

# *Manappuram Finance Limited*

## Corporate Presentation

December 2019



Gold Loans



Microfinance



Housing Finance



Vehicle Finance



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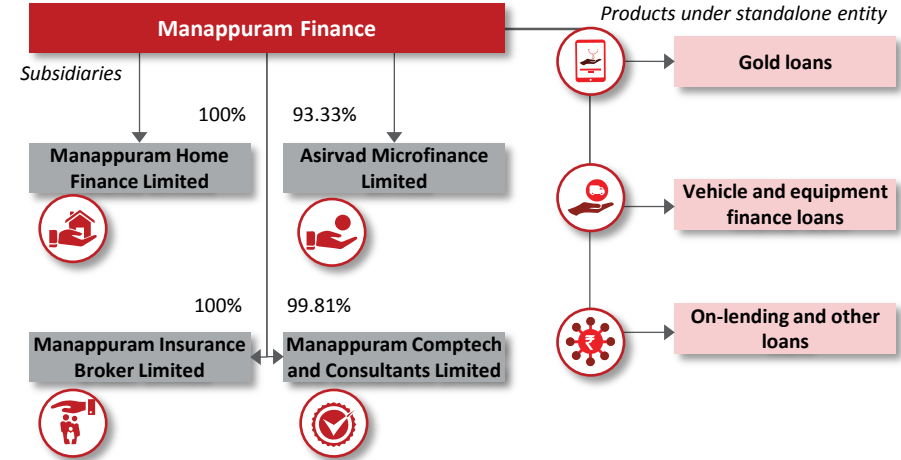
# Manappuram Finance— overview



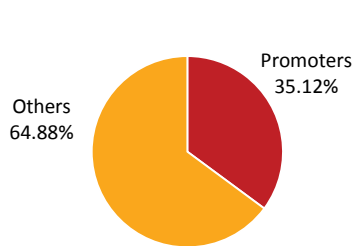
## Leading diversified NBFC in India

- Incorporated in 1992, Manappuram is Non-Banking Financial Company (NBFC) offering a diversified product portfolio including gold loans, microfinance loans, vehicle and equipment finance, home loan finance, on-lending and insurance brokerage business
- Currently has 3,464 branches across 22 states and 6 Union Territories. Loan assets of c.US\$2.5bn (INR173.9bn) and employee count of 20,847 as of 30<sup>th</sup> Sep 2019 on a standalone basis
- Gold loan under management of US\$2.1bn (c.INR151.7bn) as of Sep 2019 with c.72 tonnes gold jewellery held as security for gold loans and 2.59m gold loans customer base
- Gold loans constituted c.87% of the standalone gross loan book as of Sep 30, 2019

## Group structure



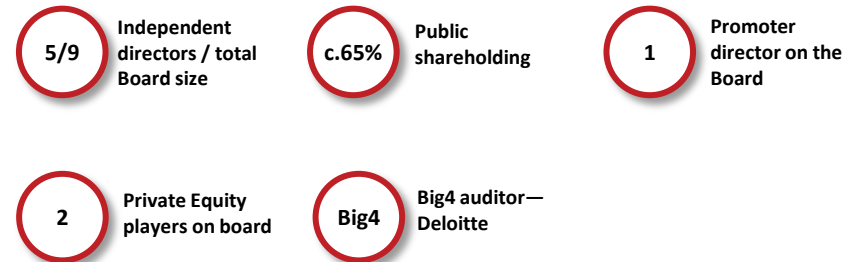
## Shareholding (30<sup>th</sup> September 2019)



Top 10 shareholders (other than promoters)	%
Quinag Acquisition (FPI) Ltd.	9.936
Baring India Private Equity <sup>1</sup>	8.776
Barclays Merchant Bank (Singapore) Ltd.	3.709
Fidelity Investment Trust	3.150
DSP Small Cap Fund and DSP MIDCAP	2.286
Duro One Investment Limited	2.281
L&T Mutual Fund Trustee Ltd.	1.329
Dolly Khanna	0.800
Emerging Markets Core Equity Portfolio	0.797
Dimensional Emerging Markets Value Fund	0.793

Source: Company information  
 Note: Fx. INR/USD: 70.64  
 1. Includes Fund II and Fund III

## Corporate governance

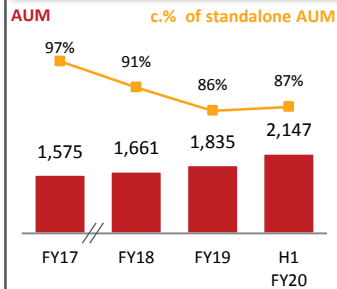


# Manappuram — product segment overview

## Issuer entity<sup>1</sup>

**Standalone AUM**  
US\$2,461m

### Gold loans US\$2,147m

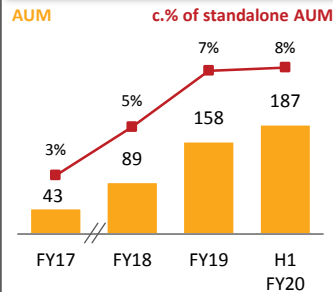


- Wide range of schemes to cater to diverse customer requirements
- No end-use restriction on gold loans
- Gold loans of up to c.US\$923m (c.INR65bn) sourced through online channels (43%)
- LTV linked to loan tenor

**3,464** Branches  
**28** States/UTs

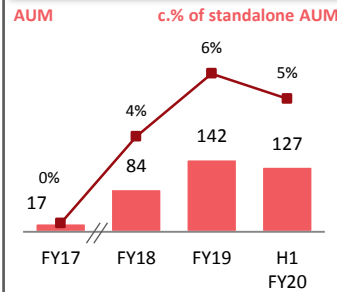
**c.US\$500** (INR35.3k) Average loan ticket  
**c.2.6m** Customer base

### Vehicle and equipment finance US\$187m



- Loans for new/preowned commercial vehicles and refinancing
- Spread across 168 locations (100% co-located with gold loan branches)

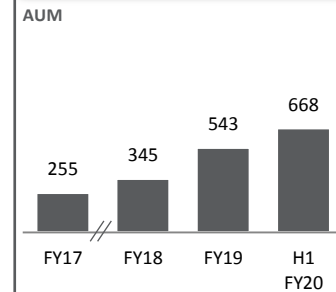
### On-lending and other loans US\$127m



- On-lending to NBFC
- SME/MSME business- Loans provided against property

## Subsidiaries

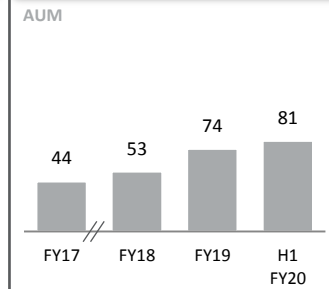
### Microfinance loans US\$668m



- Gives loans under subsidiary – Asirvad Microfinance Limited
- Three types of loans
  - Income Generating Programme (IGP) loan
  - Product loan
  - Small and Medium Enterprises (SME) loan
- Average loan tenure of up to 24 months

