



MUTHOOT CAPITAL SERVICES LTD
Annual Report 2007-2008



MUTHOOT PAPPACHAN

1927-2004

Founder Chairman

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

M U T H O O T C A P I T A L S E R V I C E S L T D



MESSAGE FROM THE MANAGING DIRECTOR

Dear Shareholders,

The Corporate Objectives of the Muthoot Pappachan Group are to promote MCSL as a professionally managed NBFC dealing with wide spectrum of fund-based and non-fund based financial services under one roof, laying stress on customer satisfaction and goodwill in all the spheres of its activities. The policies of the Company are formulated and framed to ensure safety and adequate returns to the Investors' funds – both equity and non-equity. MCSL keeps abreast of the developments in the financial sector and adapts to the changes taking place in the industry so that it becomes the pioneer and the leader in bringing new financial products to the doorsteps of the Customers. The Company has the work culture to adopt and maintain a healthy approach within and outside the Industry by practicing professionalism and highest standards of corporate governance. Innovation in products, processes, relationships and business models are found as potential enablers for reaching, capturing and retaining customers.

At MCSL, the Management follows principled marketing policy of safe and healthy competition. The Company's marketing strategy is to offer innovative products suiting specific needs of the public hitherto serviced by players in the unorganized sector. The Company draws support from the reputation the Muthoot Pappachan Group has built up for safety and service over more than six decades. MCSL ensures highest standard for customer services, speedy disbursement of Loans and settlement of accounts. The Company looks at promoting itself as a one-stop shop for all financial services / products which will give a broader customer base as compared to its competitors. In order to provide value addition to its existing customers, MCSL is building up its portfolio of Two Wheeler Loans. The processing, sanction and monitoring are done in such a way as to ensure the highest quality of this portfolio and to confirm to the Company's vision of zero NPA. The Company has also devised other secured loan products to lend medium sized and large sized loans to customers.

MCSL keeps an open mind to welcome new business opportunities and plans for strategic tie-up with other financial intermediaries such as new generation Banks, etc., to act as their Agents through our branch network, as a complementary function on a competitive basis. The Company has ensured that the emphasis on quality of performance is achieved and that the growth is achieved not at the cost of quality. The Company is constantly exploring new opportunities and has plans of expansion in newer geographies. Specific plans are on to expand the Branch network in the major centres in Gujarat, Maharashtra and Madhya Pradesh. Also, the Company is planning to enhance the product range so as to cater to the needs of the business community. The Company also has plans to become more active in capital markets activities, merchant banking activities etc.

Much has been written on the issue of 'financial inclusion' in India. Financial inclusion is the process of ensuring access to financial services and timely and adequate credit where needed by the vulnerable groups such as weaker sections and low income groups at an affordable cost. MCSL would work along with the Banks to meet the social agenda of financial inclusion.

The financial year 2007-08 had been an outstanding year for the Company. The net profit has shown an increase of 95.6% from Rs. 204.60 lakhs to Rs. 400.15 lakhs. The net worth increased from Rs. 934.01 lakhs to Rs. 1220.09 lakhs. The Board of Directors has recommended a dividend of 15 % for the year 2007 – 2008.

Our strategic vision is to gain and maintain a leading position in the financial service industry. We believe that we have built the right foundation of domain expertise and service capabilities, strong corporate governance, adequate system of internal controls, dedicated and talented workforce and are well poised to take advantage of the existing and prospective growth opportunities. We have received tremendous support and understanding from our Shareholders in this journey and hope to receive this in future also. We look forward to achieve and set new milestones as we step forward.

Best regards,

Thomas George Muthoot
Managing Director



FROM THE DESK OF THE CHIEF EXECUTIVE OFFICER

The Indian financial services sector is facing challenging days ahead with the turbulent times the economy is going through. Boosted by positive indicators on vital fronts like exports, foreign exchange reserves, industrial production etc., the country achieved growth in GDP exceeding 8% per annum in 2007-2008 and was set to continue the growth trend in the year 2008-2009 also. However, the increase in the prices of commodities, especially food grains and high rates of inflation globally, as a result of the skyrocketing prices of oil, is likely to affect our growth rate adversely. The measures adopted by the Government and Reserve Bank of India in keeping the inflation under check is sure to have some effect on the growth performance of the economy. One direct implication of the measures like increasing the Cash Reserve Ratio of banks and indicative interest rates like Repo rate is the reduced flow of bank credit to manufacturing and other productive sectors. However, it is estimated that the economy may continue to record a growth rate near to 8%, based on the inherent strength of the fundamentals of the economy.

