



## M Accolades

Clients' unique handicrafts exhibited at Annual INK Conference



Muthoot Microfinance's handicraft stall at Annual INK Conference Venue.

Muthoot Fincorp participated in the Annual INK Conference held in Kochi on 25, 26 & 27 October 2013. During the conference, Muthoot Microfinance created a platform for clients to exhibit their unique handicraft products. The institution displayed handicraft products made by clients, including traditional racing boat of Kerala (ChundanVallam), ArammulaKannadi (Wonder Mirror), cups made from coconut shell and eco-friendly bags at the Conference.

Muthoot Pappachan Group, being the principal sponsor of INK 2013, also shared a specially crafted gift box made by microfinance clients to all the delegates at the conference. A brief portrayal of the clients' success story was also depicted with the carry case.

INK is a platform for global dialogue to take place with an emphasis on idea exchange between India and the world. The cornerstone event is the annual INK conference in association with TED, which brings together the world's movers and shakers to share ideas in India.

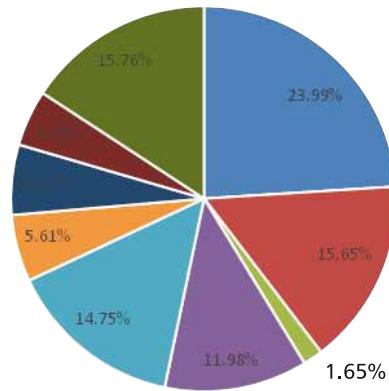
## M Observatory

### Portfolio Distribution by Activity

Activity	Percentage
Agriculture	23.99 %
Animal Husbandry	15.65 %
Manufacturing	01.65 %
Services	11.98 %
Trading	14.75 %
Catering	05.61 %
Clothing	05.88 %
Handicrafts	04.71 %
Others	15.76 %

### Portfolio Distribution by Activity

■ Agriculture	■ Services	■ Clothing
■ Animal Husbandry	■ Trading	■ Handicrafts
■ Manufacturing	■ Catering	■ Others



### Per Capita Income per Month

Per Capita Income	Percentage
< = 1000	01.33 %
1000 – 1500	19.57 %
1501 – 2500	57.71 %
2501 – 3500	17.45 %
3501 – 5000	03.38 %
5000 Above	00.25 %

## INSIDE

- M Accolades
- M Observatory
- M Impact
- M News
- M Initiatives
- M Live

### Facts and Figures

#### Group Lending

Districts	56
Branches	201
Centres	47268
Loans given	1087169
Active Members	553046
Current Portfolio	435.44 Cr \$ 68.53 mn
Total Disbursement	1404.94 Cr \$ 221.11 mn
Repayment Rate	99.69
ARR > 30 Days	0.31%

#### Portfolio Distribution

IGL	418.57 Cr \$ 65.87 mn
IGL-Dairy	16.65 Cr \$ 2.62 mn
SW	21.81 Lakh \$ 0.03 mn

#### Personnel Strength

Field Staff	1803
Total Staff	1871

## Impact

# Extending support at critical times

Selvi Raju is a 46 year old woman living in the remote area of Thevara, Kerala. A few years back, she was left alone with her two children when her husband abandoned the family. At that stage, she was absolutely helpless and clueless about her future. With the two children to take care of, she was forced into the biggest crisis of her life. But eventually Selvi Raju decided to fight her fate and move on for the sake of her young children.

First challenge for her was to find some regular income to take care of the family's everyday expenses. For that, she started working as a coolie but the income was too low to meet the household expense and children's educational expenses. After a certain stage, she realized that her income won't be sufficient to continue her children's education. At the end of her serious contemplations, she decided to do something of her own, some of her friends suggested Selvi to cook and serve lunch-time meals to the construction workers nearby her home, which could fetch some revenue. Even for that, she would need some investment, the same friends suggested her to seek Muthoot Mahila Mitra support through the institution's financial offerings.