**1,027** Branches  
**23** States  
**c.2.0m** Customer base

### Home loan finance US\$81m

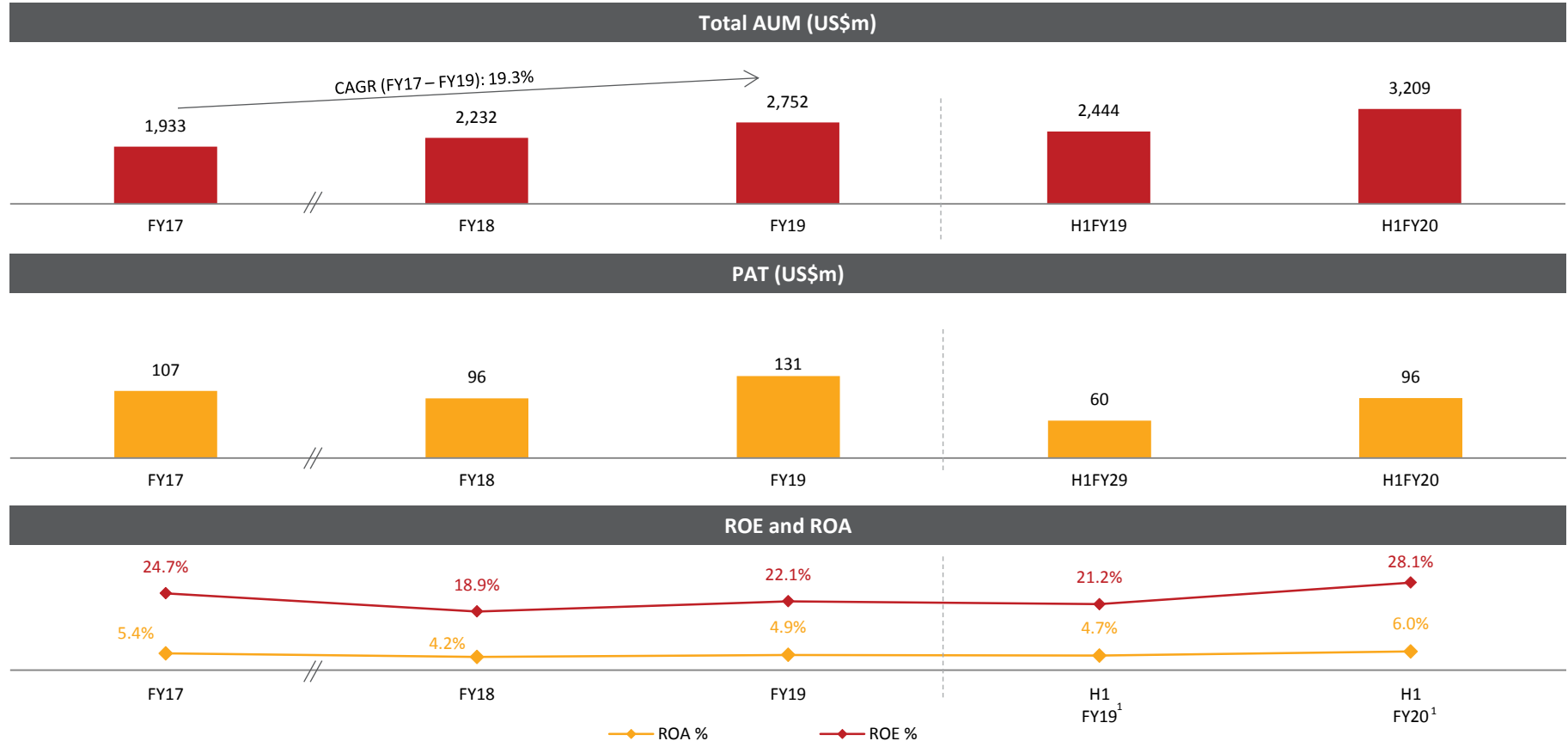


- Home loans under subsidiary – Manappuram Home Finance Limited
- Focus on affordable housing loans for mid-income to low-income groups

