Board of Directors of the Company to enter into contracts and / or agreements with related parties as defined under the Act with respect to sale, purchase or supply of any goods or materials, selling or otherwise disposing of or buying, leasing of property of any kind, availing or rendering of any services or any other transactions of whatever nature with the following related parties for a period of 5 years, subject to the annual limits as set out below with effect from 1st April 2014."

	Name of the Related party	Nature of transactions	Transaction limit per annum (₹ in Lakhs)
1.	Muthoot Fincorp Limited	Commission for procurement of new business and collection	1000
		Space sharing	50
		Rent Deposit	50
2.	Muthoot Bankers	Maintenance of windmill and related operations of the Company owned windmill at Muppanthal, Kanyakumari District, Tamilnadu	50

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things and to give such directions as may be necessary or expedient and to settle any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem necessary or desirable and its decision shall be final and binding."

By Order of the Board of Directors,

Sd/-

SYAM KUMAR R
Company Secretary & Head Governance

Kochi
28.06.2014



Notes:

1. The statement pursuant to Section 102 (1) of the Companies Act, 2013, 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.** Pursuant to section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty members and holding in the aggregate not more than 10% of the total share capital of the Company. Members holding more than 10% of the total share capital of the Company may appoint single person as proxy who shall not act as a proxy for any other member. Instrument of proxy, in order to be effective, must be duly filled and signed and 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. A proxy form is annexed to this report.
3. The Register of Members and Share Transfer Books of the Company will be closed from 25th August, 2014 to 3rd September 2014, both days inclusive, for determining the names of members eligible for dividend.
4. Subject to the provisions of Section 123 of the Companies Act, 2013, if dividend recommended by the Board of Directors is approved, payment of such dividend will be made on or before 1st October 2014 to those members whose names appear on the Company's Register of Members as on 25th August, 2014. 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.
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. 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.
7. 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.
8. Members who have not encashed their dividend warrant(s) for the financial years 2006–2007, 2007-2008, 2008-2009, 2009 – 2010, 2010 – 2011, 2011 – 2012 and 2012 – 2013 are requested to make their claims to the Company.
9. 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.
10. 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.
11. Members are requested to furnish their bank account details for printing the same on the dividend warrants, to prevent fraudulent encashment of dividend warrants.
12. 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 20th August, 2014.



13. Pursuant to Section 108 of the Companies Act, 2013, read with the relevant Rules of the Act, the Company is pleased to provide the facility to members to exercise the right to vote by electronic means. The members whose names appear in the Register of Members / List of beneficiary owners as on 25th August 2014 ie, the date prior to the book closure date are entitled to vote on the resolutions set forth in the notice. Members who have acquired shares after the dispatch of Annual Report and before book closure may approach the Company for issuance of user ID and password for exercising their votes by electronic means. The e-voting period will commence at 10.00 am on Monday, 25th August 2014 and will end on 5.00 pm on Wednesday, 27th August 2014. The Company has appointed Mr. P Sivakumar, Managing Partner, SVJS & Associates, Company Secretaries, Kochi - 682016, to act as scrutinizer for conducting scrutiny of the votes cast. The members desiring to vote through electronic mode may refer to the detailed procedure on e-voting as given below:

PROCEDURE FOR E-VOTING

In case of members receiving e-mail:

- (i) Log on to the e-voting website **www.evotingindia.com**
- (ii) Click on "Shareholders" tab.
- (iii) Now, select the "COMPANY NAME" from the drop down menu and click on "SUBMIT"
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in physical form should enter folio number registered with the Company.
- (v) Next enter the image verification as displayed and click on login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)
•	Members who have not updated their PAN with the Company / Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.
•	In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.
•	Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field.

- (viii) After entering these details appropriately, click on "SUBMIT" tab.