



## RECOGNITION, CELEBRATION AND MOTIVATION.



From the Chairman's Desk

The year couldn't have started any better than this. Our pioneering vision to make the common man, irrespective of caste, colour and creed, perfectly bankable has garnered global recognition. On the occasion of the Financial Inclusion Day, Muthoot Finance was bestowed with the coveted Skoch Financial Inclusion Award 2013 by Dr. C. Rangarajan, the Hon'ble Chairman, Economic Advisory Council to the Prime Minister and former Governor of

the Reserve Bank of India.

The prestigious award is indeed special because it recognizes Muthoot Finance's pioneering role and mission in building a sustainable economic model of financial inclusion specially in the rural and semi-rural heartland of India. We are one of the first Indian companies to consider thousands of rural Indians as perfectly bankable, even before the term 'financial inclusion' became common parlance.

With a growing customer base of over 6 million and serving around 80,000 customers every day, we have not only been successful in changing the concept of gold loan from a 'desperate loan option' to a 'lifestyle banking product', but also in making the unorganized Non-Banking Financial Company (NBFC) sector into an organized space. We have made gold jewellery, which was considered to be a static asset so far, into an economically productive asset and an economy driver. Our aggressive branch expansion has also

substantially increased the employment opportunities in Tier II, III & IV cities and towns.

That's not all. We have registered an encouraging growth of ₹1969 crores in assets under management, as against a reduction of Rs.1337 crores in the first quarter and a growth of ₹ 405 crores in the second quarter. This signifies that the holistic strategy we have adopted to address the regulatory restrictions imposed on Gold Loan NBFCs has worked wonders for us, giving us the necessary confidence and momentum to sustain growth in the coming year. In turn, it improves our profitability metrics.

We are also glad that the KUB Rao Committee Report is now in public domain and the facts and recommendations mentioned in the report dispel any negative perceptions about our industry and business. The report underscores that there are no systemic implications to domestic financial stability because of the inter-connectedness between the gold loan NBFCs and the banking system. In fact, in the final report of the working group that studied the issues related to Gold and Gold Loans by NBFCs, it has been clearly stated that 'Gold Loan NBFCs are doing a socially useful function.'

Indeed, this is a perfect birthday gift to our Founder (Banking), Late Shri. M. George Muthoot, and Founder (Muthoot Group), Shri. Ninan Mathai Muthoot, whose birth anniversaries were grandly celebrated across all branches and offices on February 4th and 5th respectively. Their vision inspires us. Their words are our guiding principles. Let's march ahead and make them proud. Let the golden run continue.

Chairman  
**M.G. George Muthoot**

### Skoch Financial Inclusion Award



Muthoot Finance Ltd. received the Skoch Financial Inclusion Award 2013 for 'Access to Banking and Financial Services' at a glittering function held at Hotel Shangri-La, Ashoka Road, New Delhi. Mr. M. G George Muthoot, Chairman, The Muthoot Group received the award on behalf of the company. The award was conferred by Dr. C Rangarajan, Hon'ble Chairman, Economic Advisory Council to the Prime Minister along with Mr. Sameer Kochhar, Chairman, Skoch Group.

### Congratulations



Mr. Eapen Alexander S/o. Mr. George Alexander Muthoot, Managing Director, has joined the Muthoot Group as Vice President, Western India Region. He

completed his bachelor's degree from St. Xavier's College, Mumbai. He completed his MSc. in International Political Economy from London School of Economics. We wish him all success in his new assignment.

# A Halo for Gold Loan NBFCs

## Guest Column

GEORGE ALEXANDER MUTHOOT



The release of Reserve Bank of India's (RBI) KUB Rao committee report on gold has brought

a breath of fresh air. The awareness of gold loans had grown well beyond the south and gold loan players, especially the biggies, have been growing at a brisk pace. The RBI had some concerns, which it laid down with a slew of measures it deemed fit. While these were more of hygiene factors, what followed was a dialogue between the gold loan players and the regulator to explain the business model, risk management measures, the role the sector played in financial inclusion and the sector's efforts to address customers, who even today are being exploited by moneylenders and pawnbrokers.