# Manappuram — consolidated performance overview

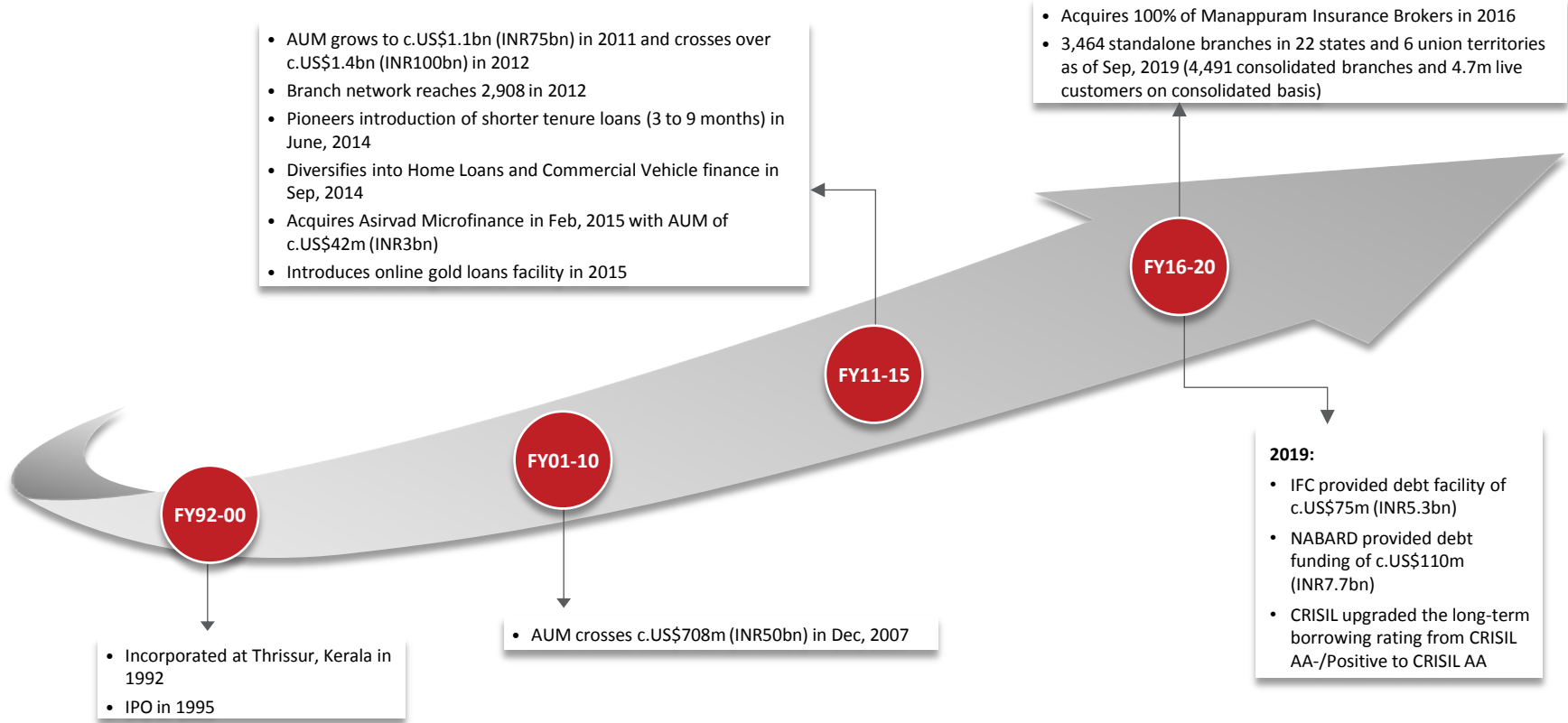


## Strong financial performance with high return ratios



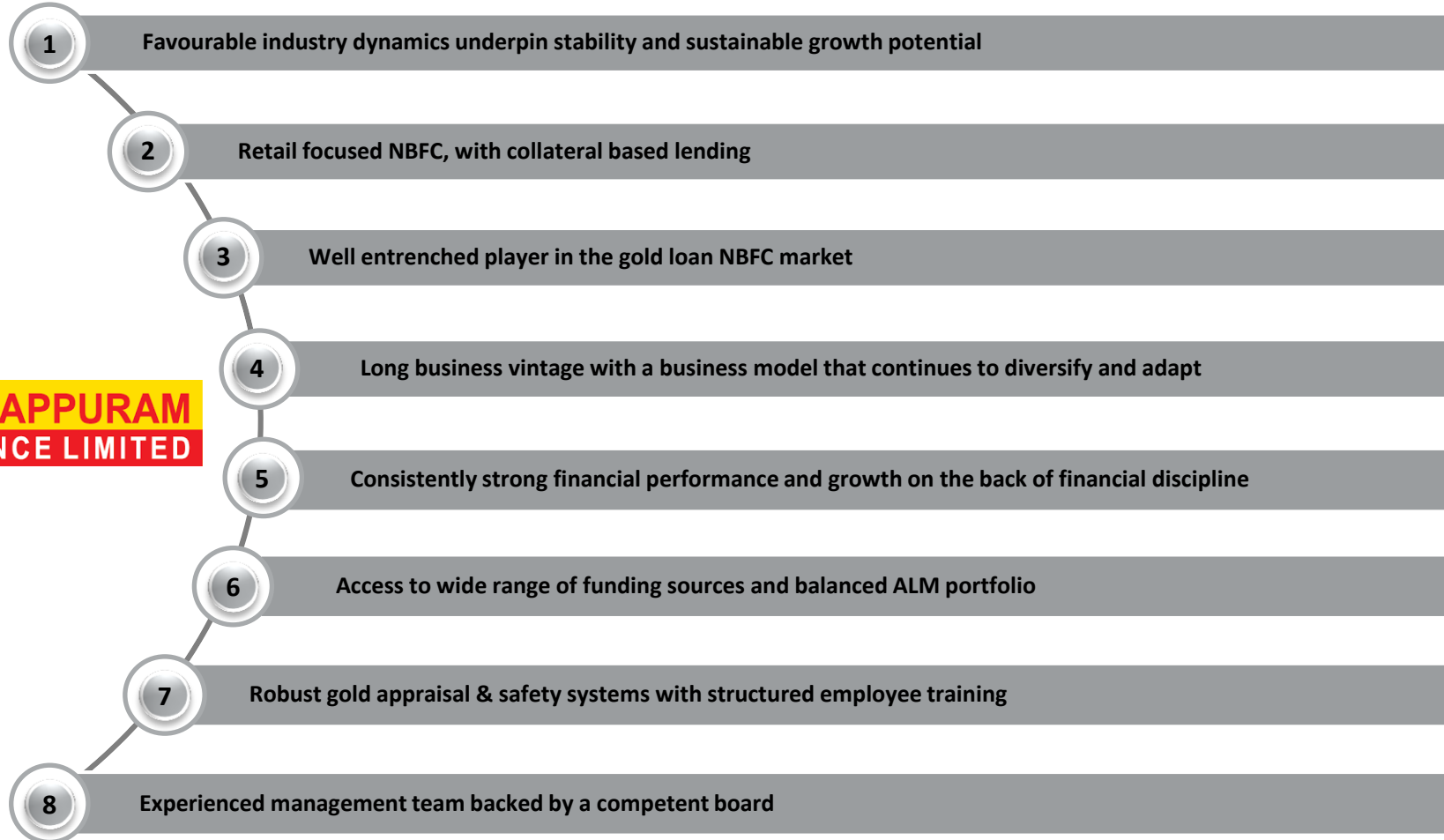
Note: Consolidated financials, FY17 is as per IGAAP and FY18, FY19 and H1FY20 are as per IndAS; Fx. INR/USD: 70.64  
 1. H1 FY19 and H1 FY20 ROE and ROA have been annualized

# Key corporate milestones



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# Competitive strengths

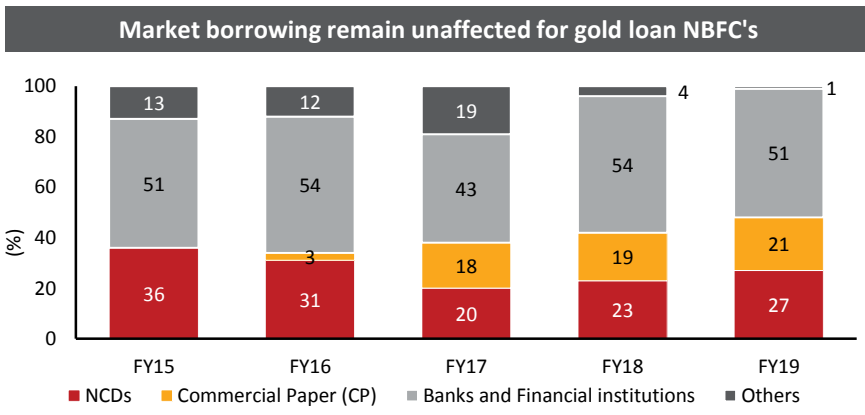
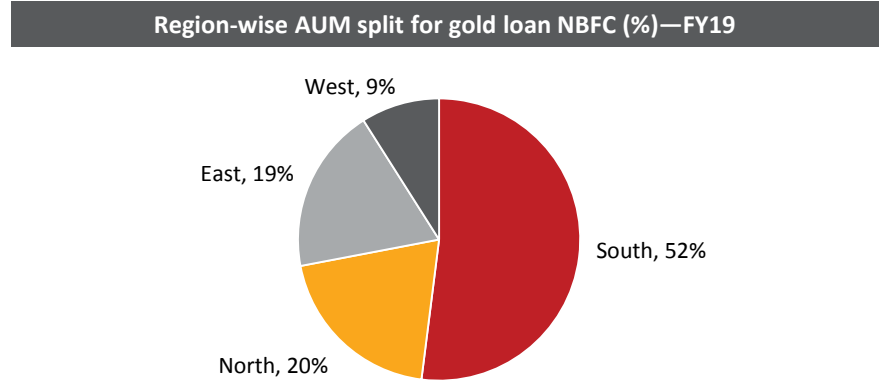
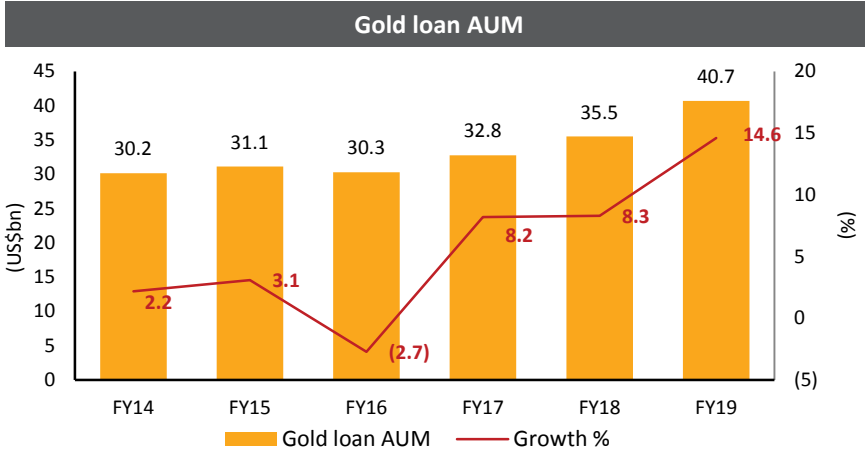




# 1 Favourable industry dynamics underpin stability and sustainable growth potential— Gold loan



Gold NBFCs would benefit with the continuing shift from unorganized to organized gold loan market

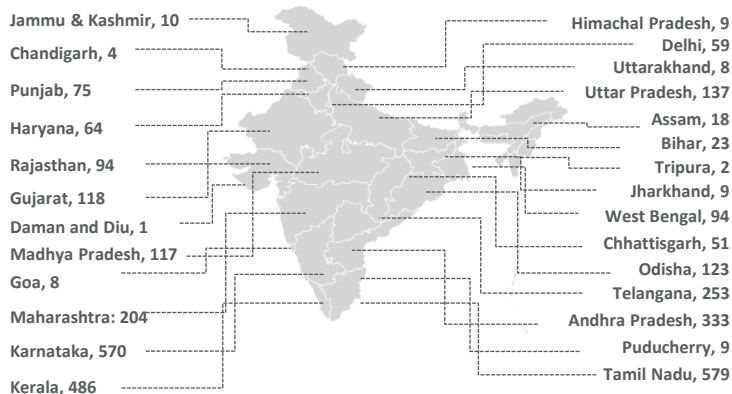


- ### Growth drivers
- 1 Strong collateral, higher interest rate, lower cost, better return on investment
  - 2 Product diversification that compensates for lower off-take of auto, home loans
  - 3 Scope for cross-selling opportunities in future, including other gold-based products
  - 4 Opportunity to capture under-penetrated, untapped markets

