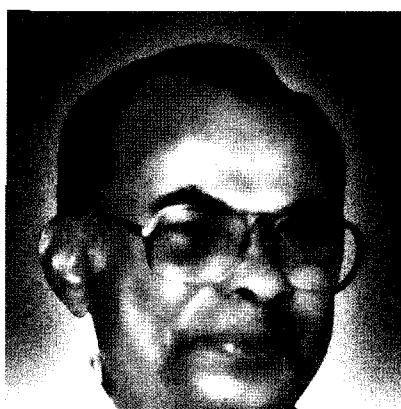


BRUNNEN & SÜNDLER FÜR ANWANDTE FOTOTECHNIK

ANNUAL REPORT



Report  Junction.com

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 Muthoot Pappachan Group stands committed to its objectives of promoting Muthoot Capital Services Ltd. (MCSL) as a Corporate in the financial services sector with the highest level of professional management maintaining exemplary levels of customer satisfaction. MCSL is committed to all its stakeholders, namely the share holders by endeavouring to enhance their wealth, the customers by delivering highest levels of services, the staff by providing the best compensation and working conditions and the society at large by helping the needy and downtrodden.

MCSL has been devising its policies and implementing the same for ensuring achievement of the above objectives. Offering innovative products fulfilling the needs of the market has been one of the strong points of the Company. The latest example is the two-wheeler loans being offered by the Company. MCSL has identified that there is a great opportunity left by the exit of some the major players extending finance to this sector. MCSL entered this market realizing the potential available due to the huge gap in supply. The Company has put up a very professional team for implementation of this finance scheme by selecting the best professionals who are experts in the field with years of experience. The product is well accepted in the market due to its many positive features including simple terms, customer friendly conditions and fast processing and disbursal. The tie up with Honda Motorcycles and Scooters India Ltd. (HMSI) as their preferred financier is an achievement worth mentioning. The loan policy is well documented taking into account the market practices, perceived risks and methods for mitigating the same. The follow up and recovery measures are also systematic and well structured. The results so far are extremely encouraging with very few instances of delinquency.

MCSL is also finalizing various other products including a scheme for financing jewellers for purchase of gold bullion, medium sized business loans and bill discounting. Another important area identified is equipment leasing. With the emphasize given in the Union budget for infrastructure development and allocation of large amounts for the same, it is envisaged that there will be a huge demand for equipments and equipment financing. Leasing is identified as one of the thrust areas for the Company, considering the tax saving potential also that it offers.

MCSL continued to perform well in spite of the adverse economic situations. The total income for the company increased from Rs.1,225.40 lakhs in 2007-2008 to Rs.1,738.61 lakhs in 2008-2009, registering a growth of 41.88%. In spite of the substantial increase in finance charges due to the turmoils in the financial sector, the net profit during the corresponding period increased from Rs.400.15 lakhs to Rs.541.75 lakhs, registering a growth of 35.39%. The net worth of the Company increased from Rs.1,220.09 lakhs as on 31.03.2008 to Rs.1,609.75 lakhs as on 31.03.2009.

The positive results in the midst of the economic turmoil was due to the committed and consistent hard work of our employees at all levels along with the support and understanding from our shareholders and we sincerely hope to continue to receive these in future too. We have put up adequate systems in place to reach the common man with our innovative products and look forward to achieve our goals and set new milestones as we move forward.

Best Regards,

Thomas George Muthoot,
Managing Director.



FROM THE DESK OF THE CHIEF EXECUTIVE OFFICER

The tightening in the disbursal of credit by commercial banks in India as a consequence of measures taken by RBI for countering the inflationary pressures affected adversely the availability of working funds for NBFCs also in the year 2008-2009. However, the Government and RBI were quick to realize the services rendered by NBFCs in fulfilling the credit needs of the rural and semi urban areas and came out with indications encouraging flow of credit to NBFCs from banks and financial institutions. As a result, the interest rates started softening and the availability of credit began improving towards the end of the financial year. More than the reduced availability of working funds, the higher rates of interest, which prevailed in the third and fourth quarters of the financial year, impacted the operations of the Company. This is evidenced by the substantially higher finance charges incurred by the Company in these quarters. However, conscious efforts taken in controlling other costs and reducing expenses helped the Company in maintaining increased profitability.

The steps taken by the Company in continuously reviewing the performance for product refinement and product diversification and ensuring customers' satisfaction also helped in maintaining the profitable operations of the Company.

During the year, the Company diversified into two wheeler loans in a big way, taking advantage of the gap left by the exit of many of the leading providers of two wheeler finance in India.. The Company's two wheeler finance products have been well received in the market and the performance of the Company under this sector has been very good. The Company is also planning to add new financing products to its portfolio. The scheme for financing of jewellers for purchase of gold bullion has already been finalised and approved in principle by the Board of Directors of the Company. The schemes for extending medium sized business loans, bill discounting, lease financing etc. are also being finalised for enhancing the lending operations of the Company.

