



K. VENKATACHALAM AIYER & Co.

CHARTERED ACCOUNTANTS

No.41/3647B, First Floor

BLUE BIRD TOWERS

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
MUTHOOT CAPITAL SERVICES LIMITED

Report on the financial statements

We have audited the accompanying financial statements of **MUTHOOT CAPITAL SERVICES LTD** (the Company), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes design, the implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in these circumstances. An audit also includes evaluating the appropriateness of accounting policies and principles used and reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements together with the notes thereon 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:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- b. in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and;
- c. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. 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 Central Government of India in terms of sub-section (4A) of section 227 of the Act, and based on the information and explanation given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by section 227(3) of the Act, 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, Statement of Profit and Loss 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 Statement of Profit and Loss 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.



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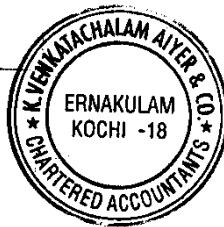
- e. On the basis of the written representations received from the Directors of the Company as on March 31, 2013, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2013 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For K.VENKATCHALAM AIYER & Co

Chartered Accountants

FRN: 0046105

CA A. GOPALAKRISHNAN
(Partner)
Membership No.18159



Place: Kochi

Date : May 5, 2013



K. VENKATCHALAM AIYER & Co.

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Annexure to the Auditors' Report

The Annexure referred to in our report to the members of Muthoot Capital Services Limited ("The Company") for the year ended March 31, 2013. We report that;

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 and therefore doesn't affect going concern assumption.
2. (i) Except the repossessed assets from the borrowers 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 of the above items.
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 1956 ("The Act"). However we report that the Company has frequently entered into transactions with the Directors of the Company and the maximum amount to the credit of such account of the Directors during the year ended March 31, 2013 was Rs.772.74 Lakhs (2011-12: Rs. 6,907.06 Lakhs) and the outstanding balance as on 31.03.2013 including interest payable was Rs.768.25 (31.03.2012 :Rs.917.41 Lakhs)

(ii) 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.

(iii) 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.

(iv) 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. We have not observed any major weakness in the internal control system during the course of the audit.



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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 nature of the service and 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 year ended March 31, 2013.
7. The Company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under section 209(1)(d) of the Act for any services rendered by the Company.
9. (i) 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, value added tax and other material statutory dues as applicable with the appropriate authorities.

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/ value added tax, excise duty and cess which are outstanding as at March 31, 2013 for a period of more than six months from the date they became payable.

- (ii) According to the records of the Company and the information and explanation given to us, there are no dues of wealth tax, excise duty and cess which have not been deposited on account of dispute. Details of dues of Income-Tax, which have not been deposited as on 31 March, 2013 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates (Financial Year)	Amount involved (INR)
Income Tax Act, 1961	Income Tax and Interest	Commissioner of Income Tax (Appeals)	2001-02	14 45
Income Tax Act, 1961	Income Tax and Interest	Commissioner of Income Tax (Appeals)	2002-03	9 13
	TOTAL			23 58

10. The Company has no accumulated losses as at March 31, 2013 and it has not incurred any cash losses during the year ended on that date or in the immediately preceding financial year.



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11. 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.
12. According to the information and explanations given to us, Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities, except loans given against the security of its own secured debentures/ bonds.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. In our opinion Company has maintained proper records for the trading in shares, securities and other investments and timely entries have been made.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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 as on March 31, 2013.
20. The Company has not raised money by public issues during the year.
21. According to the explanations and informations 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.

For K.VENKATCHALAM AIYER & Co
Chartered Accountants.
FRN: 004610S


CA A. GOPALAKRISHNAN
(Partner)
Membership No.18159



Place: Kochi
Date: May 5, 2013

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