The Rao committee's recommendations reiterate this and articulate a perfect mix of what it feels about the sector and what it is expected to do, going forward. While the report reiterates moderating the demand for gold imports considering its obvious impact on the current account deficit, it clearly mentions that gold loans have a casual impact on gold imports.

By making a case of reviewing the loan-to-value ratio to 75% from 60% to having no curbs or limits

on advances against gold jewellery to asking gold loan companies and banks to expand their gold loan portfolio for monetising idle gold to indicating no immediate systemic risk, we can safely assume gold loans aren't influencers of gold imports, while playing a very important role of monetising the idle gold lying with the masses.

And, with an estimated 20,000 tonnes of gold holding in the country, 65% of which is thought to be held by the rural population, the sector and other players are just scraping the surface of the massive growth potential. As regards certain measures that the committee has drawn, they are aimed at better capital adequacy, more operational transparency, achieving better know your customer (KYC) and protecting the customer's interest. The gold loan sector has already implemented this and, in fact, has also formed a self-regulatory organisation under the Association of Gold Loan Companies (AGLOC) to address these issues and ensure best practices for the sector.

One important implication of the report is that the recommendation will create a high entry barrier for the sector.

Considering its massive growth potential, gold loans have been attracting a lot of companies, irrespective of their abilities.

The measures followed by the AGLOC, along with the ones suggested by the committee, will act as a high entry barrier for those thinking of a foray into the lucrative business of gold loans. This high entry barrier would also protect the interests of the existing players and ensure healthy competition and relationships.

Second, banks would now be more comfortable in lending to the sector as these NBFCs are neither a systemic risk to the financial system, nor, with their minimal exposure, could create a threat to the banking sector. This will now ensure a smooth flow of funds to the sector. Third, existing or potential customers would have more clarity and a clearer perception of the business. Besides, with the hike in loan-to-value to 75% under consideration, customers may not have second thoughts on going back to moneylenders or pawnbrokers to get an extra loan amount for their jewellery.

Extra stress on better

transparency, internal controls, documentation, grievance redressal system and transparent auctions will further cement the customer's trust in existing players, helping the organised sector grow further and bring in more uniformity.

That apart, higher loan-to-value consideration is an indicator from the RBI that it wants the sector to grow to monetise idle gold through the organised sector. Besides, higher loan-to-value should also provide a much-needed impetus to growth, though we also believe we should still be given the same level playing field as banks. The report would also have calmed investors' nerves, as they were waiting eagerly for this report. Now, valuations too would reflect the fundamentals of the company rather than regulatory overhangs the investors have been pondering over for the last nine months.

Last but not the least, the report has recognised that gold loan NBFCs have a socially useful function. The RBI has been stressing the need for inclusive growth, and gold loan NBFCs, considering our reach to the rural hinterland, have been catering to the needs of the unbanked or underserved population for decades now. Rather than recognising us just as a business or a sector, it would be commendable if the regulator sees us as a facilitator of financial inclusion. Thus, future regulation would ensure the role of NBFCs is protected to support this cause.

The Rao committee report is a perfect mix of assessing the sector and what its future is. It protects existing player in the sector and allows banks to be comfortable in lending. Rather than just a business, the sector should be seen as aiding financial inclusion.



## CSR Initiatives

### Muthoot M George Memorial Research Award



The Muthoot Group has instituted an award of ₹ 2 lakhs in cash and a citation in memory of our founder Chairman Late Mr. M. George Muthoot to be presented every year to the best young researcher in Nephrology. This year the Muthoot M George Memorial Research Award for the best young researcher in Nephrology was presented to Ms. Shruti Dave by Australian Consul General Mr. David Holly in a glittering ceremony held in Chennai on 25th January, 2013. Muthoot Finance Asst. General Manager Mr. Babu John Malayil was present on this occasion.

