



Spreading the colour of change.
Annual Report 2009-2010

Muthoot Capital Services Ltd

Muthoot Capital Services Ltd., (MCSL) is a public limited company registered with the Reserve Bank of India and listed on the Bombay Stock Exchange. It was incorporated on 18th February 1994 and obtained its Certificate of Commencement of Business on 23rd March 1994.

MCSL was initially registered with an authorised capital of Rs. 100.00 lacs which was subsequently increased to Rs. 700.00 lacs and further to Rs. 15 Crores. To augment its fund base, the Company came out with a Public Issue in February 1995, which was oversubscribed.

In 1998, MCSL obtained a Non-Banking Finance Company registration (16.00024 dated 13th May 1998) from RBI and became a Category A - Deposit accepting NBFC. By the year 2000 the company stopped accepting deposits though it continued the status of Deposit taking NBFC categorised as a Loan Company.

MCSL has a strong presence in the banking and finance sector in rural and semi-urban areas in South India. The company offers non-convertible debentures, auto loans, small and medium enterprise loans, gold loans, lease financing and bonds.

MCSL also offers capital market services like financial advisory services, wealth management, insurance products of leading insurance and mutual fund companies.

MCSL has made its mark by providing customers with the right financing solution at competitive prices. Customer service of high quality, speedy service, reliability and professionalism are the other attributes that the organization has come to be known for. Advanced technology and information systems enable MCSL to develop innovative and creative financial solutions in close collaboration with business partners.

The expertise and experience of an expert team of management and business professionals provides customers with informed and competent service and advice.

MCSL leverages the extensive branch network of the Muthoot Pappachan Group to deliver financial services and products to the most remote of locations in Kerala, Tamil Nadu, Karnataka, Maharashtra and Andhra Pradesh.

Blue is associated with depth and stability

Message from the Managing Director

Dear Shareholders,



I have great pleasure in presenting before you the report covering the excellent performance by your Company for yet another year. Your Company has continued its outstanding performance in 2009-2010 in all parameters, in spite of the adverse economic situation across the globe, which had its impact on the Indian economy too. The consistent good performance of the Company is attributed to the adherence to our core values, namely integrity, ethical business practices, highest level of professionalism and focus on customer satisfaction. The performance is also supported by our ability to respond timely and aptly to the market demands, by introducing innovative loan products which suit the needs of the customer and our ability to keep the procedures simple and hassle-free for both disbursement as well as repayment. I would also like to place on record the continued contributions from the staff at all levels, through their steadfast commitment and dedication to the Company and its customers.

Another matter that gives us a lot of satisfaction and which augurs well for the continued performance of the Company is the increased level of recognition that Non-Banking Finance Companies are getting from Reserve Bank of India and the Government, as evidenced by the various indications and initiatives. The Government and Reserve Bank of India are realizing the sterling role played by NBFCs in meeting the credit gap in the rural and semi-urban areas for the unorganized sector consisting of individuals, farmers, rural artisans, small entrepreneurs, etc. It is quite gratifying to note the measures being implemented to ensure adequate and sustainable supply of credit to the NBFCs, to enable them to continue credit delivery to the tiny sector in Indian economy so as to support the economic growth of the nation. Boosted by the demand in economy, aided by our ability to respond to it expeditiously and supported by the Government's and RBI's measures to ensure adequate fund flow to NBFCs, your Company is well poised to continue its good performance in the coming year also.

I am extremely grateful for the support extended by the members of the Company for the decisions taken by and the course of action set by the Board of Directors and the Management for improving the performance of the Company. I would also like to place on record my sincere appreciation to the dedicated and motivated employees of the Company. I firmly believe that the company will continue to enjoy the trust and confidence from the members and loyalty and contribution from the employees, so that the Company may achieve many more highs in its performance in the years ahead.

Best Regards,

Thomas George Muthoot

Managing Director

Blue is the color of truth and moderation.

From The Desk Of The Chief Executive Officer

The year that went by was one of the worst in recent times for the Indian economy. It was a year in which our economy was subjected to the effects of the global financial turmoil and as a result suffered a sizeable setback in our GDP growth. However, on account of many reasons, a lesser dependence on international trade compared to domestic consumption, a substantial saving in our oil import bill due to the falling oil prices, and a very strict control regime in the financial services sector, to mention a few, the backlash our economy received was substantially less compared to the major developed economies in the world. It is also worth mentioning and a matter of pride to all of us that no financial institution in India failed, in spite of many giant banks and financial institutions across the world failing miserably in the aftermath of the global financial crisis.

Muthoot Capital Services Ltd continued to perform well under all segments, in spite of the difficulties in the financial sector and the slow down in the economy. Our ability to keep in constant contact with the market and respond to the demands expeditiously, combined with our adherence to good business practices and the highest level of professionalism, has helped the Company continue its brilliant performance. The commitment, loyalty and dedication of the work force have also contributed a lot in reaching the high levels of performance.

The total income of the Company increased from Rs. 1,738.62 lakhs during the previous year to Rs. 2,247.56 lakhs in the year ended 31st March 2010, registering a growth of 29.27%. The profit before tax recorded a jump of 30.21% from Rs. 835.15 lakhs in the previous year to Rs. 1087.42 lakhs during the current and the net profit increased from Rs. 541.75 lakhs to Rs. 717.29 lakhs, recording an impressive growth of 32.40%. The net worth of the Company increased from Rs. 1,609.75 lakhs as on 31.03.2009 to Rs. 2,136.92 lakhs as on 31.03.2010.

The Company always believed in safeguarding the interests of all its stakeholders namely the shareholders, the employees, the customers and the public at large. The Company will continue to endeavor to reward the shareholders by striving to increase their wealth, the employees by taking care of their welfare, the consumers by ensuring their satisfaction in all areas and the public at large by contributing to the betterment of the society through social welfare measures.

With sincere regards,

R. Manomohan

Chief Executive Officer

Annual Report, Directors and Committees

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. Manomohanam

Company Secretary

Ms. Elizabeth Wilson

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. Manomohanam	

Blue is considered beneficial to the mind and body.

Auditors

M/s. K. Venkatachalam Aiyer & Co.

Kochi

Solicitors

Dandapani Associates

Kochi

Bankers

Dhanalakshmi Bank Ltd

ICICI Bank Ltd

State Bank of Travancore

HDFC Bank Ltd

Axis Bank

Registrars and Share Transfer Agents

Integrated Enterprises (India) Limited,

"Seema", 41/426, Rajaji Road,

Near Abad Metro Hotel,

Kochi - 682 035.

Notice

Notice is hereby given that the 16th Annual General Meeting of the Members of MUTHOOT CAPITAL SERVICES LTD will be held on Saturday, 31st July, 2010, at 10 a.m. at The International Hotel, Veekshanam Road, Kochi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010 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. R.K. Nair, 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, North End, Ernakulam, Cochin 682 018, retire in this meeting and 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 supersession of the resolution passed by the Company under section 293 (1) (d) of the Companies Act 1956 at the Annual General Meeting held on 29th August, 2008, the Board of Directors of the Company be and is hereby authorized to borrow for the purpose of the 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 (apart from temporary loans obtained in the ordinary course of business from banks) 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. 150 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 in accordance with the provisions of Section 198, 269, 308, 309 and 311 read with Schedule XIII and other applicable provisions, if any of the Company’s Act, 1956

Blue symbolizes importance, confidence, power, and authority.

(including any statutory modifications or enactment thereof, for the time being in force), and subject to the approval of Central Government, if required, the consent of the Company be and is hereby accorded to increase the remuneration of Shri. Thomas George Muthoot, Managing Director from Rs. 1,25,000/- p.m to Rs. 5,00,000/- p.m. till the remaining period of appointment till 11.07.2011.

RESOLVED FURTHER THAT the above mentioned amount be paid as minimum remuneration in the event of absence or inadequacy of profits”.

Notes :

1. 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.
2. The Register of Members and Transfer Books of the Company will be closed from 25th July, 2010 to 31st July, 2010 both days inclusive, for determining the names 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 30th August, 2010, to those members whose names appear on the Company's Register of Members as on 31st July, 2010. 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 holding shares in physical form are requested to inform the Company and shares in demat form inform the depository participant about any changes in their mailing address and also to quote folio numbers in all their correspondence with the Company.
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 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008 and 2008-2009 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 July, 2010.
12. NO GIFT COUPONS / GIFT VOUCHERS will be issued to the members.

By Order of the Board of Directors,

Kochi
12.05.2010

Elizabeth Wilson
Company Secretary

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item No: 6

Section 293(1)(d) of the Companies Act, 1956, restricts the borrowing powers of the Board of Directors. It provides that Directors shall not, except with the consent of the Company in the General Meeting, borrow monies, when the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained in the ordinary course of business from banks) exceed the aggregate of the paid-up capital of the Company and free reserves ie. reserves not set apart for any specific purpose.

The members of the Company in their Annual General Meeting held on 29th August 2008 passed a resolution authorizing the Board of Directors of the Company to borrow upto a sum of Rs. 75 Crores.

In view of the increase in the Company's business, it is necessary that a higher ceiling for borrowing be laid down by the members to enable the Board of Directors to augment the working funds as and when required for the purpose of business. It is therefore proposed to increase the borrowing powers of the Board of Directors to a sum not exceeding Rs. 150 Crores over and above the aggregate of paid-up capital of the company and its free reserves at any time.

Blue is linked to reliability.

Hence the Directors recommend the resolution at Item No.6 of the attached notice for approval of the members of the Company.

None of the Directors is concerned or interested in the said resolution.

Item No: 7

In view of the fact that the activities of the Company have increased considerably and the Company has been paying dividend continuously since 2001-02, the Board of Directors at its meeting held on 12.05.2010 revised the remuneration of Mr. Thomas George Muthoot, Managing Director from Rs. 1,25,000/- to Rs. 5,00,000/- p.m till the remaining period of appointment till 11.07.2011, subject to approval of members and Central Government

Mr. Thomas John Muthoot, Mr. Thomas George Muthoot and Mr. Thomas Muthoot are deemed to be concerned or interested in the said resolution

Your Directors recommend the resolution at Item no.7 of the attached notice for approval of members of the Company.

By Order of the Board of Directors,

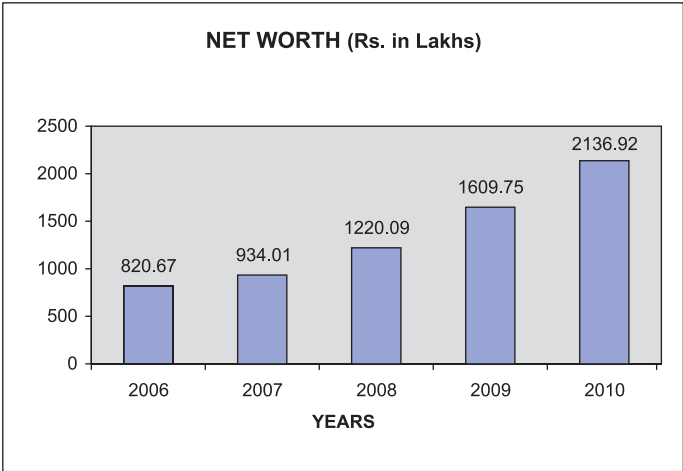
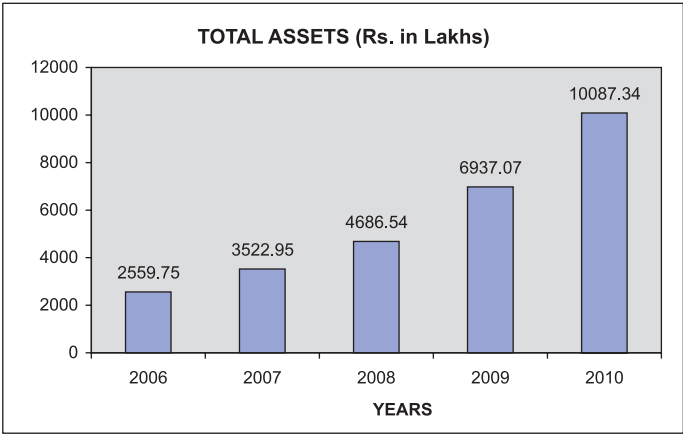
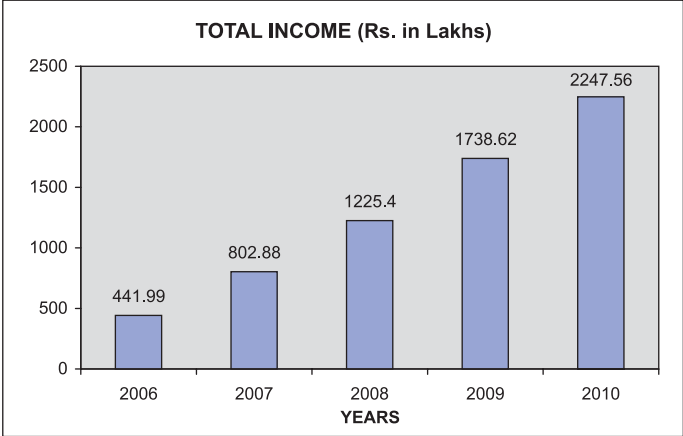
Kochi
12.05.2010