The role of Non Banking Finance Companies is becoming more and more important in this scenario, complementing the activities of the Banks in mobilising resources and making finance available for economic activities, especially in the rural and semi urban areas. NBFCs also lend support to the public in areas, which are not normally serviced by commercial banks. It is gratifying to note that Reserve Bank of India is also recognizing this increasing prominence of the role of NBFCs.

Muthoot Capital Services Ltd. had another outstanding year of performance in 2007-2008. The Company is poised to continue its track record of good performance in the year 2008-2009 also. The Company has plans to expand the activities of disbursement of loans and distribution of insurance and mutual fund products. The Company also plans to offer innovative loan products, to suit the needs of the business community. The Company is also planning to become active in the capital market segment, offering the entire spectrum of services to the investing public. Plans for substantial growth in branch network, especially in Central and North India are also on the anvil, to support the business plans finalised for the current year and coming years. The Company is convinced that the present state of the economy offers sufficient opportunities for improving the performance and increasing the shareholder value.

The Company believes in taking care of the interests of all stakeholders viz. shareholders, staff, customers and above all, the society. The Company will continue its record of customer focus by extending excellent services along with financial support tailor-made for the needy. Achievement of excellence in financial performance will not be at the expense of customer focus. Rather, achievement of customer delight will be complimentary to the attainment of greater heights in financial performance.

R. Manomohanan
Chief Executive Officer

KOCHI
12.05.2008



M U T H O O T C A P I T A L S E R V I C E S L T D

REGISTERED OFFICE

Muthoot Towers
M.G.Road
Kochi – 682 035
Ph : 2351501, 2351506, 2351429

BRANCHES**KERALA**

13/248, I Floor, Thottathil Padinjarethil Buildings,
Chengannur, Alappuzha – 689 121

Ground Floor, TC 38/2433, Muthoot Buildings,
Opp. Subash, Aryasala

AB 2/279, 1st Floor, Opp. Kumarathupadi Temple,
Chandiroor, Alappuzha – 688 547

3/172/2-13, 1st Floor, Victoria Shopping Complex,
Kasargod – 671 121

2/M-60, 1st Floor, Padson Towers, Koothattukulam,
Ernakulam – 686662

P B No : 256, 1st Floor, CSI Building, Baker Junction,
Kottayam – 686 001

K P 2/10-A/5, 1st Floor, Sree Narayana Soudham,
Kuravilangad, Kottayam Dist

11/8, 1st Floor, Ottappalam Automobiles Building,
Palakkad – 678 001

1st Floor, Ankuttikalayil Bldg, Pazhavangadi P.O,
Ranni, Pathanamthitta Dist

Muthoot Center, Punnen Road, Trivandrum – 695 034

12/163 – H, Tharayil Buildings, Opp. Market,
Vazhakkala, Ernakulam – 682 030

AM 4/133 & 134, 1st Floor, Senai Centre Complex,
Angamali, Ernakulam – 683 572

5/3400-1, 2nd Floor, Perachunni Towers, Mavoor Road,
Calicut – 673 004

44/972B, 1st Floor, Madathil Parambil Complex,
Kaloor, Cochin

8/868, 1st Floor, Riyas Building, Pallimukku,
Kollam – 691 010

1st Floor, Palakkottu Building, Trivandrum Road,
Pulaman Junction, Kottarakkara

Market Junction, Kulanada Pandalam,
Pathanamthitta Dist

5/723, Geethanjali, Opp. Sri Gujarathi Vidyalaya,
Mattancherry, Ernakulam – 682002

GCDA Building, Opp. Kairali Appartments,
Panampilly Nagar, Ernakulam – 682 036

25/600, 1st Floor, Saj Buildings, Chalakkudy,
Trissur – 680 307

TP/9/657-661, 2nd Floor, Vrindavan Building,
Thamarasherry, Kozhikode – 673 573

Standard House, TC 15/1908/1,2,3 Geethanjali
Hospital Road, Vazhuthakad, Trivandrum – 695 014

TAMIL NADU

Door No. 571 A (old), 336, MNP Complex,
Kamaraj Road, Palladam Road, Tirupur – 641 004

21/2-57, 1st Floor, MCM Building, PWD Road,
Nagercoil, Kanyakumari – 629 002

540/541, 1st Floor, Perumallur Road, Tirupur – 641 602

ANDHRA PRADESH

2nd Floor, Door No 6-19-67, Sixth Lane, Arundalepet
Main Road, Guntur, Andhra Pradesh – 522 022

1st Door No. 9-1-150, B. C Road, Near Police Beat,
New Gajuwaka Junction, New Gajuwaka
Andhra Pradesh – 530 026

