ANNUAL REPORT 2016-17

ADVANCEMENT THROUGH
INNOVATION
TRANSFORMATION THROUGH
DIGITALISATION
PROGRESS THROUGH
GROWTH



PAPPACHAN muthoot CAPITAL



MUTHOOT PAPPACHAN

1927 - 2004

FOUNDER CHAIRMAN

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

CORPORATE INFORMATION

Board of Directors

Mr. Thomas John Muthoot	Chairman
Mr. Thomas George Muthoot	Managing Director
Mr. Thomas Muthoot	Director
Mr. A. P. Kurian	Independent Director
Mr. R. K. Nair	Independent Director
Ms. Radha Unni	Independent Woman Director

Chief Executive Officer

Mr. R. Manomohanan (Resigned on 28.02.2017)

Chief Operating Officer

Mr. Madhu Alexiouse (Appointed on 01.02.2017)

Chief Finance Officer

Mr. Vinodkumar M. Panicker

Company Secretary & Head Governance

Mr. Syam Kumar R.

Audit Committee

Mr. A. P. Kurian	Chairman
Mr. Thomas Muthoot	
Mr. R. K. Nair	
Ms. Radha Unni	

Nomination & Remuneration Committee

Mr. A. P. Kurian	Chairman
Mr. R. K. Nair	
Ms. Radha Unni	

Stakeholders Relationship Committee

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

Corporate Social Responsibility Committee

Mr. Thomas Muthoot	Chairman
Mr. R.K Nair	
Ms. Radha Unni	

Risk Management Committee

Mr. Thomas George Muthoot	Chairman
Mr. Thomas Muthoot	
Mr. R.K. Nair	
Mr. R. Manomohanan[1]	
Mr. Madhu Alexiouse[2]	
Mr. Vinodkumar M. Panicker	

Asset Liability Management Committee

Mr. R. Manomohanan[1]	Chairman
Mr. Madhu Alexiouse[2]	Chairman
Mr. R. Balakrishnan	
Mr. Vinodkumar M. Panicker	
Mr. Syam Kumar R.	
Mr. Vijayan T.	
Ms. Febin Meera Zachariah[3]	
Ms. Priya A. Menon[2]	

Resource Mobilization Committee

Mr. Thomas George Muthoot — Chairman
Mr. Thomas Muthoot

Share Transfer Committee

Mr. Thomas George Muthoot — Chairman
Mr. Thomas Muthoot
Mr. R. Manomohanan[1]
Mr. Madhu Alexiouse[2]

Statutory Auditors

M/s. K. Venkatachalam Aiyer & Co., Chartered Accountants, Kochi

Secretarial Auditors

M/s. SVJS & Associates, Company Secretaries, Kochi

Internal Auditors

M/s. Varma & Varma, Chartered Accountants, Kochi

Our Bankers

Andhra Bank
Axis Bank Ltd.
Canara Bank
City Union Bank Ltd.
Corporation Bank Ltd.
Dhanlaxmi Bank Ltd.
HDFC Bank Ltd.
ICICI Bank Ltd.
IDBI Bank Ltd.
IndusInd Bank Ltd.
Karnataka Bank Ltd.
Kotak Mahindra Bank Ltd.
Lakshmi Vilas Bank Ltd.
Punjab National Bank
State Bank of India (State Bank of Travancore & State Bank of Hyderabad)
Syndicate Bank
Tamilnad Mercantile Bank Ltd.
The Federal Bank Ltd.
The South Indian Bank Ltd.
Vijaya Bank
Yes Bank Ltd.

Registrar and Share Transfer Agents

M/s. Integrated Registry Management Services Private Ltd.
(Formerly known as Intagrated Enterprises (India) Limited)
2nd Floor, "Kences Towers",
No.1, Ramakrishna Street,
Off. North Usman Road, T. Nagar,
Chennai – 600 017

Debenture Trustee

Mr. A. Gopalakrishnan
Partner, M/s. K. Venkatachalam Aiyer & Co.
Chartered Accountants,
Building No. 41/3647 B,
Providence Road, North End,
Kochi - 682 018

Public Deposits Trustee

IDBI Trusteeship Services Ltd.
Asian Building, Ground Floor,
17, R, Kamani Marg, Ballard Estate,
Mumbai - 400 001

[1]Upto 28.02.2017 [2]From 18.04.2017 [3]Upto18.04.2017

INSIDE...

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CORPORATE OVERVIEW

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OUR WINNING STRATEGIES

Mission

"To Provide timely Small Credit to millions of ordinary people, and also provide them with Simple Options to Save, which will change their way of life."

Vision

"To be the Most Trusted Financial Service Provider, at the Door step of the Common Man, Satisfying him Immediately, with Easy and Simple Products."

Core Values

"We will Do Everything to gain and maintain the Trust of all the Stakeholders and will Not Do Anything to Lose their Trust."

KEY ACHIEVEMENTS

1000 crores disbursement. Turning a Dream into Reality



The Company has achieved for the first time in its history ₹ 1000 crores disbursement of two wheeler loans in one financial year. Team MCSL celebrating the Proud Moment

Successful Partnerships are Rewarding



MCSL becoming the "Fastest Growing Two Wheeler Finance Company Pan-India" and "No. 1 Financier in Kerala for Honda Motorcycle and Scooter India Private Limited (HMSI)".