It is expected that the current year will be a good one for NBFCs in view of the encouraging signals for the sector given out by RBI and Government of India. The Company is pledged to continue to improve the value for all its stakeholders namely the shareholders, the staff, the customers and the public, by increasing profitability, by improving working conditions, by excelling in customer satisfaction and by fulfilling the commitment to the society through various measures.

Best Regards,

R. Manomohanam
Chief Executive Officer



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	: Director

Chief Executive Officer

Mr.R Manomohanan

Company Secretary

Mr.Varun.T.V

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	

Auditors

M/s K Venkatachalam Aiyer & Co.
Cochin

Solicitors

Dandapani Associates
Cochin

Bankers

Dhanalakshmi Bank Ltd
ICICI Bank
State Bank of Travancore
HDFC Bank

Registrars and Share Transfer Agents

Integrated Enterprises (India) Limited
"Seema", 41/426
Rajaji Road, Near Abad Metro Hotel
Kochi – 682 035



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 15th Annual General Meeting of the Members of MUTHOOT CAPITAL SERVICES LTD will be held on Thursday, 24th September, 2009, at 10.A.M at The International Hotel, M.G. Road, North end, Kochi-35 to transact the following business:

I ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 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. Thomas John Muthoot, 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, Providence Road, North End, Ernakulam, Cochin – 682 018, retire in this meeting and being eligible offer themselves for re-appointment.

II SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any of the Companies Act, 1956 and Article 45 of the Articles of Association of the Company, the Authorised Share Capital of the Company be and is hereby increased from Rs.7,00,00,000/- (Rupees Seven Crores only) divided into 70,00,000 (Seventy Lakhs) equity shares of Rs.10/- (Rupees Ten only) each to Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,50,00,000/- (One Crore Fifty Lakhs) equity shares of Rs.10/- (Rupees Ten only) each by creation of 80,00,000 (Eighty Lakhs) equity shares of Rs.10/- (Rupees Ten only) each ranking pari passu in all respect with the existing equity shares”

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

“RESOLVED THAT subject to the approval of the members for increasing the authorised share capital of the Company, the Memorandum of Association of the Company be and is hereby altered by deleting the existing Article 28 and substituting in its place the following new article:”

“28. The Authorised share capital of the company is Rs.15,00,00,000/- (Rupees Fifteen Crore only) divided into 1,50,00,000 (One Crore Fifty Lakhs) Equity shares of Rs.10/- (Rupees Ten only) each with power to increase or reduce such capital from time to time.”

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

“RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions,



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

if any, of the Companies Act, 1956, and subject to the approval of the members for increasing the authorised share capital of the Company, the Articles of Association of the Company be and is hereby altered by deleting the existing Article 4 and substituting in its place the following new article:”

“4. The Authorised share capital of the company is Rs.15,00,00,000/- (Rupees Fifteen Crore only) divided into 1,50,00,000 (One Crore Fifty Lakhs) Equity shares of Rs. 10/- (Rupees Ten only) each with the rights, privileges conditions attaching thereto as are provided by the regulations of the Company for the time being, with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the regulation of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company. The rights of the Preference Shares shall be determined at the time of issue thereof.”

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

“RESOLVED THAT pursuant to the provisions of Section 81(1) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re- enactment thereof), and in accordance with the provisions of Memorandum and Articles of Association of the Company and Regulations / Guidelines, if any, prescribed by the Government of India, the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI) and the Stock Exchange on which the Company’s shares are listed or any other relevant statutory, governmental and other authorities and departments from time to time, to the extent applicable and subject to approvals, consents, permissions and sanctions as might be required and subject to such conditions as might be prescribed while granting such approvals, consents, permissions and sanctions, and subject to such conditions and modifications which may be agreed to, by the Board of Directors (herein after referred to as the “Board”, which term shall, include any committee(s) constituted / to be constituted by the Board to exercise its powers including the power confirmed by the resolutions) consent of the members is hereby accorded to the Board on behalf of the Company to create, offer and issue (on such terms as is permitted by applicable law), to the Equity shareholders of the Company as on the record date (to be fixed for the purpose) or to such other persons who may or may not be the shareholders of the Company, upto 65,00,000 (Sixtyfive Lakhs) equity shares of Rs. 10/- (Rupees Ten only) each of the Company in the ratio of one right share for each equity share held with the Company (the “Right Issue”) at a price including premium to be determined in consultation with the lead Managers and / or other Advisors on such terms and conditions as the Board may at its absolute discretion decide at the time of issue of the shares.

RESOLVED FURTHER THAT new equity share to be issued shall rank pari passu with the existing equity shares of the Company in all respects.

RESOLVED FURTHER THAT the unsubscribed portion, if any of the shares considering the applications received from Rights Issue, noted above shall be disposed of in such manner, as the Board deems fit and proper at its absolute discretion and as most beneficial to the Company.