### Archery Equipment



Mr. V.J. Baby handed over the Archery Equipment to Mr. Kishore A., who is handicapped, at a function held at Irinjalakuda, Thrissur. Mr. Kishore is expected to train in archery for participating in the Para Olympics in 2016.

### Saree Distribution



Bhoopalarayerpuram Branch Under Tirunelveli Region distributed Sarees to the widows. Mr. S.R. Jeyadurai, MP was present on this occasion.

### Altus Disputatio



Muthoot Finance in association with National University of Advance Legal Studies, organized Altus Disputatio, a national level Debate Competition. Mr. George M Jacob, Director, Muthoot Group distributed the prizes to the winners. Justice P. N. Ravindran, Judge, High Court of Kerala; Prof. M.C. Valsan, former Secretary, Kerala Legislative Assembly and Mr. P Sahasranamam, Senior Advocate, High Court of Kerala were present on this occasion.

### Educational Assistance



Muthoot M George Foundation handed over the Educational Assistance cheque to Mr. T Vamsi through Perala Branch under Vijawada Region.

### Delhi Police Heart & Eye Checkup Camp



The Muthoot Group in association with Delhi Police Force conducted 'Delhi Police Heart & Eye Checkup Camp', a nineteen-day camp at NDMC Hall, Lodhi Road, New Delhi. The camp was supported by Foundation for Social Awakening (FSA) and Paysuni Charitable Trust and Fortis Escorts Health Institute.

Hon'ble Union Water Resource Minister Mr. Harish Rawat inaugurated the camp. Mr. Neeraj Kumar (Commissioner of Police, Delhi); PadmaShree and Arjuna Awardee Ace Shooter Mr. Jaspal Rana; Mr. Avinav Chaubey (AGM-Marketing, The Muthoot Group) were present on this occasion.

### Mirchi Auto No.1



In Association with Radio Mirchi Muthoot Finance Ltd. organized Auto No.1, a 45 days campaign for identifying the responsible Auto Driver of Coimbatore. Coimbatore city Traffic Police & The Auto Association – Coimbatore supported the campaign. Muthoot Finance Chief Marketing Officer Mr. Cherian Peter flagging off the campaign.

## BBC India Business Week



Mr. George Alexander Muthoot, Managing Director, The Muthoot Group was interviewed by Mr. Sameer Hashmi of BBC for their India Business Week Programme.

## Mega Bumper Prize Winner



The bumper prize for Muthoot Finance Mega Gold Loan Festival was drawn by Mr. K Babu, Honorable Minister for Fisheries, Port and Excise at Muthoot Finance Head office Cochin. Nissan sunny car was won by Mrs. Mary V. J., customer of Ponnarimangalam branch in Ernakulam District. Around 50 lacs of gold loan customers participated in this contest. (L-R) Mr.K.N.C. Nair( GM IT), Mr. Mohan Chandran K. (GM – Risk Management & Credit) Mr. K.R. Bijimon (Chief General Manager) Mr. Babu John Malayil (AGM Corporate Communications) Mr.C.V. John (GM HRD) Mr. K. Babu (Honorable Minister For Fisheries Ports And Excise) Mr. C.V. Balasankar (GM - Credit & Operations) Mr. George Alexander Muthoot (Managing Director) Mr. George M Jacob (Director) Mr. Cherian Peter (Chief Marketing Officer).

## Mega Gold Loan Festival

### Monthly Bumper Prize Winner



Muthoot Finance Mega Gold Loan Festival monthly bumper prize for the month of December was won by Mr. Saravana Balan from Kanyakumari. Muthoot Group Jt. Managing Director Mr. George Jacob Muthoot handed over the key to the winner. Muthoot Finance Trivandrum North Regional Manager Mr. Udayanandan Nair M; Trivandrum South Regional Manager Mr. Vaidyanathan were present on this occasion.