MESSAGE FROM THE MANAGING DIRECTOR

Dear Members,

It gives me pleasure to present the financial results of the Company for the FY 2016 - 2017. Our disbursement for the year was ₹ 12 97.82 crores up by 39.90% and our AUM increased by 38.59% to ₹ 14 39.70 crores as compared to the figures of the previous fiscal.In doing so, we also achieved significant milestones like South and West crossing ₹1000 crores disbursement and Kerala as a State crossing ₹ 500 crores disbursement; besides we were awarded "Fastest Growing 2 Wheeler Financiers" and "No. 1 Finance Company in Kerala" by Honda Motorcycle and Scooter India Private Limited. On collections front, in spite of movement from 5M norm to 4M norm for recognition of NPA, besides the severe impact of demonetisation, we could keep in check our overall NPAs at ₹ 74.15 crores, which is a remarkable achievement.

While we report exciting figures on our performance during the FY 2016 - 2017, even more encouraging fact is that there is vast opportunity ahead of us.Two wheeler industry is poised for a strong growth, whereby the market is expected to grow from 1.80 crore units to more than 2.25 crore units by 2020 and the organized financing opportunity (by Banks and NBFCs) is likely to grow to more than ₹ 35000 crores by 2020.

The above performance has ensured that we are on the path of growth which will be improved further during the years to come. We have embarked upon making ourselves future-proof to weather imminent disruptions driven by technology and digitization. Besides, analytics-driven credit and collection decision engines, digital customer acquisition strategy, low cost distribution capability, process and cost excellence are some of the key market winning capabilities for NextGen NBFCs. We have already embarked on this digital transformation and we believe this is the way forward.

As stated above, the Company has embarked on aggressive growth plan and enabling the same requires capital in any form. Hence, the Company has decided to hold back its reserves. The Board of Directors has recommended issuing bonus shares to its members at a ratio of 1:10. The proposal is being placed before the Shareholders for their approval.

After a tenure of almost 9 years with the Company, Mr. R. Manomohanan, Chief Executive Officer, had resigned from the services effective 28th February, 2017. I would like to place on record our sincere thanks to Mr. R. Manomohanan for his invaluable contributions for the growth of MCSL and wish him the very best in all his future endeavours. Mr. Madhu Alexiouse has joined the Company as Chief Operating Officer on 1st February, 2017. Mr. Madhu is a retail finance and insurance professional having a track record of creating sustainable retail businesses across the country, especially in rural India. He has expertise in establishing profitable businesses through market share leadership, building up efficient and cost-effective distribution network, managing strategic alliances and maximizing revenue and earnings. As a leader, he has built highly passionate teams across the Country.

I thank the entire team at MCSL for their support and contributions and expect to continue receiving the same in the coming years as well.

I also place on record my gratitude to all the Shareholders for the trust reposed in and the co-operation extended to the Management of the Company and believe the same will continue in future too. 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.

While we celebrate 130 years of trust, we are still young at 130…

Sd/-
Thomas George Muthoot
Managing Director



FROM THE CHIEF OPERATING OFFICER'S DESK

Dear Shareholders,

Being my first communication to you after taking charge as Chief Operating Officer of the Company, I take this opportunity to convey my greetings and well wishes to all of you.

Your Company continued its performance excellence in the FY 2016 - 2017 also. This was the result of substantial growth in loan disbursements.

The net profit during the quarter, increased from ₹ 6.86 crores to ₹ 11.12 crores, recording a growth of 62.10 % from the same period last year. The total income increased to ₹ 79.80 crores during the quarter ended 31st March 2017, from ₹ 63.40 crores during the same period last year, registering a growth of 25.87%. The total loan disbursements by the Company for the quarter ended 31st March, 2017 was ₹ 423.10 crores as compared to a disbursement of ₹ 314.65 crores for the same quarter last year. The disbursement of ₹ 423.10 crores comprises of two wheeler loans totaling to ₹ 358.10 crores, and corporate and other business loans totaling to ₹ 65.00 crores The Company has recorded an overall AUM of ₹ 14 39.70 crores on the back of aggressive two wheeler loan financing and corporate lending portfolio.

Commensurate with the quarterly figures, the yearly results also showed an impressive growth, with total income increasing to ₹ 284.20 crores compared to ₹ 228.49 crores during the FY 2015 - 2016, recording a growth of 24.38%. The interest expenses during the period went up from ₹ 87.00 crores to ₹ 103.95 crores, an increase of 19.48%. The total expenses increased from ₹ 193.04 crores to ₹ 238.01 crores, recording an increase of 23.30 %. On a full year basis (2016-17) MCSL achieved a PAT of ₹ 30.09 crores as compared to ₹ 22.85 crores achieved for the FY 2015 - 2016, registering a growth of 31.68%. For the FY 2016 - 2017, the loan disbursement was ₹ 12 97.82 crores when compared to ₹ 927.96 crores for the previous year.