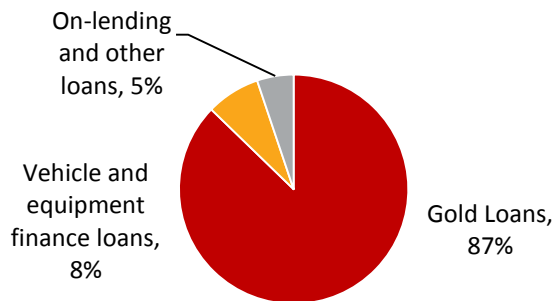
Source: Crisil Research  
 Note: Fx. INR/USD: 70.64

## 2 Retail focused NBFC, with collateral based lending

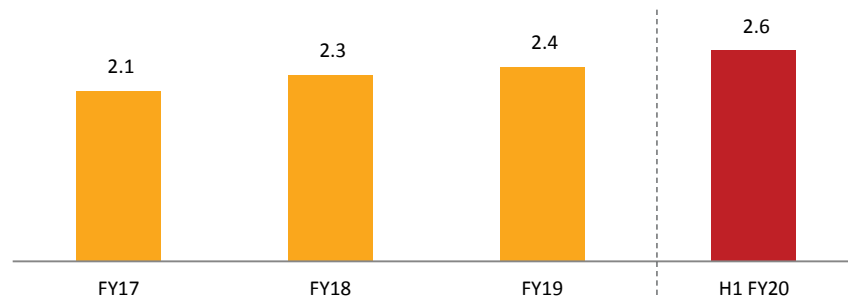
Pan India presence<sup>1</sup>



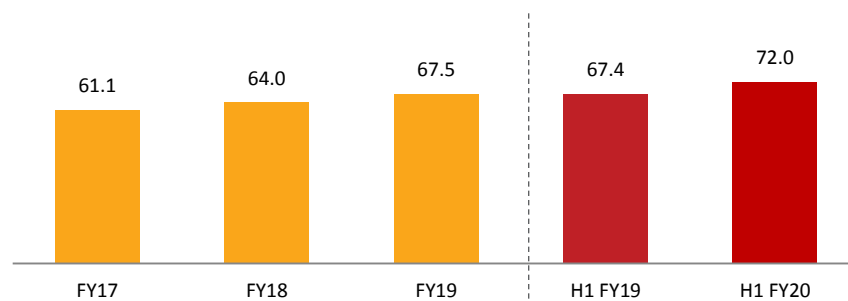
AUM mix (H1 FY20)



Gold loan customer base (m)



Gold collateral (tonnes)



Note:

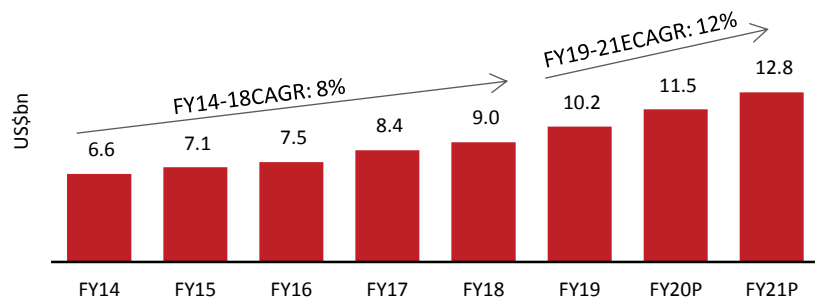
1 3,464 branches of standalone entity as of Sep 2019

### 3 Well entrenched player in the gold loan NBFC market

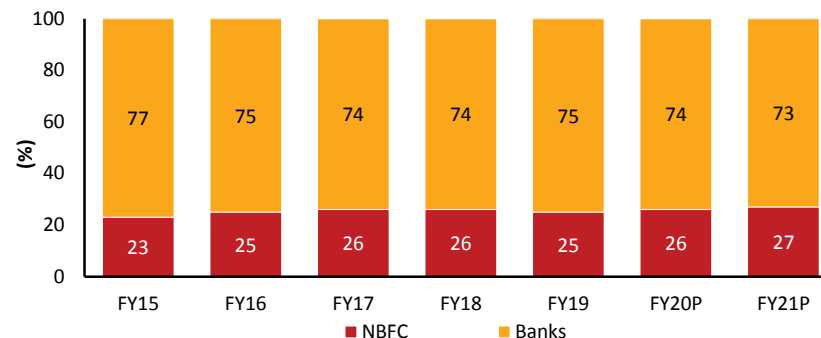


Manappuram has an estimated market share of c.18% among the gold loan NBFCs

NBFC gold loan AUM (US\$bn)

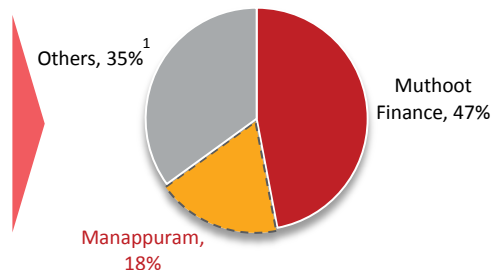


Share of banks & non-banks in gold financing



Market share among gold financing NBFC (%)—FY19

Gold AUM	FY19
Total NBFC	c.US\$10.2bn
Manappuram	c.US\$1.8bn
Muthoot	c.US\$4.8bn



Key differentiators of NBFCs vs. Banks

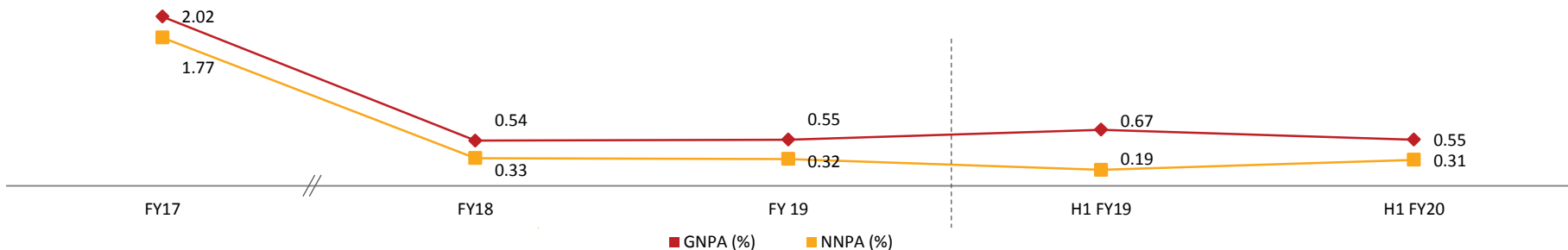
- 1 Less documentation enabling shorter processing time
- 2 Adequate systems for quick disbursal
- 3 Flexible repayment options
- 4 Greater accessibility—ability to serve non-bankable customers