RESOLVED FURTHER THAT the Board shall be entitled to issue in consultation with and



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

subject to the approval, if necessary, of any concerned authority, appropriate Letter Of Offer (LOO) to the persons stipulated above containing the terms and conditions of such issue as the Board may at its absolute discretion think fit including the provisions relating to renunciation, non-eligibility of additional shares in the event of renouncement by the member, non-eligibility of renouncee for additional shares, payment of subscription monies by installments, listing of the new Equity Shares with the Stock Exchanges, restriction as to subscription and transfer as provided in the Articles of Association of the Company, order of preference allotment in the event of over subscription, premium to be charged on the shares, to vary the size of the issue, appoint Lead Managers, Banks and other intermediaries or other agencies concerned and such other terms and conditions as may be necessary or stipulated in such LOO/Prospectus/Circular and such other documents as may be permitted by the concerned authority in accordance with the law and the Board be and is hereby expressly authorized and empowered to accept such variations and modifications as the RBI /SEBI or any other concerned authority may stipulate in that behalf and to also at its discretion to amend, modify, vary or alter all or any other terms of the issue including the basis or proportion of the offer to be made to the aforesaid categories of persons noted above accordingly including the right to increase, decrease or recalculate the number of Equity Shares to be created, offered and alter the terms as to premium and their entitlement thereto and to include in the LOO/ Prospectus/Circular or such other documents they offer for subscription all such other terms and conditions of offer as are necessary or expedient in the discretion of Board and /or may have to be incorporated on account of any modifications or amendment required or accepted by any concerned authority.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Equity Shares the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deemed necessary or desirable for such purpose, including without limitation the entering into arrangements for managing, underwriting, marketing, listing, trading, acting as depository, custodian, registrar and stabilizing agent and to issue any documents and writing and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such offer(s) or issue(s) or allotment(s) as it may, in its absolute discretion, deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors constituted/to be constituted to give effect to the aforesaid resolutions.”

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 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.



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

3. The Register of Members and Transfer Books of the Company will be closed from 18th September, 2009 to 24th September, 2009, both days inclusive, for determining the name of Members eligible for Dividend.
4. 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 23rd October, 2009, to those members whose names appear on the Company's Register of Members as on 24th September, 2009. 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 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.
6. 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.
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 2002-2003, 2003-2004, 2004-2005, 2005 – 2006, 2006 – 2007 and 2007-08 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 10th September, 2009.
13. NO GIFT COUPONS / GIFT VOUCHERS will be issued to the members.

By Order of the Board of Directors,

Place : KOCHI
Date : 28.07.2009

Varun.T.V
Company Secretary



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

The Board of Directors of the Company have felt that for profitable working of the company, the company needs more funds in the form of equity share capital. The present authorized share capital of the Company is Rs.7,00,00,000/- (Rupees Seven Crore) divided into 70,00,000 (Seventy Lakhs) equity shares of Rs.10/- (Rupees Ten only) each and out of which Rs.6,50,00,000/- (Rupees Six Crore Fifty) divided into 65,00,000 (Sixty five lakh) equity shares of Rs.10/- (Rupees Ten) each has already been issued, subscribed and paid up. The Board, therefore in their meeting held on 21-05-2009 decided that the authorized share capital of the Company be increased to Rs. 15,00,00,000/- (Rupees Fifteen Crores) divided into 1,50,00,000 (One crores fifty lakhs) equity shares of Rs.10/- (Rupees Ten only) each.

Hence the proposed resolution is recommended for consideration of and approval by the shareholders of the Company.

None of the directors is concerned or interested in the proposed resolution except to the extent of their respective shareholding in the Company.

Item No.6 &7

Subject to the approval of the members for increasing the authorized share capital of the Company from Rs.7,00,00,000/- (Rupees Seven Crores only) divided into 70,00,000 (Seventy Lakh) equity shares of Rs.10/- (Rupees Ten only) each to Rs. 15,00,00,000 (Rupees Fifteen Crores only) divided into 1,50,00,000 (One Crore Fifty Lakhs) equity shares of Rs.10/- (Rupees Ten only) each; the Memorandum of Association and Articles of Association of the Company needs to be altered.

Hence the proposed resolutions are recommended for consideration of and approval by the shareholders of the Company.

None of the directors is concerned or interested in the proposed resolution except to the extent of their respective shareholding in the Company.

Item No.8

The Board of Directors of the Company in their meeting held on 21st May,2009 have proposed that a Rights Issue of the Equity shares of the Company be carried out with the objective of raising additional capital for the Company and creating additional liquidity for the shareholders of the Company

The Board is of the considered view that sustained growth in the Company's assets to help it maintain and possibly enhance its profitability would require a significant expansion of the Company's equity base. Such strengthening of the capital base will also help the Company achieve the desired levels of