Without wasting a day Selvi Raju approached a Mahila Mitra branch. The institution analysed her plans and completed all the loan process in a week's time. Very soon, Selvi Raju was granted the first cycle of loan. From there on, Mahila Mitra continued to support her with Sthreejyothy – financial literacy programme and a few skill development



Loan ID: TVRA 18/3C

trainings which would help her succeed in the business venture. It all started with a few 'lunches' Selvi served to the construction workers. The first few customers enjoyed her dishes and more people began to come with the help of mouth spread publicity.

As more persons came in, she had to manage money and process in a systematic way. The lessons she took from Sthreejyothy and other trainings paid off at this stage. Slowly, she expanded her food service to breakfast too. Now she is preparing dishes for at least 35 to 40 peoples a day, including employees and college students. She also has regular orders from bakers and a few households.

Selvi Raju now earns Rupees 700 - 800 daily from her micro business. Her children supports in the business and Selvi now has enough money to take care of her children's proper education. One of her children is a skilled basketball player and he has got the chance to play in Kerala state basketball team.

Meanwhile, Selvi is on her 3rd cycle of loan with Mahila Mitra and she is planning to expand her business. She wishes to buy a two wheeler for the supply of food as demand is growing for spot delivery. Selvi and her children is now living a happy life and is looking forward towards a more successful tomorrow. Selvi always expresses her gratitude towards Mahila Mitra for the support the institution provided at a critical stage of her life. She wishes to grow and continue partnership with Muthoot Mahila Mitra.

## Financials

- Total profit (EBIT) for FY 2013-14 as of September 30 is at 36.55 crores.
- Total profit (EBIT) for the previous fiscal same period was 19.64 crores.
- The profits soared 86% in September, 2013 year on year.
- Operational Income for FY 2013-14 as of September 30 is 51.25 crores.

## News

### Highlights

- Operations started disbursing from 12 new branches across Tamilnadu, Kerala, Karnataka, and Maharashtra in October.
- Chennarayapatna, Poovachal, Nellimoodu and Bagalkot branches crossed 5000 clients in October.
- MSME loan disbursement reached 92.62 lakhs as on October 31, 2013.
- IGL-Dairy added 1187 dairy farmers in October, disbursing Rs 2.70 crores.
- Communications team provided training on topic 'Passion at Work' to ZMs, RMs, DMs and AMs.
- Training team conducted 81 training programmes in October.
- A total of 648 employees were benefitted through the internal training programmes.

## Impact

## Rising to the occasion



Loan ID: Anmd# 552SC

Geetha K is a 35 year old woman living in the slum outskirts of Chennai. Her husband was a tailor in a small unit and they have 4 children. Their big family was thrown in to a crisis when Geetha's husband Kathirvel lost his job in a totally unforeseen situation. The big family with 4 children, who were only students then - was forced into poverty. Kathirvel's health was also not good enough to go for any manual labour. So, Geetha took the bold step to do something of herself to save the family and their children's education.

Earlier, Geetha used to sell flowers in the streets but she knew the same won't work this time as she needs more money for her family at the crisis stage. It was Geetha's husband who told her about selling vegetables in the street has more prospects. But vegetables had to be bought in advance, unlike flowers where she had to pay the wholesaler only after the sales. It was Geetha's husband who also advised Geetha of Muthoot Mahila Mitra services. He knew of Mahila Mitra from his friends, whose wives were already members of the institution.

Geetha decided to approach the institution for financial support and guidance on her micro business plans. Mahila Mitra analysed her conditions and soon the loan was granted. She was also given SthreeJyothy - financial literacy and other skill development

classes. Geetha also discussed her business plans with Mahila Mitra and the institution helped her with some ideas.

The decision to start selling vegetables was a turning point in her life, the business was quite good from the beginning itself. She managed to find a good place for the sales. Soon, she found regular customers. She says "the profit margin with vegetables are better than the flowers, it was worthy to work hard on the business, and also the time to do business was comparatively less. So I could well balance time between the micro business and family".

Trainings and classes from Mahila Mitra motivated her and helped to manage her micro finance. She also learned to save money and plan for future financial needs.