Source: CRISIL Research  
 Note: Fx. INR/USD: 70.64

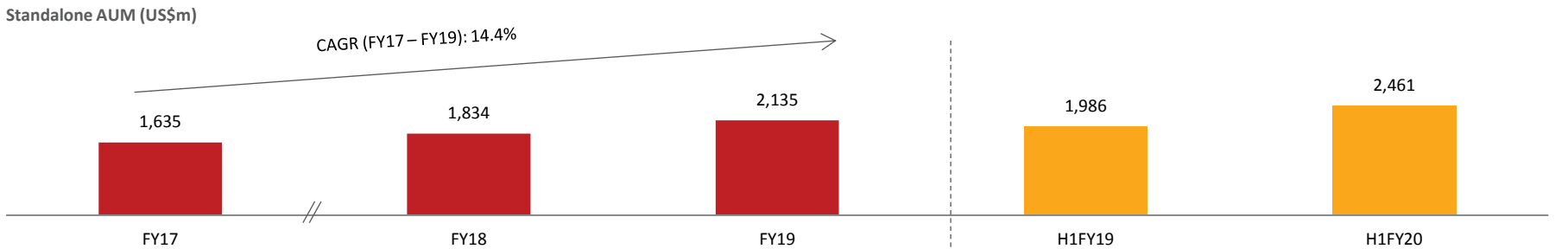
1. Includes 15% market share of Muthoot Fincorp

# 4 Long business vintage — track record across multiple business cycles

Manappuram has focused equally on asset quality...<sup>1</sup>

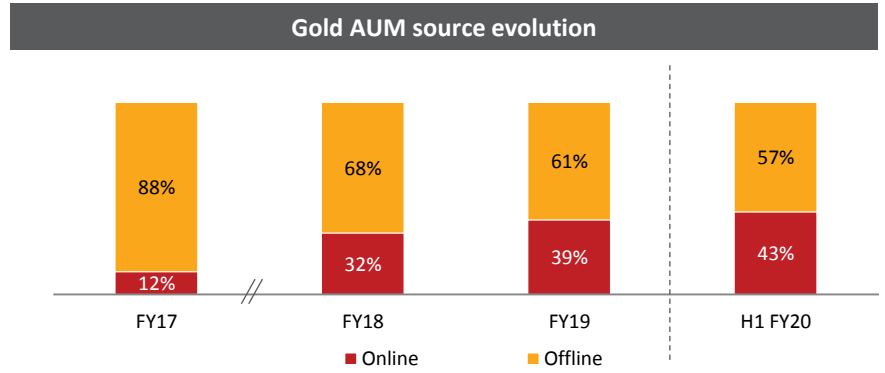
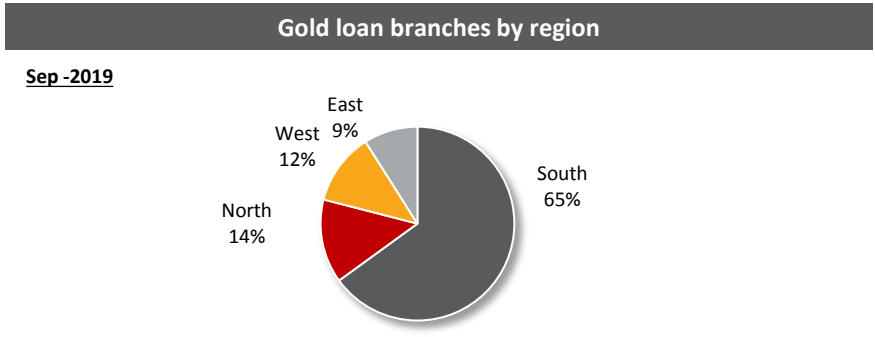
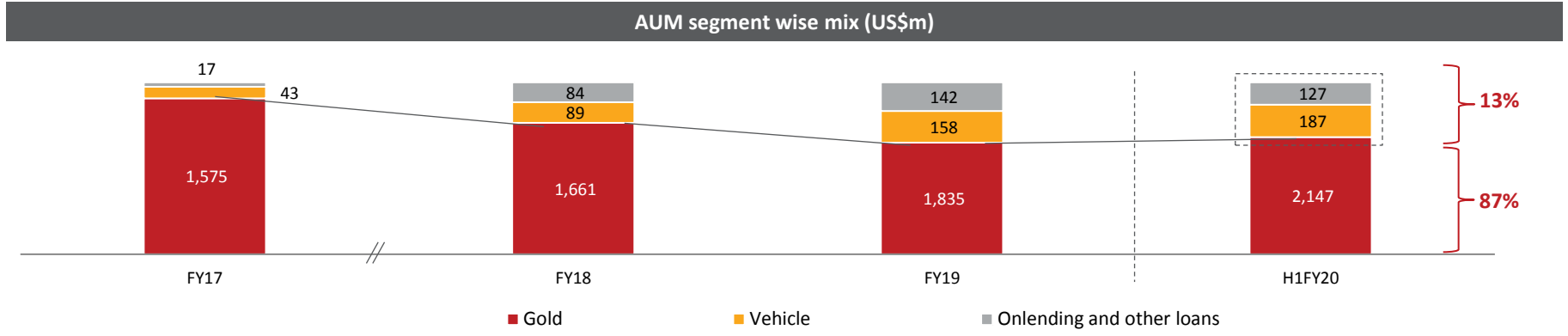


... as much as on asset growth



Notes: FY17 is as per IGAAP and FY18, FY19 and H1FY20 are as per IndAS; Fx. INR/USD: 70.64  
 1. Standalone GNPA and NNPA ratios

# 4 Business model focused diversification of loan products, geographies and sourcing



**Manappuram is focused on being a pan-India player with balanced regional mix**

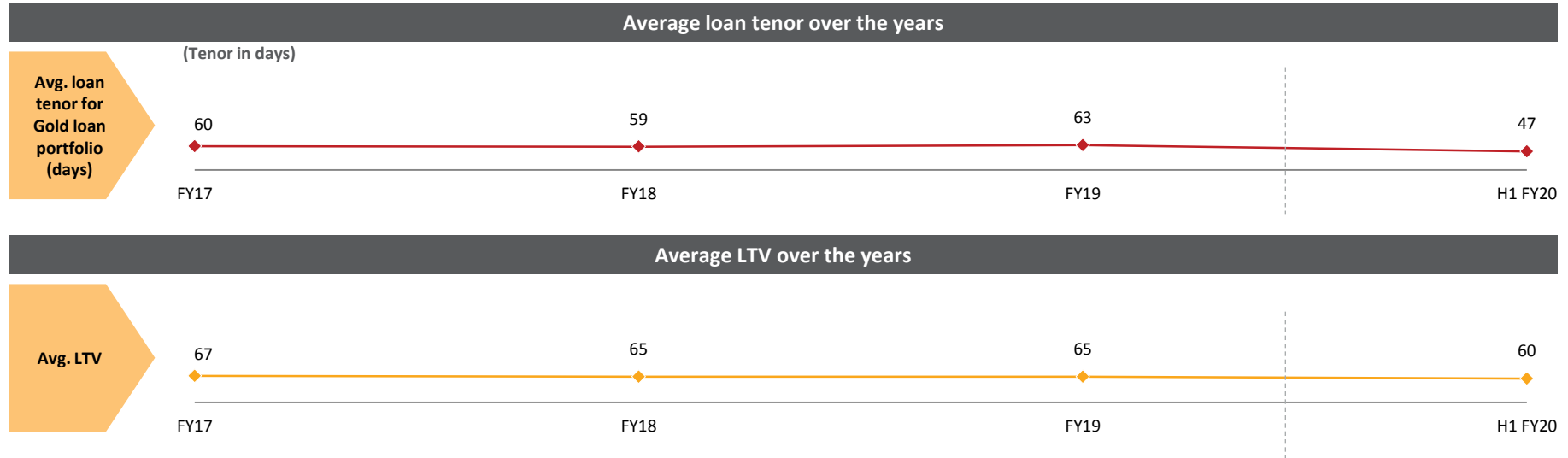
**Over 43% of the Gold AUM has been sourced online and this is expected to increase going forward**

Notes: FY17 is as per IGAAP and FY18, FY19 and H1FY20 are as per IndAS; Fx. INR/USD: 70.64

## 4 Well incorporated strategy of delinking gold business from gold prices reflected in lower LTV and average loan tenor