MAHARASHTRA

Door No. F2/A2, Sector 9
Vashi, New Mumbai – 407 003



M U T H O O T

C A P I T A L

S E R V I C E S

L T D

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	: Additional Director

Chief Executive Officer

Mr. R. Manomohanan

Audit Committee

Mr. Philip Thomas	: Chairman
Mr. A.P. Kurian	
Mr. Thomas Muthoot	

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	

Auditors

M/s. K Venkatachalam Aiyer & Co.
Kochi

Solicitors

Dandapani Associates
Kochi

Bankers

Dhanalakshmi Bank Ltd
ICICI Bank
HDFC Bank
ING Vysya Bank

Registered Office

Muthoot Towers, M G Road, Kochi – 682 035
Phone : 0484 2351501, 2351506, 2351429
Fax : 0484-2381261
e-mail : mail@muthootcap.com
Website : www.muthootcap.com

M U T H O O T C A P I T A L S E R V I C E S L T D



NOTICE

Notice is hereby given that the 14th Annual General Meeting of the Members of MUTHOOT CAPITAL SERVICES LTD will be held on 29th August 2008, at 10.00 A.M at Aangan Hall, Bharat Tourist Home (BTH), D H Road, Kochi to transact the following business:

I ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 2008 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To consider the declaration of dividend on equity shares.
3. To appoint a Director in place of Mr. Thomas Muthoot, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration. - M/s K Venkatachalam Aiyer & Co., Chartered Accountants, Building No. 41/3647 B, Providence Road, M.G. Road North End, Kochi – 682 018, retire in this meeting and being eligible offer themselves for re-appointment.

II SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification, the following resolution 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 re – enactment thereof, for the time in force), the consent of the Company be and is hereby accorded to the re – appointment of Mr. Thomas George Muthoot as the Managing Director for a period of three years with effect from 12.07.2008; on a remuneration, perquisites and other benefits and amenities as set out in the explanatory statement, with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956, including any statutory modifications or re – enactment thereof for the time being in force or any amendments/ or modifications that may hereafter be made thereto by the Central Government"

"RESOLVED FURTHER that the Managing Director shall be governed by the terms and conditions as tabled in the agreement entered between the Company and the Managing Director and sanctioned by the Board and such other duties that the Board may delegate to the Managing Director from time to time."

"RESOLVED FURTHER THAT in the absence or inadequacy of profits the said remuneration will be paid as minimum remuneration to the Managing Director in accordance with Schedule XIII of the Companies Act, 1956."

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



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"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 of the members held on 30th July 2001, the Board of Directors of the Company be and are hereby authorized to borrow, for the purpose of 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 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. 75 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 Mr. R. K. Nair who was appointed by the Board of Directors as an Additional Director of the Company with effect from 08.04.2008 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing him as a candidate for the office of Director of the Company, be and is hereby appointed a Director of the Company, liable to retire by rotation."

Notes :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF 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 23rd August, 2008 to 29th August, 2008, both days inclusive, for determining the name 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 28th of September, 2008, to those members whose names appear on the Company's Register of Members as on 29th August, 2008. 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 are requested to inform the Company any changes in their mailing address and also to quote folio numbers in all their correspondence with the Company.

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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.
7. Members who have not encashed their dividend warrant(s) for the financial years 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005 - 2006 and 2006 - 2007 are requested to make their claims to the Company.
8. 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.
9. 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.
10. Members are requested to furnish their Bank Account details for printing the same on the dividend warrants to prevent fraudulent encashment of dividend warrants.
11. 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 14th August 2008.
12. NO GIFT COUPONS / GIFT VOUCHERS will be issued to the members.

By Order of the Board of Directors,

Kochi
12.05.2008

Thomas George Muthoot
Managing Director



M U T H O O T C A P I T A L S E R V I C E S L T D

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 5**

As per the provisions of Article 115 of the Articles of Association of the Company, the Board of Directors have re-appointed Mr. Thomas George Muthoot as Managing Director for a period of three years with effect from 12.07.2008.

Mr. Thomas George Muthoot was appointed as the Managing Director for a five year period ending on 11.07.2008. The Board of Directors have felt that it would be in the best interest of the Company to take his able guidance and have decided to re-appoint him as the Managing Director and pay the remuneration as approved by the Remuneration Committee of the Board, keeping in view his enormous responsibilities. In terms of Schedule XIII of the Companies Act, 1956, Mr. Thomas George Muthoot is eligible for re – appointment as Managing Director. The remuneration proposed is as under:

Salary

Rs. 1,25,000/- 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) or house rent allowance in lieu thereof, reimbursement of expenditure or allowance in respect of maintenance, utilities such as gas, electricity, water, furnishings and house repairs, medical reimbursement, medical insurance, 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.

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. 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.

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

Encashment of leave at the end of the tenure.

The Directors, Mr. Thomas George Muthoot, Mr. Thomas John Muthoot and Mr. Thomas Muthoot are interested in this resolution.