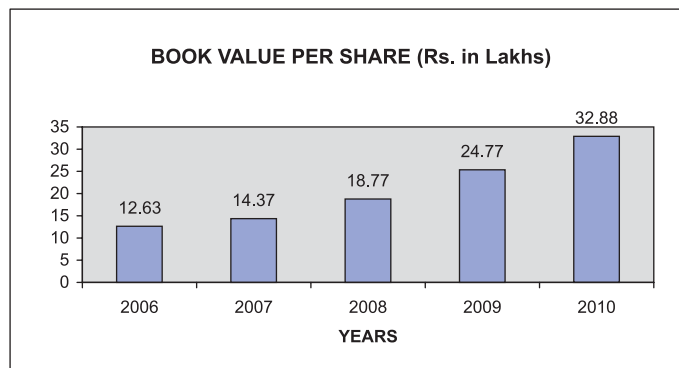
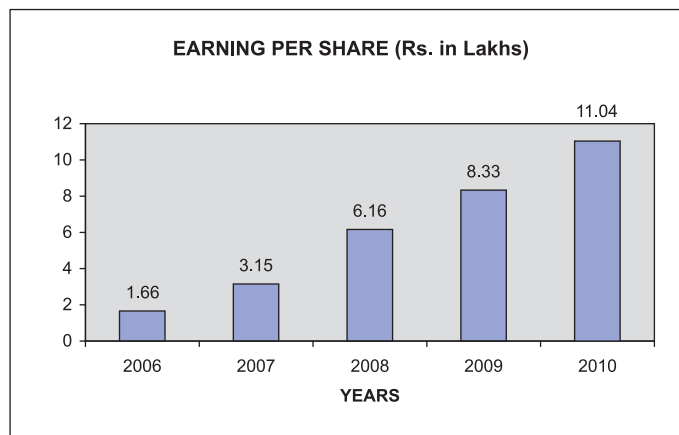
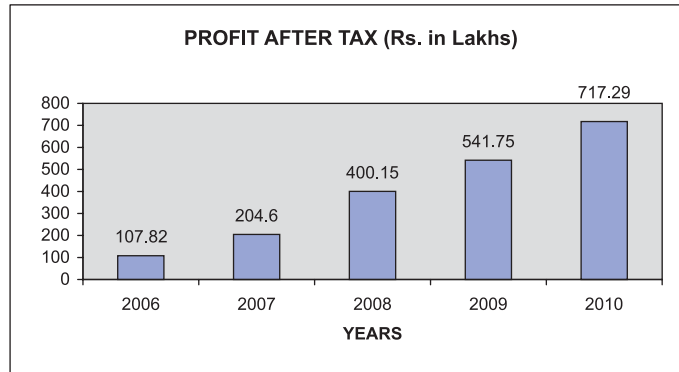
Elizabeth Wilson
Company Secretary

Five Year Financial Highlights

Financial Year ended 31st March of	2006	2007	2008	2009	2010
Operating Results					
Total Income	441.99	802.88	1225.40	1738.62	2247.56
Profit Before Tax	165.76	317.63	611.53	835.15	1087.42
Profit After Tax	107.82	204.60	400.15	541.75	717.29
Assets					
Fixed Assets (including assets leased out)	57.18	46.20	43.86	34.90	43.13
Investments	14.27	14.53	15.64	15.99	18.33
Deferred Tax Asset				8.98	10.72
Net Stock on Hire	233.60	46.57	103.35	926.94	3999.00
Other Loan Assets (net)	2268.97	3415.65	4567.55	5950.16	6016.16
Total Assets	2559.75	3522.95	4686.54	6937.07	10087.34
Liabilities					
Equity	650.00	650.00	650.00	650.00	650.00
Reserves and Surplus	170.67	284.01	570.09	959.75	1486.92
Loan Funds	1735.15	2588.94	3463.85	5327.32	7950.42
Deferred Tax Liabilities	3.92	0	2.60	0	0
Total Liabilities	2559.75	3522.95	4686.54	6937.07	10087.34
Key Indicators					
Earnings per share	1.66	3.15	6.16	8.33	11.04
Dividend per share	1.00	1.20	1.50	2.00	2.50
Book value per share	12.63	14.37	18.77	24.77	32.88

Five Year Financial Highlights Chart





Directors' Report

Dear Shareholders,

Your Directors are pleased to present their 16th Annual Report with audited accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

(All amounts in lakhs except EPS)

Rs.

Operating Results	31.03.2010	31.03.2009	31.03.2008
Total Income	2,247.56	1,738.62	1,225.40
Profit before tax	1,087.42	835.15	611.53
Tax	370.13	293.40	211.38
Profit after tax	717.29	541.75	400.15
Net worth	2,136.92	1,609.75	1,220.09
Capital employed	10,087.34	6,937.07	4,686.54
Return on net worth (%)	33.57%	33.65%	32.80%
Earning per share	11.04	8.33	6.16

REVIEW OF PERFORMANCE

The total Income of the Company registered a growth of 29.27 % from Rs. 1,738.62 lakhs during the previous year to Rs. 2,247.56 lakhs in the current year. This year the Company succeeded in restricting the interest expenses to Rs. 691.60 lakhs compared to Rs. 615.29 lakhs in the last year, which is an increase of only 12.40%. Due to the cost control measures adopted by the Company, the profit before tax recorded a jump of 30.21% from Rs. 835.15 lakhs during the last year to Rs. 1,087.42 lakhs this year. The net profit increased from Rs. 541.75 lakhs last year to Rs. 717.29 lakhs in the year ended 31.03.2010, recording an increase of 32.40%. The management is taking the maximum efforts for the future performance also by adopting proactive strategies.

APPROPRIATIONS

The net profit of Rs. 717.29 lakhs along with a sum of Rs. 621.16 lakhs brought forward from the previous year aggregated to Rs. 1,338.45 lakhs which is appropriated as under:

Appropriations	Rs. in lakhs
Transfer to Statutory Reserves	144.00
Proposed Dividends	162.50
Dividend Tax	27.62
Balance Carried to Balance Sheet	1,004.33

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 2.50 per share for the year-ended 31.03.2010 subject to the approval of Members at the ensuing Annual General Meeting. Dividend will be paid to (i) all members whose name appear in the Register of Members as on 31st July, 2010 and (ii) all members whose name appear as beneficial owners, as furnished by National Securities Depository Limited and Central Depository Services (India) Limited for the purpose as on that date.

DIRECTORS

Mr. A.P. Kurian and Mr. R.K. Nair retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS

M/s. K. Venkatachalam Aiyer & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received confirmation that their appointment is within the limits prescribed under section 224(1B) of the Companies Act, 1956.

RBI GUIDELINES

The company has complied with the guidelines issued by the Reserve Bank of India on prudential norms covering all areas like income recognition, investment accounting, provisioning for non performing assets and know your customer (KYC) norms.

CORPORATE GOVERNANCE

Your company has adopted the best practices of corporate governance. A separate report on corporate governance together with certificate from auditors of the Company M/s. K. Venkatachalam Aiyer & Co., Chartered Accountants, confirming compliance with Clause 49 of Listing Agreement is enclosed and forms part of this Report.

The Management Discussion and Analysis is given as a separate statement forming part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- i) Applicable Accounting Standards have been followed in preparation of the annual accounts with proper explanation relating to material departures, if any.
- ii) They have selected such accounting policies in consultation with the Statutory Auditors and applied them consistently and made judgments and estimates that were reasonable and

prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for the period under review.

- iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) They have prepared the annual accounts on a going concern basis.

PERSONNEL

None of the Employees is in receipt of remuneration in excess of the limit as laid down under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The Company being in the business of financial service has not consumed energy of any significant level and thus considering its nature of activities no comments are necessary in respect of energy conservation, reduction of energy consumption and technology absorption.

FOREIGN EXCHANGE EARNINGS AND OUTGO

There was no foreign exchange earnings and outgo during the period under review.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the trust reposed in your Company and the assistance and co-operation received from Reserve Bank of India, Registrar of Companies, Kerala, Bombay Stock Exchange Limited, Bankers, Share Transfer Agents, other Government Authorities, Shareholders, Debenture holders and clients and look forward to their continued support and co-operation.

Your Directors also wish to express their appreciation to all the employees of the Company for their dedication, commitment and wholehearted support and co-operation extended. To them goes the credit for the Company's achievements.

And to you our Shareholders, your Directors are deeply grateful for the confidence and faith that you have always reposed in us.

On behalf of the Board of Directors

Thomas John Muthoot

Chairman

Kochi - 35

12.05.2010

Management Discussion and Analysis Report

OUTLOOK FOR THE INDUSTRY.

Buoyed by the GDP growth of 8.6% in the last quarter of 2009-10, the Indian economy recorded a GDP growth of 7.4% for the year 2009-10 after the turmoil which the world economy has been facing since the second half of 2008-09.

The performance of Non-Banking financial services sector in general was commendable during the year. The sector continued to meet the credit gap in the unorganized sector in Indian economy, in the rural and semi-urban areas, thereby aiding the economic recovery in the country. The Government and Reserve Bank of India also continued their signals encouraging credit flow to the sector.

OUTLOOK FOR THE COMPANY

Your Company continued its good performance during the year also, basing its activities on the time tested values and principles. The success of the Company is dependent to a great extent on its focus on customer service and its ability to format and introduce products in accordance with the demand in the market. The Company's diversification into two-wheeler loan segment proved a success. The Company is planning to introduce many more new products in the retail finance and SME segments.

OPPORTUNITIES AND THREATS

Your Company's ability to respond to the demands in the financial service sector by offering suitable financial products has always been the main reason for its outstanding performance. The foray into two-wheeler finance segments was an opportunity realized by the Company at a time when most of the major players were withdrawing from the segment. The performance of your Company under this segment has been very good due to a well-experienced and professional team for implementing the products, strict norms for identification and selection of borrowers and customer friendly procedures in disbursement. The Company has identified other areas in the retail segment for introducing new loan products. The dependence on bank finance for working funds continues to be a constraint for the Company's operation, especially in view of the short terms of sanction resulting in an asset liability mismatch. Your Company is confident of overcoming the competition from other NBFCs and commercial banks.

RISKS AND CONCERNS

For the continued good performance of the Company, your Company needs to have good risk management practices. This is not only to manage risks inherent in business but also to manage risks arising from external economic and financial conditions. Competition risk, credit risk, interest rate risk, liquidity risk and human risk are some of the major risks that your

Company is facing in the business. The strong customer relationships and trust, which the company continues to enjoy for generations, help the Company in facing competition. The brand image of the Company, which underwent a recent makeover in asserting its value and presence, its distribution network which is expanding substantially across the country, strong and loyal customer base and the depth of the management make it strong enough to take care of even the most intense competition. The Company has a well defined credit policy, which is being reviewed by the Board of Directors periodically, wherein various parameters like financial capacity, creditworthiness, tangible assets of the borrower etc. are accessed to safeguard the interest of the company. The strong credit recovery and collection measures help in reducing the chances of bad debts. The interest rate risk, resulting from spurt in the rates of interest on working capital funds can affect the profitability of the Company adversely. Proactive measures taken by the Company in containing expenses had helped in reducing the effects of the higher costs and maintaining profitability. The Company follows a policy of keeping sufficient funds by way of cash and bank balances to meet any reasonable requirement, ensuring that it is not put to any liquidity strain. With growing competition for acquisition and retention of talent, which is ever more important for the growth of the Company, availability of human resource is also an important risk factor. Selection/recruitment of staff is also done on a continuous basis. The Company gives value to its committed and talented personnel by designing programs and policies tailored to enhance individual and organizational welfare. The Company's assets and liabilities are well balanced. The Company evaluates the risks and keeps its assets and liability portfolios diversified to reduce and manage the risks.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal Control System is an essential element of the Corporate Governance and plays a key role in identifying, minimizing and managing risks that are significant for the Company, contributing to the safeguarding of shareholders' investments and Company's assets. It ensures quality of internal reporting and safeguards the company's assets from inappropriate use or from loss or fraud.

The Company has a well set and adequate internal control system, to take care of all of its operations and to throw light on any adverse features in operations or credit. The Company's Statutory Auditors were M/s. K. Venkatachalam Aiyer & Co. They function according to their well-defined audit plan, reporting individually to the Board of Directors and various statutory authorities. M/s. Siby & Jolly, Chartered Accountants, were the Internal Auditors for the first three quarters and M/s. Argee & Co., Chartered Accountants were the internal auditors of the Company for the last quarter and they report to the Audit Committee of the Board of Directors. The Audit Committee met at regular intervals and reviewed the entire internal control system, including the internal audit reports and gave directions for rectification of any defects and suggestions for improvement. Branches of the company were inspected at periodical intervals.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Muthoot Capital Services Ltd has registered a 32.40 per cent growth in its net profit touching Rs. 717.28 lakh from Rs. 541.75 lakhs in 2008-09. The total income registered a growth of 29.27 per cent from Rs. 1,738.62 lakhs during the previous year to Rs. 2,247.56 lakh in the current year. The company has succeeded in restricting the interest expenses to Rs. 691.60 lakhs compared to Rs. 615.29 lakhs last year, which is an increase of only 12.40 per cent. Due to the cost control measures, especially in restricting the financial expenses, the profit before tax recorded a jump of 30.21 per cent from Rs. 835.14 lakhs in the previous year to Rs. 1,087.42 lakhs during the year ended March 31, 2010.