Manappuram has strong expertise in the gold loan business, and is proactively managing the risk exposure in this segment

	Earlier scenario– 12 month long tenure product	Current revised scenario–3 months short tenure products
Gold value	100	100
LTV (%)	75	75
<b>Gold loan</b>	<b>75</b>	<b>75</b>
Interest rate (%)	24	24
Interest cost <sup>1</sup>	21	7.5
<b>Total principal + interest<sup>1</sup></b>	<b>96</b>	<b>82.5</b>



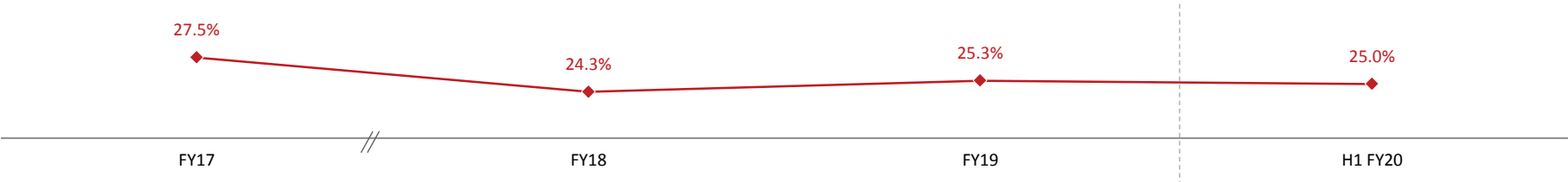
Note:

1 Includes interest outgo during 2 months of auctioning period

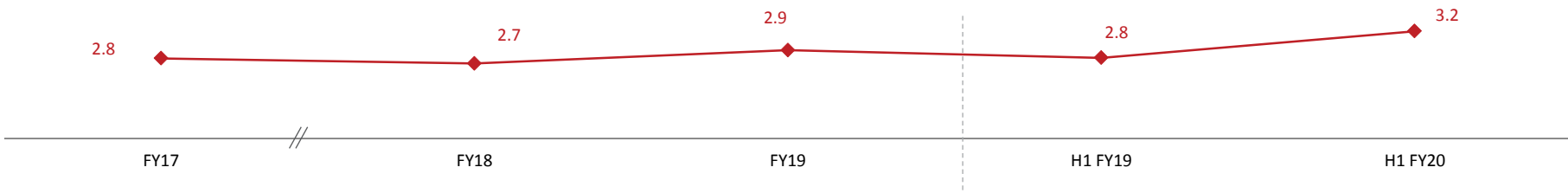
# 5 Consistently strong financial performance and growth on the back of financial discipline



## Gold loan portfolio yield



## Standalone debt/equity (x)

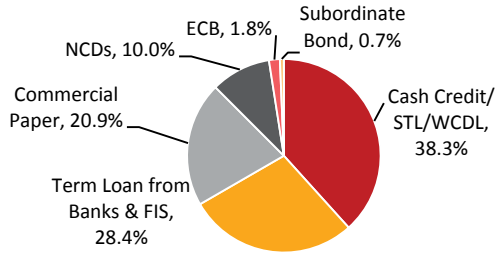


Note: FY17 is as per IGAAP and FY18, FY19 and H1FY20 are as per IndAS

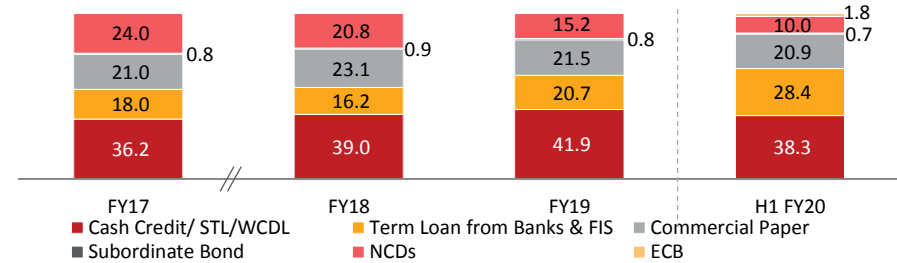
# 6 Access to wide range of funding sources



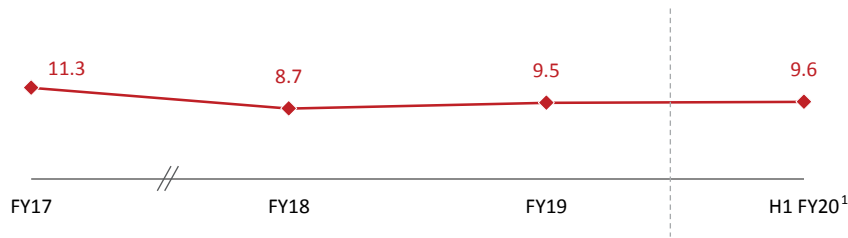
Consolidated borrowing mix (H1 FY20)



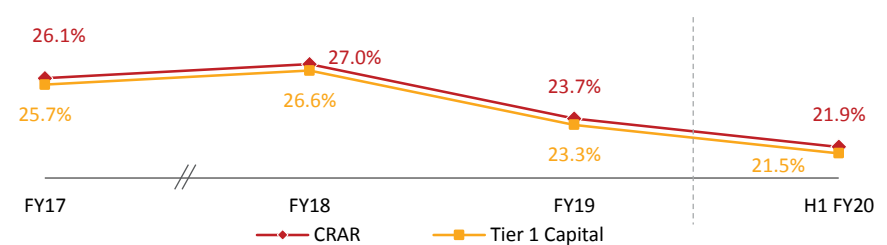
Consolidate borrowing mix evolution (%)



Consolidated Cost of borrowing (%)



Consolidated CRAR & Tier 1 Capital



**Domestic credit rating:**

Agency	Rating	Nature of securities
CRISIL	AA (Stable)	Non-Convertible Debentures aggregating to c.US\$390m (INR27,575 million) and Non-Convertible Debentures aggregating to c.US\$99m (INR7,000.00 million)
CRISIL	A1+	Commercial Paper aggregating to c.US\$566m (INR40,000.00 million)
CARE	AA (Stable)	Long Term Bank Facilities aggregating to c.US\$862m (INR60,873.80 million)
CARE	A1+	Short Term Bank Facilities aggregating to c.US\$412m (INR29,126.20 million)
CARE	AA (Stable)	Non-Convertible Debentures aggregating to US\$156m (INR11,000.00 million)
CARE	A1+	Commercial Paper aggregating to c.US\$566m (INR40,000.00 million)
ICRA	AA- (Stable)	Non-Convertible Debentures aggregating to c.US\$38m (INR2,701.20 million)
Brickwork	AA+ (Stable)	Non-Convertible Debentures aggregating to c.US\$142m (INR10,030.00 million); Bank Loan Facilities aggregating to c.US\$991m (INR70,000.00 million)

Note: FY17 is as per IGAAP and FY18, FY19 and H1FY20 are as per IndAS, Fx. INR/USD: 70.64

1. Cost of borrowing for H1 FY20 has been annualized



## 7 Robust gold appraisal & safety systems with structured employee training

### Extensive gold appraisal system

- 1 Conducts tested methods for gold appraisals using in-house staff
  - Nitric acid test
  - Touchstone test
  - Hallmark checking
  - Sound test
- 2 Independent appraisal carried out by different sets official before disbursements are made depending on the ticket size of the loan
- 3 Branch heads independently verify loans where the net weight of gold exceeds 20 grams
- 4 Lending only against household and used jewelry limiting risk of low quality gold or spurious gold jewellery
- 5 For loans above c.US\$14k (INR1m), the head office conducts detailed field level verification of profile of the customers and approves the limits of loan sanctions

### In-house training capabilities

- 1 Provides training to employees through various skill advancement and educational programmes
- 2 Employees are trained to verify the purity of gold ornaments and checks to identify spurious gold
  - Trained to compute weight of the other materials like stones in ornaments to arrive at net value
- 3 Currently has 32 regional training centres and 2 apex training centres- Manappuram School of Training
- 4 Online e-Learning tool accessible by employees for self development
- 5 Additionally, deploys various other methods of training including job rotation, case studies, role play, distance learning, class room training etc.