The overall AUM as on 31st March 2017 was at ₹ 14 39.70 crore as against ₹ 10 38.79 crores of AUM recorded as on 31st March, 2016, an overall growth of 38.59%. The financials of MCSL reported an AUM of ₹ 12 03.67, which is net of the securitized portfolio which is derecognised from the books. During the year the Company did four Securitisation PTC transactions of a total value of ₹ 378.14 crores. Your Company has already disbursed more than 8 lakhs loans till date in the two-wheeler financing segment. The total number of live accounts as on 31st March, 2017 stood at approximately 4.20 lakhs.

The determination of NPA based on 4M norm for the year, compared to the 5M norm in the previous year, had impacted the profits of the Company. Further the demonetization has impacted the collection process. With aggressive efforts of our collection team during December 2016 & January 2017, the Company could reverse the impact. However, in spite of all these, the Company was still able to improve the profits for the year by 31.68%.

The implementation of progressively stricter norms for asset classification are likely to impact the profitability of your Company for next financial year also where the 4M norm will be reduced to 3M norm. However, we have countered this by improving recovery resulting from upgraded collection strategies and intensified collection efforts.

Your Company will continue with the expansion plans and enter more markets in the coming months. Emphasis on digitization and automation at all levels will ensure faster growth at lower cost in quicker time. This is expected to have a positive impact on the balance sheet over the coming years. The launch of the hassle-free e-payment and push towards the NACH facility for its auto loan customers has been seen favorably by all customers. It is meant to ease transaction process in keeping with the changing times. This enables the Company's large number of two-wheeler loan customers to repay the monthly instalment through the e-payment facility (using debit card or net banking) that would make transactions faster and easier. With pushing of the e- payments, the Company has been able to collect more on due dates and has reduced the follow up efforts and has been able to curtail delinquency.

We are confident that your Company will continue to turn out excellent performance in the years to come. Anticipating your continued support and understanding in the years to come....

Sd/-
Madhu Alexiouse
Chief Operating Officer

MUTHOOT CAPITAL SERVICES LIMITED

Regd. Office: 3rd Floor, Muthoot Towers, M.G. Road, Kochi - 682 035
Tel: +91 - 484 - 6619600/6613450
Email: mail@muthootcap.com, Web: www.muthootcap.com

BRANCHES

Sl. No.	Branch Location	Branch Address
		Kerala
1.	**Alappuzha**	1st Floor, Sharada Shopping Complex, Mullackal Road, Mullackal Post, Alappuzha
2.	**Calicut**	Door No. 27/383/A-3, 2nd Floor, Soubhagya Shopping Complex, Nr. Aryadathupadam, Mavoor Road, Calicut
3.	**Kollam**	1st Floor, S.M. Towers, Madan Nada, Kollam, Kerala - 691 016
4.	**Kottayam**	Door No. 480, Vallabhasseri Building, Near Shalom Church, Chingavanam P.O., Kottayam - 686 531
5.	**Meenangadi**	Ayisha Complex, Panamaram Road, Meenangadi, Wayanad
6.	**Palakkad**	RRK Towers, 1st Floor, Shornur Road, Pallipuram Post, Melamuri, Palakkad - 678 006
7.	**Thrissur**	1st Floor, PVK Complex, Opp. Amala Hospital, Amala Nagar, Thrissur - 680 555
8.	**Tirur**	1st Floor, Mundakkathu Building, Payyanangadi, Tirur
9.	**Trivandrum**	2nd Floor, Mansions Chelsma Heights, Chengalloor Junction, Poojappura, Trivandrum - 695 012
		Tamil Nadu
10.	**Chennai**	1st Floor, Majestic Tower, Door No. 236, Choolaimedu High Road, Choolaimedu, Chennai - 94
11.	**Coimbatore**	Ground Floor, 62, Dr. N.R.N. Layout, Pappanaikenpalayam, Coimbatore
12.	**Kumbakonam**	1st Floor, Door No. 53/1006, Mothilal Street, Kumbakonam, Tanjavoor - 612 001
13.	**Salem**	1st Floor, N.V. Arcade, 5/259A, Junction Main Road, Salem - 636 004
14.	**Tanjore**	1st Floor, No. 5/163/4, Sorna Complex, Natarajapuram West, M C Road, Tanjore - 613 004
15.	**Theni**	Tharun Tower, 2nd Floor, Sriram Theatre Lane, Cumbum Road, Theni - 625 531
16.	**Thirunelveli**	No. 42, Vadivagam, TVM High Road, Near Palai Bus Stand, Palayamkottai, Thirunelveli - 627 002
17.	**Trichy**	3rd Floor, United Arcade, Above Spencer Super Market, Karur Bye Pass Road, Trichy - 620 001
		Puducherry
18.	**Karaikkal**	1st Floor, Door No.2, Kannadiar Street, Karaikkal - 609 602
		Karnataka
19.	**Bangalore**	No. 29, "Shree Krishna", Opp. Raheja Park Apartment, Magadi Main Road, Vijayanagar, Bangalore - 560 040
20.	**Hubli**	1st Floor, Above Vijayalakshmi TVS Show Room, Gokul Road, Hubli - 580 030