Based on the impressive performance of the Company for the year, the Board of Directors has recommended a dividend of Rs. 2.50 per share of Rs. 10.

HUMAN RESOURCE DEVELOPMENT

The long-term objective of all HR/IR is to create a culture of sustained business development accompanied by extreme care for all stakeholders, while strengthening the core values of the Group.

Your Company continued to maintain cordial industrial relations, without compromising on staff discipline and performance. The Company gives due importance in enhancing the compensation packages of the staff along with improving the working conditions and the staff welfare measures. The Company has been introducing many initiatives in the HR area, including performance related incentives to staff and many other welfare measures for the staff. The Company believes firmly in its Management and team members, which is the source of energy for its activities and its continued growth. The Company also believes that well trained and motivated staff is essential for business development and customer satisfaction. The Company also gives importance to the continued training process, which makes a positive contribution to the empowerment of the employees.

On behalf of the Board of Directors

Kochi
12.05.2010

Thomas John Muthoot
Chairman

Corporate Governance

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance as a term refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled to ensure that it adheres to accepted ethical standards and best practices as well as to formal laws. Corporate Governance goes beyond mere financial measurement of performance of the Company taking into consideration a basket of parameters such as employee satisfaction, shareholder satisfaction, commitment to quality, etc. It rests upon strong foundations of transparency, disclosure, accountability and fairness.

Muthoot Capital Services Ltd. considers Corporate Governance as a pre-requisite to attain excellent performance in terms of stakeholder value creation. Your Company acknowledges its responsibilities to its shareholders and endeavors to pursue its policies and procedures to satisfy its legal and ethical responsibilities as a good corporate citizen and believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time. It stands as a responsible corporate representative committed to good corporate practices.

I) BOARD OF DIRECTORS

a) Composition of Board of Directors

The Board of Directors consisting of six (6) Directors meets regularly to lead and guide the Company's management. The composition of and the category of Directors on the Board of the Company were as under:

Category	Particulars of Directors
Executive Director	: Mr. Thomas George Muthoot, Managing Director
Non Executive - Non Independent Directors	: Mr. Thomas John Muthoot, Chairman Mr. Thomas Muthoot
Non Executive - Independent Directors	: Mr. A.P. Kurian Mr. Philip Thomas Mr. R.K. Nair

All the Directors have affirmed compliance with the Code of Conduct approved and adopted by the Board of Directors. The Independent Non-Executive Directors comply with the requirements of the Listing Agreement for being Independent Director. Further, the Independent Directors have also affirmed that they satisfy all the prescribed requirements for being an Independent Director.

b) Board Meetings

The number and dates of Board Meetings held during the year 2009-2010 is tabulated below:

Number of Board Meetings held during the year	Date of Meetings
5	21.05.2009, 28.07.2009, 31.10.2009, 20.01.2010, 25.02.2010

c) Attendance of Directors

The attendance of each Director at the Board Meetings during the year and at the last Annual General Meeting and details of other Directorships, Committee Chairmanships/Memberships held by the Directors during the year are as follows:

Directors	Board meetings attended	Attendance at last AGM held on 24.09.2009	Directorships in other public Companies		Chairman / Member in committees of Boards of Other Companies	
			Chairman	Director	Chairman	Member
Mr. Thomas John Muthoot	4	Present	0	3	1	3
Mr. Thomas George Muthoot	5	Present	0	3	1	3
Mr. Thomas Muthoot	4	Present	0	3	1	3
Mr. A.P. Kurian	2	Absent	1	5	0	8
Mr. Philip Thomas	4	Present	0	2	0	2
Mr. R.K. Nair	3	Present	0	1	0	3

Other Directorships, Membership of Board Committees

None of the Directors holds directorships in more than 15 public limited companies. No Director holds membership of more than 10 committees of Board nor is any Director a Chairman of more than 5 committees of Boards.

D) Composition of Committees of Directors as on 31.03.2010 in Muthoot Capital Services Limited

Name	Chairman / Member in committees of Boards	
	Chairman	Member
Mr. Thomas John Muthoot	1	1
Mr. Thomas George Muthoot	0	1
Mr. Thomas Muthoot	1	1
Mr. A.P. Kurian	0	2
Mr. Philip Thomas	2	0
Mr. R.K. Nair	0	2

II) AUDIT COMMITTEE

a) Brief description of the terms of reference, scope and functions:

The Audit Committee has the authority to investigate into the activities of the Company and its subsidiaries and all the employees are to co-operate with the Committee in the performance of its functions. The committee can obtain external, legal or other independent professional advice and assistance, if necessary, and may retain professionals with special competence or skills as necessary to assist in fulfilling its responsibilities.

The Audit Committee reviews the audit plans, financial statements and reports, interacts with the statutory auditors and internal auditors with regard to any MIS or such other management control or audit system proposed for implementation in the Company, evaluates the performance of the Internal Auditors and recommends their re-appointment, approves and issues the Audit Committee report of the financial statements and acts as a channel for communication between the Board and the Audit function.

b) Composition, Names of members and Chairman

The Audit Committee comprises of 4 non-executive Directors of which 3 are independent Directors. All the members of the Audit Committee of the Company possess financial/accounting expertise.

Mr. Philip Thomas, former Executive Director of IDBI, chairs the Committee.

The Audit Committee adheres to the requirements of section 292A of the Companies Act, 1956, and complies with Clause 49 of the Listing Agreement.

Attendance at the meetings of the Audit Committee held during 2009-2010

During the year, the Committee met 4 times on 21.05.2009, 28.07.2009, 31.10.2009, and 20.01.2010.

Names of members of Audit Committee	Designation	No. of meetings Attended
Mr. Philip Thomas	Chairman	4
Mr. A.P. Kurian	Member	2
Mr. Thomas Muthoot	Member	3
Mr. R.K. Nair	Member	3

III) REMUNERATION COMMITTEE:

Remuneration Committee determines and recommends to the Board the remuneration including commission, perquisites and allowances payable to the Managing and Whole-time Directors based on overall performance and financial results of the Company during the relevant financial year and in consonance with the industrial practice.

The Remuneration Committee comprises of 3 Independent Non-executive Directors namely Mr. Philip Thomas, Mr. A.P. Kurian and Mr. R.K. Nair, Mr. Philip Thomas, former Executive Director of IDBI, chairs the Committee.

REMUNERATION OF DIRECTORS

The Non-Executive Directors get sitting fees of Rs. 1000/- each for every meeting of the Board attended along with the travelling expenses and other expenses in relation thereto. Sitting fee is payable only to Independent Directors. The details of sitting fees paid to the Independent Non-Executive Directors are as follows:

Name of the Director	Sitting Fee (Rs.)
Mr. Philip Thomas	4000/-
Mr. A.P. Kurian	2000/-
Mr. R.K. Nair	3000/-

The Managing Director is paid a remuneration of Rs. 1,25,000/- p.m. Other terms and conditions are as approved by the shareholders in the general meeting.

IV) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE (SIGC)

The Investors Grievance Committee administers the following:

- i) redressal of investor complaints like transfer of shares, non-receipt of balance sheets, declared dividends, etc.
- ii) transfer/transmission of shares and deletion of names
- iii) review of complaint letters received from Stock Exchanges, SEBI, Ministry of Corporate Affairs, etc., and responses thereto.

No. of SIGC meetings held during the year 2009-10	Date of Meeting
4	06.04.2009, 07.07.2009, 08.10.2009, 16.01.2010

Composition of Committee and attendance of members

Name of the Director		No. of meetings attended
Mr. Thomas Muthoot	Chairman	4
Mr. Thomas George Muthoot	Member	4
Mr. Thomas John Muthoot	Member	4

Mr. Varun.T.V, Company Secretary, was the Compliance Officer. During the year under review, the Company received 30 communications/complaints from shareholders, which were attended to the satisfaction of shareholders. None was pending and unresolved as on 31.03.2010. The complaint by shareholders forwarded to the Company by SEBI has been attended to and rectified.

V) BRIEF RESUME OF THE DIRECTOR SEEKING RE - APPOINTMENT

The re-appointment of Mr. A.P. Kurian and Mr. R.K. Nair as Directors of the Company was recommended by the Board of Directors at their meeting held on 12.05.2010, subject to the approval of shareholders.

The resume of the Directors retiring by rotation are given below :

a)

Name : Mr. A.P. Kurian
Age : 77 yrs
Qualification : MA (Economics with Statistics)
Experience : He has had a long career in National and International Banking and Finance. He is the former Advisor, Economic Department, RBI and Executive Trustee of UTI. Presently he is the Chairman of Association of Mutual Funds in India and on the Board of several other Companies.
Present Position : Independent Director, Member of Audit Committee.
Category : Non-Executive Director

b)

Name : Mr. R.K. Nair
Age : 71 yrs
Qualification : M.Com, ACA, LLM
Experience : He is the Director of Muthoot Fincorp Ltd. He has above 20 years of experience in the financial sector and wide experience as a practicing advocate.
Present Position : Independent Director, Member of Audit Committee
Category : Non-Executive Director

VI) GENERAL BODY MEETINGS

Time, location and details of special resolution passed at the preceding 3 Annual General Meetings

Year	Date	Time	Venue	Whether special resolution passed in respect of any agenda item
2009	24.09.2009	10.00 am	The International Hotel, M.G. Road, Kochi.	Yes Item No.8 for alteration of Articles of Association for increasing the Authorised Share Capital Item No.9 for the Rights Issue.
2008	29.08.2008	10.00 am	Aangan Hall, Bharat Tourist Home(BTH), DH Road, Kochi.	No
2007	14.08.2007	10.00 am	Aangan Hall, Bharat Tourist Home(BTH), DH Road, Kochi.	Yes. Item No. 1 under Special Business in the notice for carrying on business under Other Objects Clause of the Memorandum of Association

VII) DISCLOSURES

- In the opinion of the Board, the transactions entered into by the Company with the related parties were not in conflict with the interest of the Company. Details of related party transactions are included in the Notes to the Accounts.
- The Company proposes to adopt other non-mandatory requirements as and when necessary.

VIII) MEANS OF COMMUNICATION

The quarterly, half yearly and annual results were published in The Financial Express and Mangalam.

IX) GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

16th Annual General Meeting	
Date	31st July, 2010
Time	10.00 a.m.
Venue	The International Hotel, Veekshanam Road, Kochi.
Financial Year	2009-2010
Book Closure Date	25.07.2010 to 31.07.2010
Dividend Payment Date	On or before 30th August, 2010
Company's address for correspondence	5 th Floor, Muthoot Towers, M.G. Road, Kochi - 682 035, Kerala.
E-mail	mail@muthootcap.com
Company's website	www.muthootcap.com

Listing of Company's equity shares

The Company's shares are listed on : The Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 110001

The Company has paid listing fees to the above stock exchange for the financial year 2010-11.

Code of Insider Trading

The Company has adopted and implemented a Code of Conduct pursuant to SEBI (Prohibition of Insider Trading (Amendments) Regulations, 2002). The Code lays down the guidelines, which include procedures to be followed and disclosures to be made by the Insiders (Directors, Officers and Designated Employees) while dealing in shares of the Company.

MARKET PRICE DATA

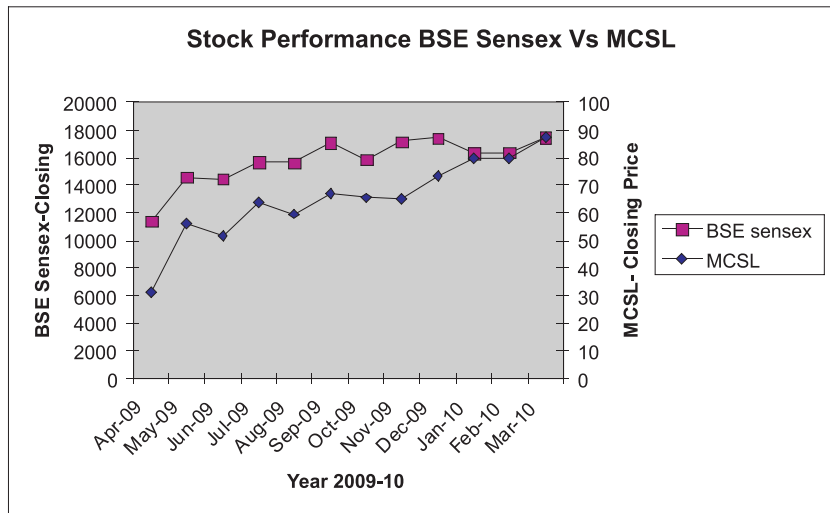
Scrip ID : MUTHTFN
Scrip code : 511766
Demat ISIN No. : INE296G01013

Market Price Data

The monthly high and low prices of the Company’s shares traded in The Bombay Stock Exchange Limited, Mumbai, during each month in the financial year ended 31st March, 2010, are as under:

Month	High Price (Rs.)	Low Price (Rs.)
Apr-09	34.90	26.30
May-09	56.35	31.90
Jun-09	62.25	49.20
Jul-09	70.00	45.55
Aug-09	64.50	55.35
Sep-09	71.25	61.00
Oct-09	71.90	62.70
Nov-09	71.00	62.00
Dec-09	80.40	60.40
Jan-10	97.40	70.65
Feb-10	85.00	69.65
Mar-10	100.50	79.00

Stock performance as compared to BSE Index



Registrar and Transfer Agents (Share Transfer and communication regarding : Integrated Enterprises (India) Limited, Seema, 41/426, Rajaji Road,

Share Certificate, Dividends and change of address)		Near Abad Metro Hotel, Kochi 682 035, Kerala.
Telephone	:	0484 2371494 / 2366099
Tele Fax	:	0484 2384735
E-mail	:	yesbalu@iepindia.com shaji@iepindia.com

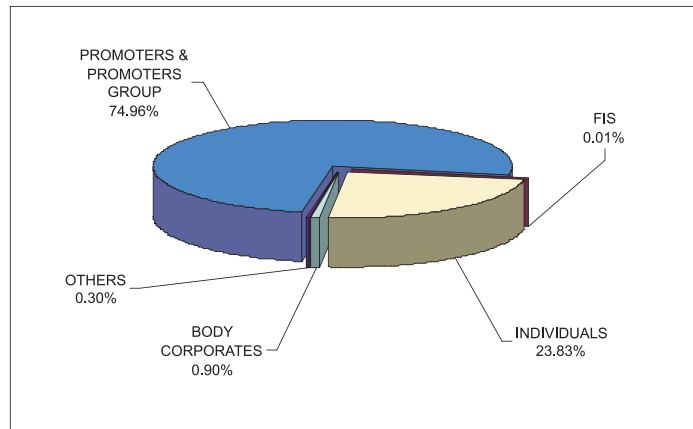
Share Transfer system

Presently, the share transfer applications which are received in physical form are processed and the share certificates returned within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects.