### Monitoring and safety systems

- 1 Internal audit and risk management teams continuously monitor pledged gold
- 2 All branches are subject to audit inspections from time to time
  - Also involves quality check on the inventory
- 3 Inventory control procedures involve physical security checks and checks on the quality of pledged gold
- 4 Branch head and assistant branch head are joint custodians of the gold stored in strong rooms and vaults
  - Strong rooms and vaults can only open if two keys are inserted at the same time
- 5 Gold is kept in cellular model shelves; safes are of BB class from reputed agencies and strong rooms are reinforced concrete structures built as per industry standards



## Key managerial personal



- Postgraduate in Science
- Managing committee member of ASSOCHAM and FICCI

**Mr. V. P. Nandakumar**  
*Managing Director and CEO*



- Masters degree in commerce
- Director since July 1992

**Mr. B.N. Raveendra Babu**  
*Executive Director*



- Fellow member of the Institute of Chartered Accountants of India
- Managing finances of Manappuram for 21 years

**Mrs. Bindu A L**  
*CFO*



- Fellow member of the Institute of Company Secretaries of India
- 14 years of experience as a Company Secretary

**Mr. Manoj Kumar VR**  
*Company Secretary*

## Board of Directors



- Former Chairman: HDFC Bank, Unit Trust of India & Bombay Stock Exchange, Deputy Governor: Reserve Bank of India
- 40 years of work experience in banking and finance

**Mr. Jagdish Capoor**  
*Independent and Non-Executive Chairman*



- B. Sc.: Calicut University , B.A. LLB : Kerala University
- 36 years of work experience , civil lawyer enrolled with the Thrissur Bar Association

**Mr V. R. Ramchandran**  
*Independent and Non-Executive Director*



- B.Com Kerala University, Diploma in Industrial finance, Certified Associate of the Indian Institute of Bankers
- Over 42 years work ex in RBI, NBFCs regulations

**Mr. P. Manomohan**  
*Independent and Non-Executive Director*



- Chartered Accountant with a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad
- Partner at Apax Partners LLP

**Mr. Gautam Narayan**  
*Non-Executive Director*



- Gold medallist in Economics from XLRI School of Management
- 24 years in financial services industry in ANZ Grindlays Bank, ABN AMRO Bank

**Sutapa Banerjee**  
*Independent and Non-Executive Director*



- B-Tech (Hons) from Indian Institute of Technology, Kharagpur , Post Graduate Diploma in Management from Indian Institute of Management, Kolkata
- Senior Advisor to E&Y
- Previously CFO Citibank, Indian subcontinent

**Mr. Abhijit Sen**  
*Independent and Non-Executive Director*

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**MANAPPURAM**  
**FINANCE LIMITED**

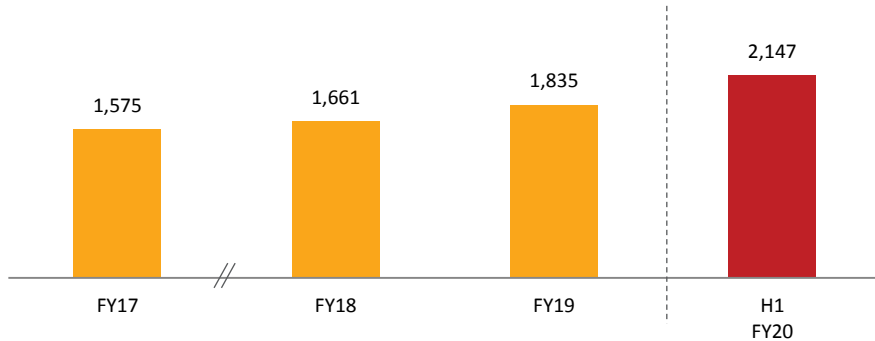


**Gold loan — overview**

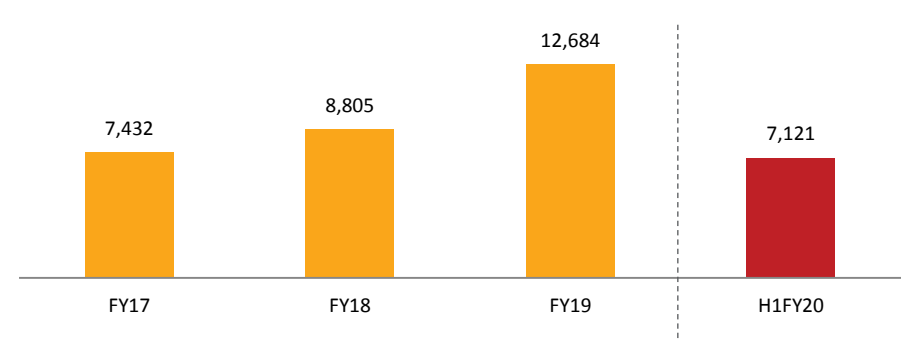
# Gold loan segment: financial and operational summary



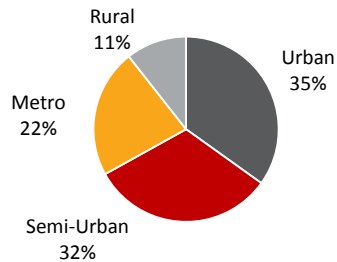
Gold loan AUM (US\$m)



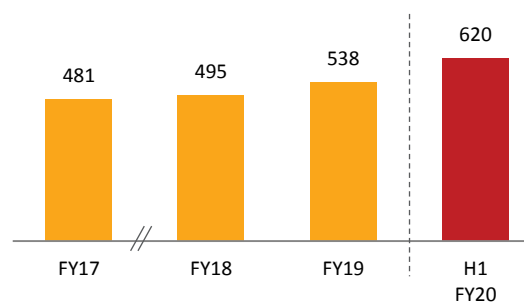
Disbursements (US\$m)



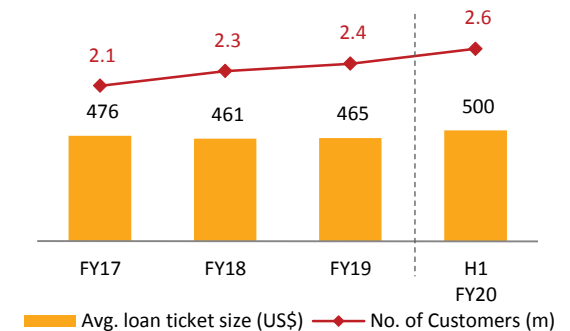
Gold AUM presence (H1 FY20)



Gold AUM per branch (US\$'000)