## Foreign Currency Exports

As part of the expansion and diversification of their business, Muthoot Exchange Company has started export of foreign currency notes to Bahrain. The first shipment of currency notes were exported on 15.02.2013 to National Finance and Exchange, Manama, Bahrain. By doing so the foreign exchange division has joined a group of very few foreign exchange operators in India who are capable of doing this specialized operation. By the beginning of the next financial year, shipments will also be sent to Raiffeisen Bank International, Vienna which is one of the leading Banks in Austria.

The export activity will enable us to offer better rates for all currencies and help us achieve our goal of becoming one of the top three foreign exchange service provider in India.

## Achievers Trip to Dubai



Managers who have achieved their targets were sent on a trip to Dubai Shopping Festival. The group travel arrangements were made by Muthoot Travelsmart.

## US Students Visit



A team of 19 first & second year MBA students along with faculty leads Mr. Jayasankar M Swaminathan and Ms. Patricia Collins University of North Carolina's Kenan Flagler Business School visited The Muthoot Group Corporate office, Kochi as part of their Global Immersion Elective.

Seen in the picture are Jayasankar M Swaminathan, lead faculty Flagler Business School, University of North Carolina; Ms. Patricia Collins staff member, Mr. George Alexander Muthoot, Managing Director; Mr. George M Jacob, Director; Mr. George M Alexander, Vice President, The Muthoot Group & Mr. K. P. Padmakumar, Executive Director, Muthoot Finance Ltd. along with the students.

*"People who don't take risks generally make about two big mistakes a year. People who do take risks generally make about two big mistakes a year."*

*- Peter F. Drucker -*

## Investothon 2012-13



Muthoot Securities Ltd. participated in the INVESTOTHON 2012-13, held at Marine Drive, Kochi on 20 Jan 2013. Muthoot team were selected as the "Most Enthusiastic Team" in the event and was given the certificate of Honor.

## Paul M George Memorial Cup



Muthoot Finance conducted an interdepartmental cricket tournament for its employees. Muthoot Audit team "Audit Tiger" won the game. Muthoot Marketing Team "Marko Blasters" were the runner up.

## Muthoot Green Park



Muthoot Builders, a division of Muthoot Group started its new project "Muthoot Green Park" (the 14th residential project of Muthoot builders) at Peroorkada, Trivandrum. The foundation stone laying ceremony was done by Mr. George Jacob Muthoot, Jt. Managing Director, The Muthoot Group.

## MPMC launches the Mecca Medina with holy number 786 imprint gold coin



Muthoot Precious metals Corporation, one of the group companies of Muthoot Group has introduced one more variety of Gold coin to its collections. This Gold coin has the impression of 'Mecca Medina with holy number 786 imprint'. The coin exemplifies the holiest city and the auspicious number in the Islamic religion. 24 carat gold coin with 999 purity comes in 2gms, 4gms and 8gms denomination in a tamper proof blister packing. (L-R) Mr. George M Jacob, Director; Mr. Alexander M George, Director; Mr. M.G. George Muthoot, Chairman; Mr. George Alexander Muthoot, Managing Director; Mr. Eapen Alexander, Vice President.



## Branch Opening

Inauguration of our Kaipuzha Branch under Kottayam Region. Mr. George Thomas Muthoot, Jt. Managing Director, The Muthoot Group addressing the gathering.

## Corporate Fun Fest



Mr.M.K.George



Mr. Sreejith S. Shenoy



Mr. Jinson Chacko

Muthoot Group participated in the Corporate Funfest, a competition between the Corporates in Kerala, organized by Rotary Club of Cochin East. Mr. M.K. George, Sr. Regional Manager, Ernakulam secured 1st prize for Solo Music Competition. Mr. Sreejith S. Senoy, Accounts Executive in Muthoot Precious Metals Corporation won 2nd Prize in Badminton Singles & in doubles along with Mr. Jinson Chacko, Manager, Central Office.