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2010

Sl. No.	Category	No. of Share holders	% Holders	Shares	% Shares
1	Upto 100	4534	75.68	410072	6.31
2	101-500	1129	18.84	298230	4.59
3	501-600	56	0.93	32909	0.51
4	601-700	22	0.3672	14919	0.23
5	701-800	25	0.4173	19435	0.30
6	801-900	17	0.2838	15118	0.23
7	901-1000	61	1.2352	60699	0.93
8	1001-2000	74	0.6009	106345	1.64
9	2001-5000	36	0.5503	108519	1.67
10	5001-10000	18	0.3005	113121	1.74
11	10001-20000	3	0.0501	46402	0.71
12	20001-30000	4	0.0688	95771	1.47
13	30001-40000	0	0.00	0	0.00
14	40001-50000	2	0.0334	88227	1.36
15	50001-100000	4	0.0668	260038	4.00
16	Above 100000	6	0.1002	4830195	74.31
	TOTAL	5991	100.00	6500000	100.00

Distribution Of Shareholding On The Basis Of Category Of Shareholders As On 31.03.2010



DEMATERIALISATION OF SHARES

The Company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of our shares for scripless trading. As on 31st March, 2010, 87.67 % of shares of the Company were held in dematerialized form.

X) COMPLIANCE STATUS OF CLAUSE 49 OF THE LISTING AGREEMENT

All Board members and Senior Management personnel have affirmed compliance with the Code of Conduct. A declaration to this effect by the Managing Director is annexed as Annexure I to this report.

The Company has complied with all mandatory recommendations prescribed in Clause 49 of the Listing Agreement. A certificate to this effect from the Statutory Auditors, M/s. K. Venkatachalam Aiyer & Co. is annexed as Annexure II to this report.

Annexure I

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

TO THE MEMBERS OF MUTHOOT CAPITAL SERVICES LIMITED

I confirm that the Company has received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them during the financial year ended 31st March, 2010.

Sd/-

Kochi - 682 035
12.05.2010

Thomas George Muthoot
Managing Director

Auditors' Certificate On Corporate Governance

To

The Members of

MUTHOOT CAPITAL SERVICES LTD

We have examined the Compliance of conditions of Corporate Governance by **Muthoot Capital Services Limited** for the year ended on 31st March 2010, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us we certify that Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

We state that no investor grievances are pending for a period **exceeding one month** against the Company as per the records maintained by the Share Transfer cum Investors Grievances Committee.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **K. VENKATACHALAM AIYER & Co**

Chartered Accountants

Firm Registration Number: 004610S

A. GOPALAKRISHNAN

(Partner)

Membership No.18159

Place: Kochi

Date: 12.05.2010

Auditors' Report

To the Members of
MUTHOOT CAPITAL SERVICES LIMITED

- 1) We have audited the attached Balance Sheet of MUTHOOT CAPITAL SERVICES LTD., KOCHI as at 31st March 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed there to, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Audit Report) (Amendment) Order, 2004 (together the Order) issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act 1956 of India (the Act) and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.

- d) In our opinion the Balance sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report have been prepared in all material respects in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956, to the extent applicable.
- e) On the basis of the written representations received from the Directors of the Company as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director of the Company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the company's significant accounting policies and the notes attached there to, appearing in Schedule-O and other notes appearing elsewhere in the accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - ii) in the case of the Profit and Loss Account, of the profit of the company for the year ended on that date and;
 - iii) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

For K. VENKATACHALAM AIYER & Co
Chartered Accountants
Firm Registration Number: 004610S

A. GOPALAKRISHNAN
(Partner)
Membership No.18159

Place: Kochi
Date: 12.05.2010

Annexure Referred to in Paragraph 3 of the Auditors' Report of even date to the members of Muthoot Capital Services Limited, Kochi on the Financial Statements for the year ended 31st March 2010

1.
 - (i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (ii) The fixed assets have been physically verified by the management during the period, the programme of verification of which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been noticed on such physical verification.
 - (iii) In our opinion and according to the information and explanation given to us, a substantial part of the Fixed Assets has not been disposed off by the company during the year.
2.
 - (i) Except for the stocks on hire, (the legal ownership of which is to be transferred to the hirer on receipt of the last installment from them,) the company does not have any stock of inventory.
 - (ii) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory.
3.
 - (i) On the basis of the explanations given by the Management, we report that the Company has not taken any loans, secured or unsecured from Companies or other parties covered in the register maintained u/s 301 of the Companies Act. However we report that the Company has entered into **current account transactions** with the Directors of the Company and the maximum amount to the credit of **such current accounts** of the Directors during the year was Rs. 3178.11 Lakhs and the year-end balances was Rs. 2188.50 Lakhs.
 - (ii) The Company has not granted secured loans to company covered in the register, maintained in pursuance of Section 301 of the Act.
 - (iii) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from/granted to companies, firms or other parties listed in the register maintained under section 301 of the Act are not prima facie prejudicial to the interests of the Company.
 - (iv) In respect of the aforesaid loans, the Company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest, wherever applicable. The parties are repaying the principal amounts as stipulated and are also regular in payment of interest, wherever applicable.
 - (v) There are no overdue amounts of loans taken from or granted to companies, firms or other parties listed in the register maintained in pursuance of Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor

have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.

5.
 - i) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register in pursuant of section 301 of the Act, have been so entered.
 - ii) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of Rupees five lakhs in respect of any party during the year prima facie, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted deposits within the meaning of Sec 58A of the Companies Act 1956 from the public during the financial year 2009-10.
7. The Company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
8.
 - (a) According to the information and explanations given to us and the records of the Company examined by us, and in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, sales tax and other material statutory dues as applicable with the appropriate authorities.
 - (b) According to the information and explanations given to us there are no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, excise duty and cess which are outstanding as at 31st March,2010 for a period of more than six months from the date they became payable.
9. The Company has no accumulated losses as at 31st March 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
10. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to any financial institution or Bank or Bondholders as at the balance sheet date.
11. In our opinion and according to the information and explanations given to us, Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. In our opinion Company has maintained proper records for the trading in shares; securities and other investments and timely entries have been made.
13. According to the explanations and information given to us, the Company has not given any guarantee during the year for loans taken by others from banks or other financial

institutions, the terms and conditions of which are prejudicial to the interest of the company.

14. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company, prima facie, were applied by the Company during the year for the purposes for which the loans were obtained.
15. According to the cash flow statement and other records examined by us and the explanations and information given to us, on an overall examination of the balance sheet of the Company, funds raised on short-term basis have not been used for long-term investment.
16. According to the explanations and information given to us, during the year under audit the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
17. According to the explanations and information given to us, the Company has created securities in respect of the secured redeemable non-convertible bonds issued and outstanding at the year-end.
18. The Company has not raised money by public issues during the year.
19. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanations and information given to us, we have neither come across with any instance of fraud on or by the Company being noticed or reported during the year, nor have we been informed of such case by the management.
20. In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year have been such that clauses (viii) and (xiii) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company for the year.

For **K. VENKATACHALAM AIYER & Co**
Chartered Accountants,
Firm Registration Number: 004610S

A. GOPALAKRISHNAN
(Partner)
Membership No.18159

Place: Kochi
Date: 12.05.2010

Auditors' Report Submitted As Per Non-banking Financial Companies Auditors Report (Reserve Bank) Directions, 2008 in respect of the financial year 2009-2010 of the Muthoot Capital Services Ltd., M.G. Road, Ernakulam.

The Board of Directors,
Muthoot Capital Services Ltd.,
Kochi.

1. The Company is engaged in the business of Non-Banking Financial institution and it has obtained the certificate of registration as provided in section 45 IA of the RBI Act, 1934.
2. The Company is entitled to hold Certificate of Registration in terms of Asset/Income Pattern as on 31 March 2010.
3. The Company is classified as a Deposit accepting Company as Per RBI Order No. 16. 00024. However the Company has not accepted any public deposits during the year under review.
4. The Company has complied with the prudential norms on Income Recognition, Accounting standards, Asset Classification, Provisioning for bad and doubtful debts and concentration of credits/investments as specified in the directions issued by the Reserve Bank of India in terms of the Non-Banking Financial (Deposit Accepting or holding) Companies Prudential Norms (Reserve Bank) Directions 2007.
5. The capital adequacy ratio as disclosed in the return submitted to the RBI in terms of Non-Banking Financial (Deposit Accepting or holding) Companies Prudential Norms (Reserve Bank) Directions 2007 has been correctly determined and such ratio is in compliance with the minimum Capital to Risk Asset Ratio prescribed by RBI.
6. As the Company has no public deposits during the year under review, the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 1998 are not applicable.
7. As the Company has no public deposits during the year under review, the requirement of having the minimum credit rating is not applicable to the company in terms of the proviso to Paragraph 4 (1) (i) of NBFC Public Deposit (RBI) Directions, 1998.
8. There are certain secured bonds held by the Company as on the Balance Sheet date, which have already been matured but for which the bondholders did not make any claim. We are informed that the Company has taken adequate steps for its repayment. The total number of accounts and total amount in respect thereof as on the date of Balance Sheet are as follows: -

Particulars	Nature of the instrument		
	Secured bonds	Public deposits (unsecured)	Total
Total no. of accounts	83	NIL	83
Principal amount due	Rs. 40 34 000.00	NIL	Rs. 40 34 000.00
Interest accrued	Rs. 4 94 963.61	NIL	Rs. 4 94 963.61
Total amount outstanding	Rs. 45 28 963.91	NIL	Rs. 45 28 963.91

9. As the Company has no public deposits during the year, liquidity requirement by making investments in approved securities is not applicable.
10. The Company has furnished to the RBI the return on deposits as specified in the first schedule to the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 1998. The management informed us that the said return of deposits for the year 2009-2010 would be furnished to the Reserve Bank of India before the due date viz. 30th September 2010.
11. The Company has furnished to the RBI the half-yearly return on prudential norms for 31-03-2009 & 30-09-2009 on 29-06-2009 and 22-12-2009 respectively as specified in the Non Banking Financial (Deposit Accepting or holding) Companies Prudential Norms (Reserve Bank) Directions 2007.
12. As explained to us, the Company has not opened or closed any branch or appointed any agent to collect deposit during the financial year 2009, 2010, hence the requirements contained in the Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 is not applicable.

For K. VENKATACHALAM AIYER & Co

Chartered Accountants

Firm Registration Number: 004610S

A. GOPALAKRISHNAN

Partner

Membership No. 018159

Place: Kochi

Date: 12-05-2010

BALANCE SHEET AS AT 31ST MARCH 2010					
Particulars	Sch No.	As at 31.03.2010		As at 31.03.2009	
		Rs.	Ps.	Rs.	Ps.
SOURCES OF FUNDS					
Shareholders' Funds:					
Share Capital	A	6 50 00 000.00		6 50 00 000.00	
Reserves and Surplus	B	14 86 91 855.26		9 59 74 936.29	
		21 36 91 855.26		16 09 74 936.29	
Loan Funds:-					
Secured Loans	C	57 61 91 810.00		40 60 00 050.75	
Unsecured Loans	D	21 88 49 886.64		12 67 32 153.92	
		79 50 41 696.64		53 27 32 204.67	
TOTAL		100 87 33 551.90		69 37 07 140.96	
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	E	2 00 04 913.00		1 82 63 172.00	
Less: Depreciation till date		1 56 92 326.00		1 47 73 505.00	
Net Block		43 12 587.00		34 89 667.00	
Investments	F	18 33 462.00		15 98 728.64	
Deferred Tax Asset		10 72 100.00		8 98 100.00	
Current Assets, Loans & Advances:					
A. Current Assets	G	44 39 46 273.79		13 70 94 224.79	
B. Loans and Advances		59 54 84 087.10		59 20 99 622.60	
		103 94 30 360.89		72 91 93 847.39	
Less: Current Liabilities & Provisions					
Current Liabilities	H	1 42 48 335.82		2 20 36 378.07	
Provisions		2 36 66 622.17		1 94 36 824.00	
		3 79 14 957.99		4 14 73 202.07	
Net Current Assets		100 15 15 402.90		68 77 20 645.32	
TOTAL		100 87 33 551.90		69 37 07 140.96	

The attached schedules and notes form an integral part of these accounts.