Eventually, the family moved on from the crisis. Her children continued their studies and later her husband could find a similar tailoring job. Geetha is an example for a self-empowered woman. She earns a profit of rupees 300 every day. Her decision to rise at a critical situation was remarkable. She has now availed her second loan from Mahila Mitra and plans to expand her micro business. She always expresses her gratefulness towards Mahila Mitra for supporting her family at a critical time.

## Initiative

Free eye check-up and cataract surgery camp



Muthoot Microfinance organised free Eye check-up and cataract surgery camp in Thiruvalla, Kerala on 12/10/2013. The initiative forms a part of the company's CSR activities. The programme was conducted in participation with the renowned Eye Hospitals Network - Ahalya Foundation, Pathanamthitta. Through the CSR activities, Muthoot Microfinance strives to provide basic facilities and health services to clients.



The initiative, organised by the institution's South Kerala Div. 2 - was primarily focused for the customers from Thiruvalla region. The camp was a huge success with more than 250 clients turning up for eye check-ups. Out of the participants, 8 patients were identified with the requirement of cataract surgery and has been called up to the hospital for free surgery.



Thomas John Muthoot – Chairman, Muthoot Pappachan Group

“The next leg of  
growth will be more  
balanced”

(Excerpts from Hindu-Business Line interview with  
Mr Thomas John Muthoot,  
Chairman – Muthoot Pappachan Group.)

**“Microfinance is expected to  
contribute 9 per cent of our income”**

This has certainly impacted growth. We may not see the high growth of 40-50 per cent as in the boom times. But, still, we welcome the RBI's move. This will now create a level-playing field across players. Banks have also de-risked their business and now offer lower LTV, since the steep price correction in the months of April and May.

So, now, the next leg of growth will be more balanced at, say, 20-25 per cent. However, this year (2013-14) our growth will be marginal.

**What about your profitability?**

When gold prices corrected sharply in April and May, our board had taken a conscious decision to step up the provisions for bad loans, and we provided Rs 70 crore in the June quarter. We may see one more quarter of asset quality pain. The loans which were lent at a higher LTV are going out of the system.

**So, how will different players compete now?**

Players will now compete on various products and services that they have to offer. In this regard, we have already started to expand our product portfolio to include housing loans, auto loans, micro finance, and so on.

While gold loans cater to the low-income and mid-income category, auto loans are only for the two- and three-wheeler segment and caters to the low-income group. We also give micro finance of up to Rs 10,000 to women. Housing loan is again for the informal sector, for the low- and mid-income category. Here we offer loans in the range of Rs 3-15 lakh.

**How much do these businesses contribute currently?**

The share of gold loan business has come down to 89 per cent. Going by the growth in the other businesses, gold loan contribution would come down to 80 per cent in three years. Microfinance is expected to contribute 9 per cent of our income, auto loans 4 per cent and home loans 3.4 per cent.

**I**n the last one year or so, there has been a flurry of regulations. What brings in so many restrictions?

The unprecedented growth for gold loan companies in the past few years has caught the eye of the regulator. There has been a significant shift from the unorganised sector (pawn brokers) to the organised sector and this has led to high growth of 50-60 per cent for most players.

Also, the branch expansion of the players has helped. As funding from banks and markets were available easily, NBFCs continued to lend to customers.

**The RBI has capped the loan-to-value for gold loans at 60 per cent and standardised the valuation of the collateral. How has this impacted you?**

Let us look at how this industry has evolved in the last five years. The market saw a sudden gush of new players aggressively trying to compete with each other. Rather than competing on interest rates, gold loan companies began competing on the loan-to-value (LTV). Due to competitive pressures, we raised our LTV from 60-65 per cent to 65-75 per cent.

Since March 2012, after the RBI notification, we have reduced our LTV to 60 per cent. We still needed to compete with banks that were offering higher LTV of 70-75 per cent.

Now, with the latest guidelines, we are not clear on the LTV calculations, though we understand we need to value the gold jewellery at the average of the closing price of 22 carat gold for the preceding 30 days as quoted by The Bombay Bullion Association. We have sought for clarifications from the regulators on this.

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