## Awards

### Rotary Binani Zinc CSR Award



Muthoot Finance Ltd. received Rotary Binani Zinc Award for its CSR programs at a function held at Bolgatty Palace, Kochi. The award was presented by Mr. Shyam Srinivasan, Managing Director & CEO of Federal Bank to Mr. K.R. Bijimon, Chief General Manager, Muthoot Finance Ltd.

### Institute of Public Enterprise & Subir Raha Centre for Corporate Governance Awards



Muthoot Finance Ltd, has been honoured with twin Corporate Social Responsibility (CSR) Awards at a function held at Taj Deccan in Hyderabad. The company won CSR Awards in the category of "Return to Consumer" and "Community Development". Mr. George Jacob Muthoot, Jr.

Managing Director, The Muthoot Group received the award on behalf of the company. (L-R) - Ms. Anita Ramachandran, CEO, Cerebrus Consultants Pvt. Ltd, Prof. R.K. Mishra, Director, IPE & Mr. George Jacob Muthoot, Jr. Managing Director, The Muthoot Group.

### Q3 Result 2012-2013



Muthoot Finance Directors announcing the Q3 result for the year 2012-13 (L-R) Justice. K. John Mathew, Director, Mr. George Joseph, Director, Mr. K.P. Padmakumar – Executive Director, Mr. M.G. George Muthoot, Chairman, Mr. George Alexander Muthoot, Managing Director, Mr. George Thomas Muthoot, Jr. Managing Director, Mr. George Jacob Muthoot, Jr. Managing Director, George Varghese, Director.

- Retail Loan Assets under Management ₹ 25712 crores (YoY increase of 12%)
- Profit after tax ₹ 270 crores (YoY increase of 8%)
- Earnings per share ₹ 21.10 (YoY increase of 7%)
- Income from Operations ₹ 1365 crores (YoY increase of 11%)

- Financial Services • Hospitality • Real Estate
- Education • Healthcare • IT • Media • Forex
- Money Transfer • Wealth Management
- Precious Metals • Power Generation
- Travel Services • Securities Trading
- Commodities & Currency Trading
- Plantations • Vehicle & Assets Finance Ltd.



## Muthoot Group

### INTEREST RATES OF GOLD BONDS

Fixed Income Gold Bond (w.e.f: 08.03.2013)

#### Monthly Interest Scheme

Period	General	Special Category*
12 months & 1 day	10.50%	11.00%
400 days	11.00%	11.50 %
18 months	11.50%	12.00 %
24 months	11.50%	12.00%
30 months	11.50%	12.00%
36 months	11.50%	12.00%
60 months	11.50%	12.00%
120 months	10.50%	11.00%

#### Annual Interest Scheme

Period	General	Special Category*
12 months & 1 day	11.00%	11.50%
400 days	11.50%	12.00%
18 months	12.00%	12.50%
24 months	12.00%	12.50%
30 months	12.00%	12.50%
36 months	12.00%	12.50%
60 months	12.00%	12.50%
120 months	11.00%	11.50%

#### Multiplier Bond

Period	General		Special Category*	
	Maturity value	Effective Yield (p.a.)	Maturity value	Effective Yield (p.a.)
36 months	1405	13.50	1426	14.20
60 months	1763	15.26	1806	16.12
120 months	2557	15.57	2685	16.85

\* Interest rate for Special Category is applicable to (a) Senior Citizens, (b) State / Central Government Pensioners, (c) Ex-Servicemen and their widows, (d) Central / State Award Winners and (e) Single investment of ₹ 10 lakhs and above.

#### Muthoot Doubling Bond\*

Period	Maturity value of ₹ 1000	Effective Yield (p.a.)
66 months	2000	18.18%

\*Minimum investment ₹ 25,000/-

Call free from BSNL Landline: 1800 425 1887. Customer Care Call: 98470 91119.

Tel: 0484 2396478, 2394712.  
Fax: 0484 2396506.

e-mail: mails@muthootgroup.com  
www.muthootgroup.com

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