This is the balance sheet referred to in our report of even date.

For K. VENKATACHALAM AIYER & CO
Chartered Accountants
Firm Registration Number: 004610 S

A. GOPALAKRISHNAN
Partner
Membership No. 18159
Place: Kochi
Date: 12/05/2010

For MUTHOOT CAPITAL SERVICES LTD.

THOMAS JOHN MUTHOOT
Chairman
THOMAS GEORGE MUTHOOT
Managing Director
ELIZABETH WILSON
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH 2010					
Particulars	Sch No.	Year Ended 31.03.2010		Year ended 31.03.2009	
		Rs.	Ps	Rs.	Ps
INCOME					
Income from operations	I	22 27 37 838.45		17 02 50 197.46	
Other Income	J	20 17 887.59		36 11 336.98	
TOTAL		22 47 55 726.04		17 38 61 534.44	
EXPENDITURE					
Financial Expenses	K	6 91 60 677.88		6 15 29 071.18	
Establishment Expenses	L	2 48 29 562.00		1 20 72 138.69	
Administrative & other expenses	M	2 08 64 372.19		1 52 53 734.96	
TOTAL		11 48 54 612.07		8 88 54 944.83	
PROFIT BEFORE DEPRECIATION AND OTHER PROVISIONS		10 99 01 113.97		8 50 06 589.61	
Depreciation	E	9 18 821.00		8 33 530.00	
Provision & Write offs	N	2 40 302.00		6 58 333.00	
PROFIT BEFORE TAX		10 87 41 990.97		8 35 14 726.61	
Provision for taxation					
Current tax		3 72 20 000.00		2 92 95 000.00	
Deferred Tax		- 1 74 000.00		- 11 58 200.00	
Fringe Benefit Tax		.00		1 03 000.00	
Income Tax Adjustment For Earlier Years		- 32 628.00		11 00 000.00	
PROFIT AFTER TAX		7 17 28 618.97		5 41 74 926.61	
Add:Balance brought forward from previous year		6 21 15 936.29		3 41 50 359.68	
AMOUNT AVAILABLE FOR APPROPRIATIONS		13 38 44 555.26		8 83 25 286.29	
Less:Appropriations					
Transfer to Statutory Reserve		1 44 00 000.00		1 10 00 000.00	
Proposed Dividend		1 62 50 000.00		1 30 00 000.00	
Dividend Tax		27 61 700.00		22 09 350.00	
Surplus carried to Balance Sheet		10 04 32 855.26		6 21 15 936.29	
Basic and Diluted Earnings Per Share		11.04		8.33	
Notes on Accounts	O				

The attached schedules and notes form an integral part of these accounts. This is the profit and loss account referred to in our report of even date.

For K. VENKATACHALAM AIYER & CO
Chartered Accountants
Firm Registration Number: 004610 S

A. GOPALAKRISHNAN
Partner
Membership No. 18159

Place: Kochi
Date: 12/05/2010

For MUTHOOT CAPITAL SERVICES LTD.

THOMAS JOHN MUTHOOT
Chairman
THOMAS GEORGE MUTHOOT
Managing Director
ELIZABETH WILSON
Company Secretary

MUTHOOT CAPITAL SERVICES LIMITED				
MUTHOOT TOWERS, M.G. ROAD, ERNAKULAM				
SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS A/C				
	Current Year ended 31 st March 2010		Previous Year Ended 31 st March 2009	
	Rs.	Ps	Rs.	Ps.
SCHEDULE - A				
SHARE CAPITAL				
Authorised	15 00 00 000.00		7 00 00 000.00	
(1,50,00,000 equity shares of Rs. 10/- each)				
Issued and subscribed				
65,00,000 equity shares of Rs. 10/- each fully called and paid up	6 50 00 000.00		6 50 00 000.00	
SCHEDULE - B				
RESERVES AND SURPLUS				
Statutory Reserve				
As on 01.04.2009	3 37 59 000.00		2 27 59 000.00	
Add: Transfer from Profit and Loss account	1 44 00 000.00		1 10 00 000.00	
As on 31-03-2010 (A)	4 81 59 000.00		3 37 59 000.00	
Surplus Carried from Profit and Loss Account (B)	10 04 32 855.26		6 21 15 936.29	
Debenture Redemption Reserve (C)	1 00 000.00		1 00 000.00	
TOTAL (A+B+C)	14 86 91 855.26		9 59 74 936.29	
SCHEDULE - C				
SECURED LOANS				
Redeemable non-convertible bonds	13 96 76 000.00		14 34 50 394.00	
Interest accrued but not due on bonds (Secured by a charge on all movable assets, book debts, receivables and	1 40 61 554.00		1 18 35 343.75	

	Current Year ended 31 st March 2010		Previous Year Ended 31 st March 2009	
	Rs.	Ps	Rs.	Ps.
Advances including loan against security of gold created by the company)				
ICICI WORKING CAPITAL LOAN (Secured by hypothecation of Gold loan receivables and book debts)	20 00 00 000.00		20 00 72 040.00	
SBT-ERNAKULAM -4312 CC A/c (Secured by a charge on all movable assets,book debts,receivables and advances including loan against security of gold created by the company)	2 17 16 532.00		4 98 93 916.00	
H D F C Bank Ltd. (Secured by first pari passu charge on the current assets including Gold Loan receivable of the company)	10 00 00 000.00			-
AXIS Bank Ltd. (Secured by first pari passu charge on entire current assets including loan receivables, all the stock in trade both present and future, outstanding monies, receivables, claims and bills, along with SBT and ICICI Bank)	9 96 35 742.00			-
HDFC Bank Ltd Car Loan (Secured by Hypothecation of Getz Car bearing Registration No KL 7 AX 284)	25 112.00		1 20 806.00	
HDFC Bank Ltd Car Loan (Secured by Hypothecation of Hyundai Verna Car bearing Registration No KL 7 BH 5228)	4 93 630.00		6 27 551.00	

	Current Year ended 31 st March 2010		Previous Year Ended 31 st March 2009	
	Rs.	Ps	Rs.	Ps.
HDFC Bank Ltd Car Loan (Secured by hypothecation of Asta i20 bearing Registration No KL 7 -BL-6708)	5 83 240.00			-
TOTAL	57 61 91 810.00		40 60 00 050.75	
SCHEDULE - D				
UNSECURED LOANS				
Loan from Directors	21 88 49 886.64		12 67 32 153.92	
SCHEDULE - F				
INVESTMENTS				
(Annexure 1)				
Equity Shares-quoted (Valued at Cost or Market price which ever is lower and certified by the Management)				
At Cost	18 14 091.00		15 19 084.22	
Preference share unquoted		-	2 16 273.42	
Less: Provision for diminution in value of investments		-	1 56 000.00	
	18 14 091.00		15 79 357.64	
UTI GOLD - Exchange Traded Fund	19 371.00		19 371.00	
*20 Units having total NAV of Rs. 32,202 as at 31.03.2010.				
TOTAL	18 33 462.00		15 98 728.64	

	Current Year ended 31 st March 2010		Previous Year Ended 31 st March 2009	
	Rs.	Ps	Rs.	Ps.
SCHEDULE - G				
CURRENT ASSETS, LOANS AND ADVANCES				
CURRENT ASSETS				
Gross Stock on Hire	80 492.00		1 77 716.00	
Less: Unmatured finance charges	2 427.00		12 462.00	
Add:-Value of repossessed automobile assets	78 065.00		1 65 254.00	
Net Book Value	78 065.00		1 65 254.00	
Hypothecation Loan -Gross	49 28 90 126.00		11 69 13 723.00	
Less: Unmatured finance charges	9 30 89 913.00		2 42 18 967.00	
	39 98 00 213.00		9 26 94 756.00	
Add:-Value of repossessed automobile assets	99 068.00		-	
Net Book Value	39 98 99 281.00		9 26 94 756.00	
Cash and Bank Balances				
Cash-in hand	72 46 317.17		50 94 507.07	
Bank Balances				
- in Current Accounts	1 22 78 712.30		77 53 905.39	
- in Deposit Accounts	20 000.00		50 20 000.00	
Interest Receivables				
Outstanding for a period of:				
- More than six months	-		-	
- Others	2 32 50 106.99		2 58 30 113.93	
Other Receivables				
Outstanding for a period of:				
- More than six months	-		-	
- Others	11 31 216.33		4 99 602.40	

	Current Year ended 31 st March 2010		Previous Year Ended 31 st March 2009	
	Rs.	Ps	Rs.	Ps.
Prepaid Expense	42 575.00		36 086.00	
TOTAL	44 39 46 273.79		13 70 94 224.79	
LOANS AND ADVANCES				
Loan against Gold Security, Loan against Company's own Bonds, Demand Promissory Notes, Inter corporate Deposits etc.				
i) Secured				
Considered good	57 00 37 252.00		63 55 52 934.00	
Less: Development Credit Bank Ltd Loan	-		4 99 96 920.00	
Net Secured (considered good)	57 00 37 252.00		58 55 56 014.00	
Considered doubtful	-		-	
ii) Unsecured				
Considered good	1 90 92 188.00		2 40 899.00	
Considered doubtful	-		-	
Deposits Considered good	32 50 224.00		32 40 099.00	
Loans and advances - others	31 04 423.10		30 62 610.60	
TOTAL	59 54 84 087.10		59 20 99 622.60	
GRAND TOTAL	103 94 30 360.89		72 91 93 847.39	
SCHEDULE -H				
CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	1 42 48 335.82		2 20 36 378.07	
Provisions	2 36 66 622.17		1 94 36 824.00	
TOTAL	3 79 14 957.99		4 14 73 202.07	

	Current Year ended 31 st March 2010		Previous Year Ended 31 st March 2009	
	Rs.	Ps	Rs.	Ps.
SCHEDULE - I				
INCOME FROM OPERATIONS				
Finance charges	7 19 95 996.00		1 45 31 822.00	
Income from Other Loans	14 58 60 327.71		14 48 91 337.66	
Commission received from HDFC Standard Life Insurance	27 91 649.74		1 08 27 037.80	
Commission received from Apollo DKV Insurance	5 37 455.00		-	
Commission received from BIRLA Sunlife Insurance	15 52 410.00		-	
TOTAL	22 27 37 838.45		17 02 50 197.46	
SCHEDULE - J				
OTHER INCOME				
Interest on Bank deposits	4 41 366.00		1 14 147.00	
Wind Mill Income	11 13 795.00		9 36 660.90	
Profit from Capital Market Operations	49 324.00		3 24 463.00	
Excess provision written back	1 56 000.00		-	
Dividend 61 031.00	54 840.00			
Miscellaneous Income	1 96 371.59		21 81 226.08	
TOTAL	20 17 887.59		36 11 336.98	
SCHEDULE- K				
FINANCIAL EXPENSES				
Interest on Bank Loans	3 42 08 871.00		3 13 32 218.00	
Interest on Bonds	1 55 06 307.00		1 65 44 991.75	
Interest to Others	1 59 41 300.00		1 16 83 614.00	
Other Financial Expenses	35 04 199.88		19 68 247.43	
TOTAL	6 91 60 677.88		6 15 29 071.18	

	Current Year ended 31 st March 2010		Previous Year Ended 31 st March 2009	
	Rs.	Ps	Rs.	Ps.
SCHEDULE- L				
ESTABLISHMENT EXPENSES				
Remuneration to Employees	2 33 29 562.00		1 05 72 138.69	
Remuneration to Directors	15 00 000.00		15 00 000.00	
TOTAL	2 48 29 562.00		1 20 72 138.69	
SCHEDULE- M				
ADMINISTRATIVE & OTHER EXPENSES				
Rent, Rates and Taxes	47 19 370.58		16 98 986.00	
Reimbursement of operating expense	44 70 436.50		69 18 597.00	
Auditor Remuneration				
For Audit Fee	1 27 150.00		1 09 785.00	
For Taxation matters	38 300.00		33 090.00	
Other Services	97 617.00		76 124.00	
General Expenses	1 14 11 498.11		64 17 152.96	
TOTAL	2 08 64 372.19		1 52 53 734.96	
SCHEDULE - N				
PROVISIONS & WRITE OFFS				
Provision for Non Performing Assets	2 40 302.00		5 02 333.00	
Provision for diminution in value of investment		-	1 56 000.00	
TOTAL	2 40 302.00		6 58 333.00	

SCHEDULE - E																									
SCHEDULE OF FIXED ASSETS AS ON 31st MARCH 2010																									
Sl. No	Description of the assets	GROSS BLOCK						DEPRECIATION						NET BLOCK											
		As at 1/4/2009		Additions / (Deductions) during the year		Sale during the year		As at 31/3/2010		Rate		Upto 31/3/2009		For the year		Adjustment for the year		Upto 31/3/2010		WDV. As on 31/3/2009		WDV. As on 31/3/2010			
		Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	%	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	
1	Vehicles	23 24 692.00		7 50 810.00		.00		30 75 502.00		25.89%		16 35 780.00		2 91 261.00		.00		19 27 041.00		11 48 461.00		6 88 912.00		11 48 461.00	
2	Furniture and Fittings	28 84 809.00		2 45 420.00		.00		31 30 229.00		18.10%		25 08 580.00		86 060.00		.00		25 94 640.00		5 35 589.00		3 76 229.00		5 35 589.00	
3	Office Equipments	5 83 097.00		.00		.00		5 83 097.00		13.91%		4 78 169.00		14 595.00		.00		4 92 764.00		90 333.00		1 04 928.00		90 333.00	
4	Computers & Accessories	34 92 244.00		7 45 511.00		.00		42 37 755.00		40.00%		32 31 704.00		2 11 251.00		.00		34 42 955.00		7 94 800.00		2 60 540.00		7 94 800.00	
5	Windmill Generator	89 78 330.00		.00		.00		89 78 330.00		15.33%		69 19 272.00		3 15 654.00		.00		72 34 926.00		17 43 404.00		20 59 058.00		17 43 404.00	
	GRAND TOTAL	1 82 63 172.00		17 41 741.00		.00		2 00 04 913.00		-		1 47 73 505.00		9 18 821.00		.00		1 56 92 326.00		43 12 587.00		34 89 667.00		43 12 587.00	
	Previous Year 2008-09	1 92 77 443.00		2 96 170.00		13 10 441.00		1 82 63 172.00				1 48 91 868.00		8 33 530.00		9 51 893.00		1 47 73 505.00		34 89 667.00		43 85 575.00		34 89 667.00	

Annexure 1

Sl No.	Name of the Scrip	Closing as on 31.03.2010	
		Qty	Cost
A.	Quoted Equity	No.	Rs. Ps.
1	Hero Honda Motors Ltd	189.00	1 48 869.55
2	Bosch Ltd	22.00	77 243.94
3	State Bank Of India	126.00	1 42 047.98
4	H D F C Bank Ltd	141.00	1 44 867.12
5	H D F C Ltd	49.00	71 405.25
6	Bharat Electronics Ltd	119.00	1 36 286.23
7	Larsen & Toubro Ltd (Bonus Shares)	100.00	.00
8	Blue Star Ltd	261.00	1 10 033.18
9	Nestle India Ltd	61.00	1 60 305.66
10	Indian Oil Corporation Ltd	577.00	99 699.00
11	Reliance Industires Ltd	126.00	1 21 680.89
12	Glaxosmithkline Pharmaceutical Ltd	97.00	1 24 686.38
13	Tata Steel Ltd	291.00	2 08 752.80
14	Infosys Technologies Ltd	121.00	1 74 222.63
15	Bharti Airtel Ltd	548.00	93 990.39
	Total		18 14 091.00
	Market value of investment		29 73 681.05
B.	Other Investment		
	UTI Gold ETF	20.00	19 371.00
	Market value of investment		32 202.00
	Total Cost of Investment		18 33 462.00
	Total Market value of investment		30 05 883.05

MUTHOOT CAPITAL SERVICES LIMITED
MUTHOOT TOWERS, M.G. ROAD, ERNAKULAM

SCHEDULE O
NOTES FORMING PART OF ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES.

1.1. Basis for preparation of financial statements.

The financial statements for the year 2009-10, have been prepared under historical cost convention, in compliance with Indian Generally Accepted Accounting Principles (GAAP) with mandatory and relevant Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and in compliance with the provisions of Companies Act, 1956 and the directions issued by Reserve Bank of India for Non Banking Financial Companies from time to time wherever applicable.

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance sheet date, reported amounts of revenues and expenses during the year. The estimates and assumptions used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as on the date of financial statements.

1.2. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured

- a. Finance charges in respect of Hire Purchase/Hypothecation loan transactions are accounted by applying the Internal Rate of Return method. Over due charges on belated Hire Purchase/Hypothecation loan installments are accounted as and when received by the Company.
- b. Interest on loans and advances is recognized on accrual basis at the contract rate wherever feasible. Overdue charges for delayed payments are accounted as and when received.
- c. Interest on investments is accounted on accrual basis. Dividend is recognized as income when right to receive payment is established by the date of balance sheet. The Profit/Loss on the sale of investments is dealt with at the time of actual sale/redemption.
- d. Income in respect of Non-performing assets is recognized as and when received as per the guidelines given in the Non-Banking Financial Companies (Reserve Bank) Directions, 2007.
- e. Income from Services is recognized on accrual basis.

1.3. Treatment of expenses:

- a. It is the Company's policy to provide for all expenses on accrual basis, unless otherwise stated.
- b. As per the guidelines given in the Prudential Norms for Non-Banking Financial Companies prescribed by the Reserve Bank of India, the Company makes adequate provisions against Non-Performing Assets in the following manner.

(i) Sub-standard Assets:

Provision as required by paragraph 9 of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions 2007.

(ii) Doubtful/Loss Assets:

Provision as required by paragraph 9 of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions 2007. The Company has written off an amount equivalent to the amount required to be provided as per Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007 if the provision required to be made is 100%.

1.4. The Company has followed the Directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies in respect of Prudential Norms for Income Recognition, Asset Classification, Accounting Standards, provisioning / writing off for bad and doubtful debts, Capital Adequacy and Concentration of credit / investments and Non Banking Finance Companies acceptance of Public Deposits (Reserve Bank) Directions 2007.

1.5. Fixed assets:

Fixed assets are carried at historical cost less accumulated depreciation.

1.6. Depreciation:

Depreciation on assets held for own use of the Company is provided on written down value method at the rates prescribed under schedule XIV of the Companies Act, 1956. Assets costing Rs. 5,000/- or less acquired during the year are fully depreciated.

1.7. Investments:

The investments made by the Company, are valued as per the Accounting Standard-13 issued by The Institute of Chartered Accountants of India. Current investments are valued at lower of cost or market value.

1.8. Stock on hire:

- 1) Stock under hire purchase of assets is stated at the full agreement value less unmatured finance and other charges in respect of installments not fallen due.

- 2) Stock of repossessed assets is valued at realizable market price or hire purchase installments receivable whichever is less.

1.9. Income Tax: -

Provision for taxation is made in accordance with the Accounting Standard-22 on Accounting for Taxes on Income issued by ICAI. Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences in the financial statements between carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and deferred tax liabilities are recognized subject to management's judgment.

1.10. Employee Benefits

a) Short Term Employee Benefits

Short Term Employee Benefits for services rendered by employees are recognized during the period when the services are rendered.

b) Post Employment Benefits

(i) Defined Contribution plan- Provident Fund.

Contributions to provident fund made in accordance with the EPF rules are accounted on actual cost to the company.

(ii) Defined Benefit plan - Gratuity

Payment of gratuity to employees is covered by the Gratuity Trust Scheme based on the Group Gratuity Cum Assurance scheme of the LIC of India which is a defined benefit scheme. The yearly contribution/premium paid/payable to be determined on actuarial principle by LIC will be charged to the Profit & Loss Account.

1.11. Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price of the assets and their value in use.

1.12. Segment Reporting: -

The company's operations are classified into two reportable business segments, viz. Financing Activities (Advancing of Gold Loan, Hire Purchase and Hypothecation Loans,

etc.) and Insurance Services (as a corporate agent of HDFC Standard Life Insurance and data sharing partner of Birla SunLife Insurance) and the segment information is reported accordingly. Unallocated items include income and expenses which are not allocated to any business segment.

1.13.Related Party Disclosure: -

Disclosures are made as per the requirements of the Accounting Standard 18 read with the clarifications issued by Institute of Chartered Accountants of India.

1.14.Earnings per Share: -

The Company reports basic earning per share in accordance with AS-20 "Earnings per Share", issued by the ICAI. Basic earning per share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year.

1.15.Provisions

Provisions are recognized when the Company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

1.16.Contingent Liabilities

Contingent Liabilities are not provided for, and are disclosed by way of notes.

2. BALANCE SHEET

2.1. Debenture Redemption Reserve (DRR)

As per the clarification regarding Debenture Redemption Reserve given in general Circular no. 9/2002 dated 18-4-2002 issued by Department of Company affairs, for NBFCs registered with RBI u/s. 45-IA of the RBI (Amendment) Act, 1997, Debenture Redemption Reserve is not required in the case of privately placed debentures. The Directors confirm that the Company issued only privately placed secured bonds and hence it is not required to create Debenture Redemption Reserve u/s 117C of the Companies Act 1956 and accordingly the Company did not create Debenture Redemption Reserve during the year.

2.2.Secured Loans:

Particulars of privately placed secured redeemable Bonds (fully secured on the present and future assets of the Company)

Fully Secured	Current Year	Previous Year
	Rs. in Lakhs	Rs. in Lakhs
Issue during the Year	997.05	751.15
Redemption during the Year	1034.79	1,222.55

Series	Financial Year of Maturity	No of Bonds	Amount
D	2006-07	480	4 80 000.00
D	2007-08	3	3 000.00
D	2008-09	63	63 000.00
D	2009-10	0	.00
D	2010-11	5028	50 28 000.00
D	2011-12	15	15 000.00
	Total		55 89 000.00
1	2006-07	30	30 000.00
1	2007-08	0	.00
1	2008-09	0	.00
1	2009-10	184	1 84 000.00
1	2010-11	2105	21 05 000.00
1	2011-12	1589	15 89 000.00
	Total		39 08 000.00

Series	Financial Year of Maturity	No of Bonds	Amount
2	2007-08	6	6 000.00
2	2008-09	505	5 05 000.00
2	2009-10	205	2 05 000.00
2	2010-11	5300	53 00 000.00
2	2011-12	7186	71 86 000.00
2	2012-13	1260	12 60 000.00
2	2013-14	978	9 78 000.00
2	2014-15	5795	57 95 000.00
	Total		2 12 35 000.00
3	2009-10	295	2 95 000.00
3	2010-11	22944	2 29 44 000.00
3	2011-12	373	3 73 000.00
3	2012-13	6958	69 58 000.00
	Total		3 05 70 000.00
E	2009-10	1554	15 54 000.00
E	2010-11	662	6 62 000.00
E	2011-12	1687	16 87 000.00
E	2012-13	0	.00
E	2013-14	0	.00
E	2014-15	650	6 50 000.00
E	2015-16	6	6 000.00
	Total		45 59 000.00
F	2010-11	10281	1 02 81 000.00
F	2011-12	122	1 22 000.00
F	2012-13	3108	31 08 000.00
F	2013-14	0	.00
F	2014-15	67	67 000.00
F	2015-16	1849	18 49 000.00
	Total		1 54 27 000.00

Series	Financial Year of Maturity	No of Bonds	Amount
G	2009-10	167	1 67 000.00
G	2010-11	21722	2 17 22 000.00
G	2011-12	335	3 35 000.00
G	2012-13	2552	25 52 000.00
G	2013-14	0	.00
G	2014-15	42	42 000.00
G	2015-16	1454	14 54 000.00
	Total		2 62 72 000.00
H	2009-10	377	3 77 000.00
H	2010-11	15075	1 50 75 000.00
H	2011-12	450	4 50 000.00
H	2012-13	2244	22 44 000.00
H	2013-14	0	.00
H	2014-15	100	1 00 000.00
H	2015-16	968	9 68 000.00
	Total		1 92 14 000.00
I	2009-10	165	1 65 000.00
I	2010-11	9510	95 10 000.00
I	2011-12	222	2 22 000.00
I	2012-13	1590	15 90 000.00
I	2013-14	0	.00
I	2014-15	0	.00
I	2015-16	1415	14 15 000.00
	Total		1 29 02 000.00
	Grand Total		13 96 76 000.00

* The balance outstanding at the end of the year represents the amount not claimed by the bond holders.

The month of redemption shown above is based on the maturity date of the bonds outstanding as on 31-03-2010.

2.3.Loans from Financial institutions

PARTICULARS	2009-2010	2008-2009
ICICI Bank Ltd	20 00 00 000.00	20 00 72 040.00
Development Credit Bank Ltd.	.00	4 99 96 920.00
State Bank of Travancore Ltd.	2 17 16 532.00	4 98 93 916.00
HDFC Bank Ltd	10 00 00 000.00	-
Axis Bank Ltd	9 96 35 742.00	-
Vehicle Loans from:		
HDFC Bank Ltd.	11 01 982.00	7 48 357.00
TOTAL	42 24 54 256.00	30 07 11 233.00

1) ICICI Managed Loan

The Company has availed working capital loan of Rs. 20 Crores from ICICI Bank Ltd. by creating first charge on current assets of the company including gold loan receivables by way of assignment towards security and offered personal guarantee of the Chairman Mr. Thomas John Muthoot and the directors Mr. Thomas George Muthoot and Mr. Thomas Muthoot.

2) Loan from Development Credit Bank Ltd.

The Company during the year closed the credit facility of Rs. 5 crores taken during earlier period from DCBL, which was a buy out loan by assigning gold loans in favour of DCBL as security.

3) Loan from State Bank of Travancore Ltd.

The Company has availed an overdraft of Rs. 4.99 Crores from State Bank of Travancore, Ernakulam Branch by creating a charge on all movable assets, book debts, receivables and advances including loans against security of gold.

4) Loan from HDFC Bank Ltd.

The company has availed during the year a term loan of Rs. 1 000 lakhs from HDFC Bank Ltd. secured by first Pari passu charge on the current assets of the company including Gold Loan receivables.

5) Loan from Axis Bank Ltd.

The company has availed during the year a working capital loan of Rs. 1000 lakhs from Axis Bank Ltd., secured by First charge on entire current assets including loan receivables, all the stock in trade both present and future, outstanding money receivables, claims and bills, along with State Bank of Travancore Ltd. and ICICI Bank Ltd.

2.4. Unsecured Loans:-

The Company has entered into current account transactions with the Directors of the Company having year-end balance of Rs. 2188.50 Lakhs.

2.5. Fixed Assets

Fixed assets are carried at historical cost less accumulated depreciation. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net in the income statement.

2.6. Investments

Stock of quoted shares and scrips are valued at cost or market price which ever is lower. Cost is ascertained in accordance with Actual Cost method, where by total cost of each category of investments is compared with its market value and resulting shortfall if any is charged to revenue.

2.7. Current Assets

i) Hire Purchase/Hypothecation Receivables

Hypothecation/Hire purchase agreements comprise of automobile and other equipments and the amounts receivable under these agreements as at March 31, 2010 are as follows.

Rs. in Lakhs

Receivables	Gross	Un-matured Finance Charges	Net
Due but not received	23.72	4.75	18.97
Within one year	2 767.07	654.35	2 112.72
Between one and five years	2 138.92	271.83	1 867.09
After five years Nil	Nil	Nil	
Total	4 929.71	930.93	3 998.78

2.8. Loans and Advances

Loans and Advances includes Gold loans, deposits and other advances (Grouped under Schedule G)

2.9. Current Liabilities & Provisions: -

1. To the extent identified with available information the Company does not owe any amount to Micro, Small and Medium Enterprises.
2. Interest payable on loan from Directors amounted to Rs. 51.93 lakhs at the year end.

2.10. Deferred Tax Assets/Liabilities: -

In accordance with AS-22 'Accounting for taxes on income' issued by Institute of Chartered Accountants of India (ICAI), Company has provided deferred tax during the year. The break up of deferred tax assets and liabilities into major components at the year end is as follows:-

Sl. No.	Particulars	Deferred tax liability / (Asset) as at 01-04-2009		Current Year Debit/(Credit)		Deferred tax liability/ (Asset) as at 31-03-2010	
		Rs.	Ps.	Rs.	Ps.	Rs.	Ps.
1	Difference between book and tax depreciation	214	100.00	(10)	300.00	203	800.00
2	Provision for NPA	(547,000.00)		(70)	400.00	(617,400.00)	
3	Disallowance against Depreciation	(31,300.00)		800.00		(30,500.00)	
4	Disallowance u/s 40a(ia)	(533,900.00)		12	200.00	(521,700.00)	
5	Preliminary Expense u/s 35D		-	(106)	300.00	(106)	300.00
	Total	(898)	100.00	(174)	000.00	(1072)	100.00

3. PROFIT AND LOSS ACCOUNT

A. Retirement benefits:

During this year the Company has entered into an arrangement with the LIC of India to cover the liability payable to the employees towards the gratuity under a Gratuity Trust Scheme based on Group Gratuity Cum Assurance Scheme of the LIC of India which is a defined benefit scheme and the company has to make contributions under such scheme.

The disclosures as required as per the revised AS-15 for defined benefit plans based on actuarial reports as on 31-03-2010 are as follows:

A. Reconciliation of Defined Benefit Obligation and Plan Asset for the period

Particulars	Period Ended
	31 st Mar 2010
	Rs. Ps.
<u>Change in Defined Benefit Obligation</u>	
Opening Defined Benefit Obligation	2 97 412.00
Current Service cost	63 736.00
Interest cost	23 793.00
Actuarial Losses/ (Gain)	1 32 928.00
Benefits paid	.00
Closing Defined Benefit Obligation	5 17 869.00
<u>Change in Fair Value of Assets</u>	
Opening Fair Value of Plan Assets	2 06 222.00
Expected Return on plan assets	18 999.00
Contribution	2 97 993.00
Benefits paid	.00
Actuarial Gain/ (Losses) on plan asset	.00
Closing Fair Value of Plan Assets	5 23 214.00

B. Amount to be recognized in Balance Sheet

Particulars	Period Ended
	31 Mar 2010
	Rs. Ps.
Present value of obligation as at the end of the year	5 17 869.00
Fair Value of plan assets as at the end of the year	(5 23 214.00)
Net Liability/ (Assets)	(5 345.00)
Amounts in Balance Sheet	
Liability	-
Assets	5 345.00
Net Asset	5 345.00

C. Expense to be recognized in Profit and Loss Account

Particulars	Period Ended
	31 st Mar 2010
	Rs. Ps.
Current Service Cost	6 3 736.00
Interest cost	23 793.00
Expected Return on Plan Asset	18 999.00
Net actuarial (gain)/loss recognized in the year	1 32 928.00
Total, Included in Gratuity expense	2 01 458.00

D. The principal assumptions used in determining gratuity obligation for the Company's plans are shown below

Particulars	Period Ended
	31 st Mar 2010
Discount Rate (p.a)	8.00%
Salary Escalation Rate (p.a)	5.00%

B. Remuneration to Directors:

Particulars of remuneration paid to whole time Directors for the year ended on 31st March 2010.

Sl. No.	Particulars	2009-10	2008-09
		Rs. Ps.	Rs. Ps.
1	Salaries	10 40 640.00	9 97 980.00
2	Other allowances and Perquisites	4 50 000.00	4 50 000.00
3	Contribution to PF	9 360.00	52 020.00
	Total	15 00 000.00	15 00 000.00

Number of whole time Directors as on 31-3-2010 - One

C. Computation of Net Profit for calculation of remuneration to Directors under sections 198 and 349 of the Companies Act, 1956

Profit before tax as per Profit & Loss Account	10 87 41 990.97
Add:	
Directors remuneration	15 00 000.00
Provision for Non Performing Assets	2 40 302.00
Depreciation as per books	9 18 821.00
	26 59 123.00
	11 14 01 113.97
Less: Depreciation as per section 350 of Companies Act, 1956.	9 18 821.00
Profit under section 349 of the Companies Act, 1956.	11 04 82 292.97
Maximum Commission payable- 1% Net Profit computed As per section 349 of the Companies Act, 1956.	11 04 823.00
Commission paid to Directors	Nil
Maximum remuneration payable: -	
5% Net profit computed as per section 349 of the Companies Act, 1956.	55 24 115.00
Total remuneration paid to Managing and whole time directors	15 00 000.00

d. Payment to auditors included under administrative and other expenses

Particulars	2009-10	2008-09
	Rs. Ps.	Rs. Ps.
a) For Statutory Audit	1 27 150.00	1 09 785.00
b) For Taxation matters	38 300.00	33 090.00
c) Other services	97 617.00	76 124.00
TOTAL	2 63 067.00	2 18 999.00

- e. There is no employee drawing salary more than Rs. 2 lakhs per month if employed for part of the year or Rs. 24 lakhs if employed for whole of the year.

4. GENERAL

- a. (i). Expenditure in Foreign currency - Nil
(ii). Earning in Foreign currency - Nil
(iii). Remittances in Foreign currency
on account of dividend - Nil
(iv). CIF value of imports - Nil
- b. Some of the balances under Sundry debtors, Sundry creditors, Loans and advances, Stock on hire, Deposits, Secured Bonds and Unsecured loans are subject to confirmation/reconciliation due to non-receipt of the statements of accounts and confirmation letters. Necessary adjustments if any, in the accounts will be made on completion of the reconciliation/receipt of confirmation letter/statement of accounts.
- c. Bank Confirmations/Reconciliations were not available in respect of the following Bank balances :-

Sl. No.	Name of the Bank	Amount outstanding as on 31.03.2010
		Rs. Ps.
1	Catholic Syrian Bank, Ernakulam	3 001.00
2	Dhanalaxmi Bank Ltd, Ernakulam	1 000.00
3	Dhanalaxmi Bank Ltd, Ernakulam	1 000.00
4	H D F C Bank Ltd	1 000.00
	Total	6 001.00

d. Earnings Per Share

Basic and Diluted earning per equity share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period.

Calculation of Basic and Diluted Earnings per Share

Sl. No.	Particulars	2009-10	2008-09
1	Profit available for appropriation as per Profit & Loss Account	Rs. 7 17 28 618.97	Rs. 5 41 74 926.61
2	Weighted average no. of shares during the year	65 00 000.00	65 00 000.00
3	Nominal value of shares	Rs. 10.00	Rs. 10.00
4	Basic and Diluted Earning per share	Rs. 11.04	Rs. 8.33

e. Related Party Disclosures

Related Party Disclosures as required by AS-18 “Related party disclosures” issued by ICAI are given below. The related Parties are being recognized/identified by the management and relied up on by the auditors.

1. List of related parties for the year 2009-10 is given below.

A. List of companies/ Firms where control / significant influence exists

1)	Muthoot APT Ceramics Ltd.
2)	Muthoot Bankers
3)	Muthoot Estate Investments
4)	Muthoot Financiers
5)	Muthoot Motors (Cochin)
6)	Muthoot Exim (P) Ltd.
7)	Muthoot Hotels & Infrastructure Ventures (P) Ltd.
8)	Muthoot Fincorp Ltd.
9)	Muthoot Insurance Services
10)	Muthoot Hotels (P) Ltd.
11)	Muthoot Infrastructure Ltd.
12)	Muthoot Motors Private Ltd.
13)	Muthoot Cine Enterprises (Kripa Theatres)
14)	Muthoot Travel Online
15)	Muthoot Pappachan Medicare Pvt Ltd.
16)	MPG Sports Academy Pvt Ltd.
17)	L.M Realtors Pvt Ltd.
18)	Muthoot Agri Projects and Hospitalities Pvt Ltd.
19)	Palakkad Infrastructure Pvt Ltd.
20)	The Right Ambient Resorts Pvt Ltd.

B. Name of the Key Managerial persons

1)	Thomas John Muthoot	Chairman
2)	Thomas George Muthoot	Managing Director

2. The list of related party transactions for the year ended 31st March 2010

(i) Details relating to parties referred to in Item (A)

Sl. No.	Particulars	Transaction for the Year 2009-10	Transaction for the Year 2008-09
		Rs. Ps.	Rs. Ps.
1	Hire Purchase/ Hypothecation Loan installment received	-	13 548.00
2	Payment for Expenses	-	25 99 802.00
3	Other Advances Settled during the year	-	25 751.00
4	Expenses recovered	4 29 373.00	.00

Sl. No.	Particulars	Outstanding Balance As on 31.03.2010	Outstanding Balance As on 31.03.2009
		Rs. Ps.	Rs. Ps.
1	Other Advances outstanding	13 355.00	.00
2	Rent Deposit outstanding	25 00 000.00	25 00 000.00

Details relating to parties referred to in Item (B)

Sl. No.	Particulars	Transaction for the Year 2009-10	Transaction for the Year 2008-09
		Rs. Ps.	Rs. Ps.
1	Rent paid	5 44 320.00	5 44 320.00
2	Salaries & other allowances	15 00 000.00	15 00 000.00
3	Interest on loans	1 59 41 300.00	1 16 83 614.00

Sl No	Particulars	Outstanding Balance As on 31.03.2010	Outstanding Balance As on 31.03.2009
		Rs. Ps.	Rs. Ps.
1	Outstanding loans payable	21 88 49 886.64	12 67 32 153.92
2	Interest Payable on Loans	51 93 180.00	1 03 59 851.00
3	Remuneration payable	-	8 91 800.00
4	Maximum amount of credit in current account transactions	31 78 11 057.04	21 73 85 162.60

f. Cash Flow Statement

1)The Cash Flow Statement is prepared in accordance with the format prescribed by the Securities and Exchange Board of India read with Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

2) Cash and cash equivalents

Particulars	2009-10	2008-09
	Rs. Ps.	Rs. Ps.
Cash in hand	72 46 317.17	50 94 507.07
Bank balances		
In current accounts	122 78 712.30	77 53 905.39
In deposit accounts	20 000.00	50 20 000.00
Total	195 45 029.47	178 68 412.46

G. Segment Information

In terms of the Accounting Standard 17 of ICAI, the Company's operations are classified into two business segments (see Principal Accounting Policy No. 1.12) and the information of them is as under

SEGMENT REPORTING

Rupees in Lakhs

Sl. No.	Business Segments	Year ended	
		31-Mar-10	31-Mar-09
		Audited	Audited
1	Segment Revenue		
	Financing Activity	2 183.94	1 615.35
	Agency Activity	43.44	108.27
	Unallocated Revenue	20.18	15.00
	Total Revenue from Operations	2 247.56	1 738.62
2	Segment Expense		
	Financing Activity	1 028.67	818.62
	Agency Activity	11.94	54.36
	Unallocated	119.53	30.49
	Total	1 160.14	903.47
3	Segment Results		
	Profit(+)/ Loss(-) before Tax and Interest from Financing Activity	1 155.27	796.73
	Agency Activity	31.50	53.91
	Total	1 186.77	850.64
	Less:		
	(i) Interest	-	-
	(ii) Other un-allocable Expenditure net off un-allocable income	99.35	15.49
	Total Profit before tax	1 087.42	835.15
	Taxation	370.13	293.40
	Extraordinary Profit/Loss	-	-
	Net Profit	717.29	541.75
4	Other Information		
	Segment Assets		
	Financing Activity	10 141.35	7 075.42
	Agency Activity	7.51	1.81
	Unallocated Assets	317.63	274.57
	Total	10 466.49	7 351.80
	Segment Liabilities		
	Financing Activity	8 055.26	5 349.60
	Agency Activity	.04	.00
	Unallocated Liabilities	274.27	392.45
	Capital Employed	2 136.92	1 609.75
	Total	10 466.49	7 351.80

H. Disclosure as required in terms of Paragraph 13 of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007.

(Rs. In Lakhs)

Particulars	Amount Outstanding	Amount Overdue
Liabilities side	As on 31.03.2010	As on 31.03.2010
Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
a) Debentures: Secured	1 537.38	50.39
: Unsecured	Nil	Nil
(Other than falling within the meaning of public deposits*)		
b) Deferred Credits	Nil	Nil
c) Term Loans	Nil	Nil
d) Inter- corporate loans and borrowings	Nil	Nil
e) Commercial Paper	Nil	Nil
f) Public Deposits	Nil	Nil
g) Other loans		
-State Bank of Travancore	217.17	Nil
-ICICI Bank Ltd (Working Capital Loan)	2000.00	Nil
-HDFC Bank Ltd (Term Capital Loan)	1000.00	Nil
-Axis Bank Ltd	996.36	Nil
-HDFC Car Loan	11.02	Nil
Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
(a) In the form of Unsecured debentures	Nil	
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	Nil	
(c) Other public deposits	Nil	

Assets side	Amount Outstanding	
Break-up of Loans and Advances including bills receivables [other than those included in		
(4) below]:	(Rs. in Lakhs)	
(a) Secured	5 700.37	
(b) Unsecured	190.92	
Break up of Leased Assets and Stock on hire and hypothecation Loans Counting towards EL/HP activities		
(i) Leased assets including lease rentals under sundry debtors		
(a) Financial lease	Nil	
(b) Operating lease	Nil	
(ii) Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire	0.78	
(b) Repossessed Assets	Nil	
(iii) Hypothecation loans counting towards EL/HP activities		
(a) Loans where assets have been repossessed	1	
(b) Loans other than (a) above	3 998.00	
Break-up of Investments		
<u>Current Investments: -</u>		
<u>Current Assets</u>		
<u>1. Quoted: -</u>		
(i) Shares: (a) Equity	18.14	
(b) Preference	Nil	
(ii) Debentures and Bonds	Nil	
(iii) Units of mutual funds	Nil	
(iv) Government Securities	Nil	
(v) Others (please specify)		
Gold Exchange traded fund of UTI	0.19	
<u>2. Unquoted: -</u>		
(i) Shares: (a) Equity	Nil	
(b) Preference	Nil	
ii) Debentures and Bonds	Nil	
(iii) Units of mutual funds	Nil	

(iv) Government Securities	Nil	
(v) Others (Please specify)	Nil	
<u>Long Term investments: -</u>		
<u>1. Quoted: -</u>		
(i) Share: (a) Equity	Nil	
(b) Preference	Nil	
(ii) Debentures and Bonds	Nil	
(iii) Units of mutual funds	Nil	
(iv) Government Securities	Nil	
(v) Others (Please specify)	Nil	
<u>2. Unquoted: -</u>		
(i) Shares: (a) Equity	Nil	
(b) Preference	Nil	
(ii) Debentures and Bonds	Nil	
(iii) Units of mutual funds	Nil	
(iv) Government Securities	Nil	
(v) Others (Please specify)	Nil	

Borrower group-wise classification of all leased assets, stock on hire and loans and advances

(Rs. In Lakhs)

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil
(c) Other related parties	Nil	Nil	Nil
2. Other than related parties	9 700.15	190.92	9 891.07
Total	9 700.15	190.92	9 891.07

Investors group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

(Rs. In Lakhs)

Category	Market Value/ Break-up or fair value or NAV	Book Value (Net of provisions)
1. Related Parties		
(a) Subsidiaries	Nil	Nil
(b) Companies in the same group	Nil	Nil
(c) Other related parties	Nil	Nil
2. Other than related parties	30.05	18.33
Total	30.05	18.33
Other Information		
Particulars		
Gross Non Performing Assets		
(a) Related Parties	Nil	
(b) Other than related parties	78.29	
Net Non Performing Assets		
(a) Related Parties	Nil	
(b) Other than related parties	60.70	
Assets acquired in Satisfaction of debt	Nil	

i. Disclosure pursuant to Clause 32 and 41 of the Listing Agreement

(Rs. In Lakhs)

Sl. No.	Loans & Advances	Amount outstanding as at 31.03.2010 the year	Maximum amount outstanding during
(A)	To Subsidiaries	NIL	NIL
(B)	To Associate/ Joint Venture	NIL	NIL
(C)	To Firms/Companies in which directors are interested (other than (A) & (B) above)	NIL	NIL

(D)	Where there is		
	(I) No repayment schedule	NIL	NIL
	(ii) Repayment beyond seven years	NIL	NIL
	(iii) Interest below the rate specified in Section 372 A of the Companies Act	NIL	NIL

J. Previous year's figures have been regrouped and rearranged wherever considered necessary to confirm to current year's classifications.

For **K. VENKATACHALAM AIYER & CO**
Chartered Accountants
Firm Registration Number: 004610 S

A. GOPALAKRISHNAN
Partner
Membership No. 18159

Place: Kochi
Date: 12/05/2010

For **MUTHOOT CAPITAL SERVICES LTD.**

THOMAS JOHN MUTHOOT
Chairman
THOMAS GEORGE MUTHOOT
Managing Director

ELIZABETH WILSON
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010			
Sl. No.	PARTICULARS	Year ended 31-03-2010 Rs. Ps.	Year ended 31-03-2009 Rs. Ps.
A	CASH FLOW FROM OPERATING ACTIVITIES		
1	Net Profit before tax	10 87 41 990.97	8 35 14 726.61
2	Adjustments for:-		
i	Depreciation	9 18 821.00	8 33 530.00
ii	Provisions and write offs net	84 302.00	6 58 333.00
iii	Bad debts written off	36 333.00	.00
iv	Income Tax & FBT written off	.00	.00
v	Impairment of Fixed Assets	.00	.00
vi	Unclaimed balance written back	7 990.00	.00
vii	Loss on Sale of Asset	.00	11 657.00
viii	Profit on Sale of Asset	.00	- 5 732.00
ix	Profit from Capital Market Operations	- 49 324.00	- 3 24 463.00
x	Dividend Income	- 61 031.00	- 54 840.00
xi	Assets written off		3 478.00
		9 37 091.00	11 21 963.00
3	Operating profit before working capital changes	10 96 79 081.97	8 46 36 689.61
4	Net (Increase) / decrease in operating assets:-		
i	Trade and other receivables	19 41 904.01	- 49 15 781.33
ii	Hire purchase receivables	50 856.00	2 20 244.00
iii	Trade advances	-31 05 37 052.00	-23 41 53 227.00
iv	Other loans & advances	- 51 937.50	5 87 576.00
		-30 85 96 229.49	-23 82 61 188.33

5	Net increase/ (decrease) in operating liabilities-		
i	Current Liabilities	- 77 96 032.25	1 74 63 595.86
ii	Provisions	-1 50 22 203.83	- 88 66 108.00
		-2 28 18 236.08	85 97 487.86
6	Net changes in working capital	-33 14 14 465.57	-22 96 63 700.47
7	Cash Generated From Operating Activities (6+3)	-22 17 35 383.60	-14 50 27 010.86
8	Taxes paid	-3 71 87 372.00	-3 04 98 000.00
	Net cash from Operating Activities (A) (7+8)	-25 89 22 755.60	-17 55 25 010.86
B	CASH FLOW FROM INVESTING ACTIVITIES		
i	Purchase of Fixed Assets	- 17 41 741.00	- 2 96 170.00
ii	Sale of Fixed Assets	.00	3 49 145.00
iii	Investments in Shares and Mutual Funds	- 29 409.36	- 34 512.64
iv	Dividend Received	61 031.00	54 840.00
	Net cash from investing activities (B)	- 17 10 119.36	73 302.36
C	CASH FLOW FROM FINANCING ACTIVITIES		
i	Increase in Secured Bonds	- 15 48 183.75	10 23 66 665.75
ii	Increase in Loan from Financial Institutions	17 17 39 943.00	- 5 04 489.00
iii	Increase in Loan from Directors	9 21 17 732.72	8 44 85 408.01
	Net cash used for financing activities(C)	26 23 09 491.97	18 63 47 584.76
D	Net increase/(decrease) in cash and cash equivalents (A+B+C)	16 76 617.01	1 08 95 876.26
E	OPENING CASH BALANCE AND CASH EQUIVALENTS	1 78 68 412.46	69 72 536.20
F	CLOSING CASH BALANCE AND CASH EQUIVALENTS	1 95 45 029.47	1 78 68 412.46

*The attached schedules and notes form
an integral part of these accounts.
This is the cash flow referred to in our
report of even date.*

For K. VENKATACHALAM AIYER & CO
Chartered Accountants
Firm Registration Number: 004610 S

A. GOPALAKRISHNAN
Partner
Membership No. 18159

Place: Kochi
Date: 12/05/2010

For MUTHOOT CAPITAL SERVICES LTD.

THOMAS JOHN MUTHOOT
Chairman
THOMAS GEORGE MUTHOOT
Managing Director
ELIZABETH WILSON
Company Secretary

MUTHOOT CAPITAL SERVICES LIMITED MUTHOOT TOWERS, M.G. ROAD, ERNAKULAM			
STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT 1956			
BALANCE SHEET ABSTRACT AND COMPANY S GENERAL BUSINESS PROFILE			
I. REGISTRATION DETAILS			
Registration No.	7726	State Code	9
Balance Sheet Date	31.03.2010		
II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)			
Public Issue	Nil	Rights Issue	Nil
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS			
(Amount in Rs. Thousands)			
Total Liabilities	10 08 733.55	Total Assets	10 08 733.55
Sources of Funds			
Paid up Capital	65 000.00	Reserves & Surplus	1 48 691.86
Secured Loan	5 76 191.81	Unsecured Loan	2 18 849.89
Deferred Tax	Nil		
Application of Funds			
Net Fixed Assets	4 312.59	Investments	1 833.46
Net Current Assets	10 01 515.40	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		
		Deferred Tax	1 072.10
IV. PERFORMANCE OF THE COMPANY			
Turnover	2 24 755.73	Total Expenditure	1 16 013.74
Profit Before Tax	1 08 741.99	Profit After Tax	71 728.62
Earning Per Share (In Rs)	11.04	Dividend	25%

V. Generic Names of Three Principal Products / Services of Company (as per Monetary Items)	
Item Code No. (ITC Code)	Not Applicable
Product/Service Description	
FINANCIAL SERVICES	
HIRE PURCHASE/LEASING	

For K.VENKATACHALAM AIYER & CO
Chartered Accountants
Firm Registration Number: 004610 S

A. GOPALAKRISHNAN
Partner
Membership No. 18159

Place: Kochi
Date: 12/05/2010

For MUTHOOT CAPITAL SERVICES LTD.

THOMAS JOHN MUTHOOT
Chairman
THOMAS GEORGE MUTHOOT
Managing Director

ELIZABETH WILSON
Company Secretary

Muthoot Capital Services Ltd

MUTHOOT PAPPACHAN GROUP

Regd. Office : Muthoot Towers, 5th Floor, M.G. Road, Kochi - 35.

PROXY FORM

I/We _____ of _____ in the district of _____ being a member(s) of the above named Company, hereby appoint Shri. _____ of _____ in the district of _____ or failing him Shri. _____ of _____ as my/our proxy to vote for me/us, on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held on 31st July, 2010, and at any adjournment thereof.

Signed this _____ day of _____ 2010

Folio No. _____ DP ID No. * _____ Client ID No. * _____ Applicable for members holding shares in electronic form.

No. of shares held :

(Signature of the Member)

Affix One Rupee Revenue Stamp

Affix One
Rupee
Revenue
Stamp

This form is to be used ** in favour of the resolution.
** against

Unless otherwise instructed, the Proxy will act as he thinks fit.

** Strike out whichever is not desired.

NOTES : I) The Proxy must be returned so as to reach the Registered Office of the Company, not less than 48 hours before the time for holding the aforesaid meeting.

II) Those members who have multiple folios with different joint holders may use copies of this Attendance Slip / Proxy.

Muthoot Capital Services Ltd

MUTHOOT PAPPACHAN GROUP

Regd. Office : Muthoot Towers, 5th Floor, M.G. Road, Kochi - 35.

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting Hall)

I hereby record my presence at the Sixteenth Annual General Meeting of the Company at The International Hotel, Veekshanam road, Kochi at 10.00 a.m on 31st day, July, 2010.

Full name of the Member (in block letters)

Signature

Folio No. _____ DP ID No. * _____ Client ID No.* _____

* Applicable for member holding shares in electronic form.

Full name of the Proxy (in block letters)

Signature

Member / Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting.

Board of Directors



Thomas John Muthoot
Chairman



Thomas George Muthoot
Managing Director



Thomas Muthoot
Director



Philip Thomas
Director



A. P. Kurian
Director



R. K. Nair
Director

Chief Executive Officer



R. Manomohanam

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