Customer base & avg. loan ticket size

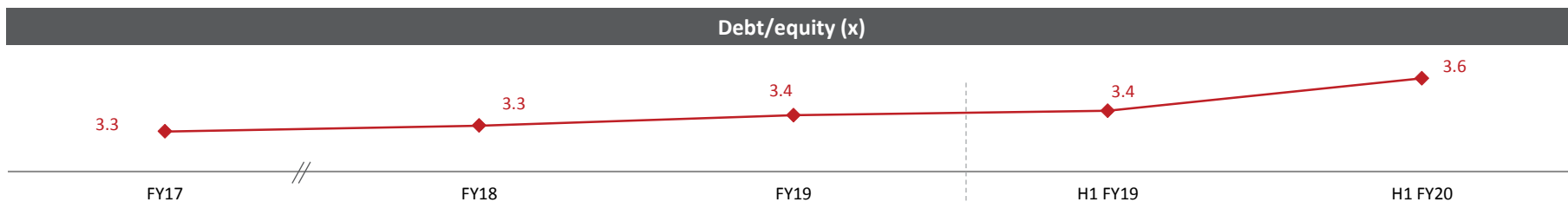
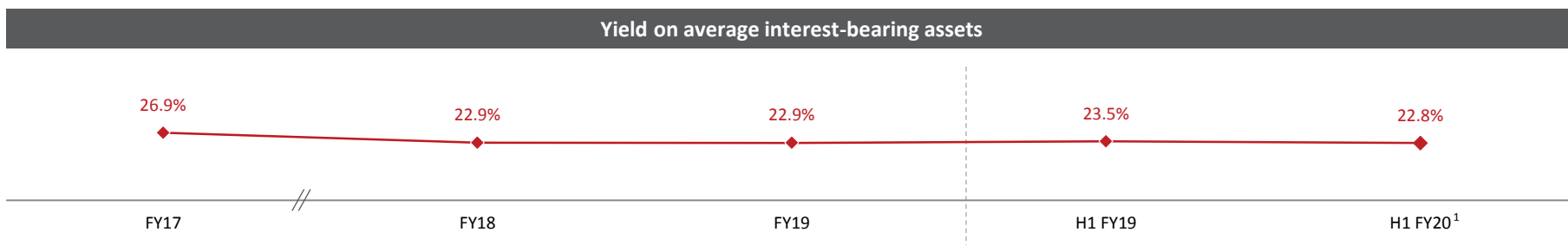
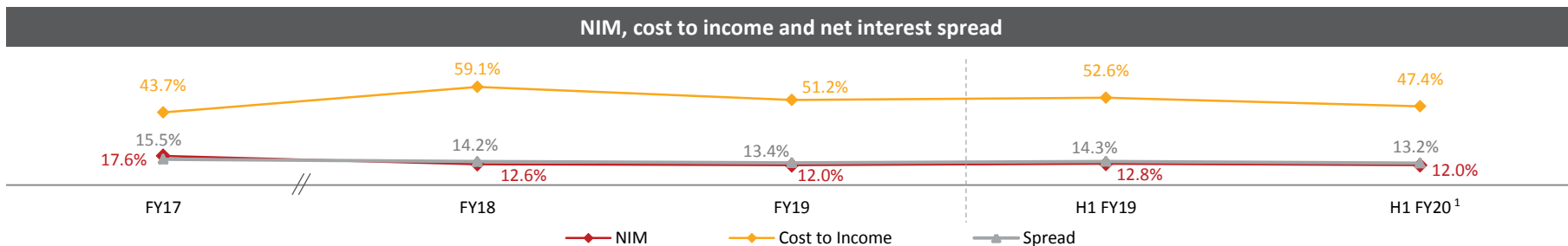


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# Consolidated financial performance and growth

## Manappuram has been able to demonstrate sustainable profitability



Note: FY17 is as per IGAAP and FY18, FY19 and H1FY20 are as per IndAS; Consolidated financials  
1. NIM, Spread and Yield on average interest-bearing assets have been annualized

# Consolidated profit & loss statement



Particulars (US\$m)	FY 17	FY 18	FY 19	H1 FY 19	H1 FY 20
Closing AUM	1,933	2,232	2,752	2,444	3,209
<b>Income from operations</b>	<b>479</b>	<b>484</b>	<b>583</b>	<b>276</b>	<b>348</b>
Finance expenses	165	146	187	87	114
<b>Net interest income</b>	<b>314</b>	<b>338</b>	<b>396</b>	<b>189</b>	<b>234</b>
Employee expenses	71	89	102	49	57
Other operating expenses	66	86	94	46	45
Pre provision profit	177	164	200	94	133
Provisions/Bad debts	15	25	7	4	9
Other income	3	8	9	3	8
<b>Profit before tax</b>	<b>165</b>	<b>147</b>	<b>202</b>	<b>93</b>	<b>131</b>
Tax	58	51	70	33	35
<b>PAT before OCI</b>	<b>107</b>	<b>96</b>	<b>132</b>	<b>60</b>	<b>96</b>
Other comprehensive income	-	(0)	(0)	(0)	(0)
<b>PAT after OCI</b>	<b>107</b>	<b>96</b>	<b>131</b>	<b>60</b>	<b>96</b>

Note: FY17 is as per IGAAP and H1FY19, FY18, FY19 and H1FY20 are as per IndAS; Ex. INR/USD: 70.64



# Consolidated balance sheet



Particulars (US\$m)	FY 17	FY 18	FY 19	H1 FY 19	H1 FY 20
Cash & Bank balances	83	103	165	104	244
Investments	1	1	25	7	18
Loans & Advances	1,898	2,158	2,522	2,371	2,977
Fixed assets	26	44	52	43	73
Other assets	113	106	133	126	124
<b>Total assets</b>	<b>2,121</b>	<b>2,411</b>	<b>2,896</b>	<b>2,650</b>	<b>3,437</b>
Share capital	24	24	24	24	24
Reserves & Surplus	452	516	617	563	693
Borrowings	1,526	1,785	2,165	1,987	2,597
Other liabilities & provisions	116	82	83	72	116
Minority interest	3	4	6	5	6
<b>Total liabilities</b>	<b>2,121</b>	<b>2,411</b>	<b>2,896</b>	<b>2,650</b>	<b>3,437</b>

Note: FY17 is as per IGAAP and H1FY19, FY18, FY19 and H1FY20 are as per IndAS; Fx. INR/USD: 70.64

<b>Section 1</b>	<b>MANAPPURAM FINANCE OVERVIEW</b>	<i>Page 5</i>
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APPENDIX

# MICROFINANCE OVERVIEW

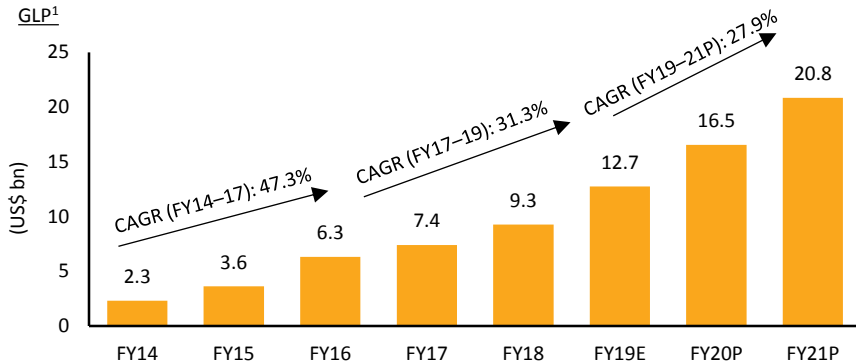


**MANAPPURAM**  
**FINANCE LIMITED**

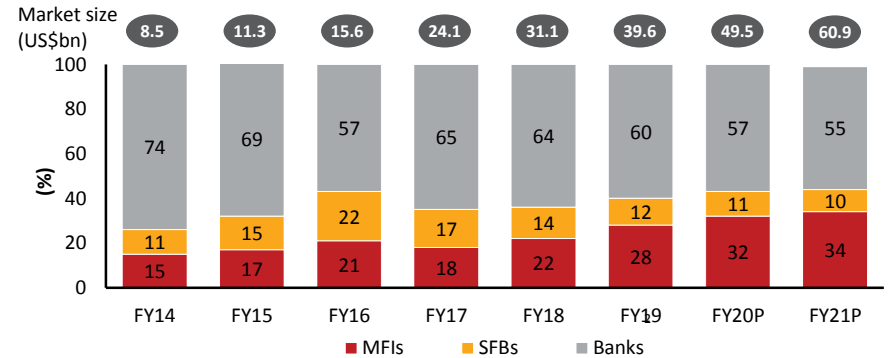
**Micro finance — Industry and business overview**

# Favourable industry dynamics underpin stability and sustainable growth potential— Microfinance

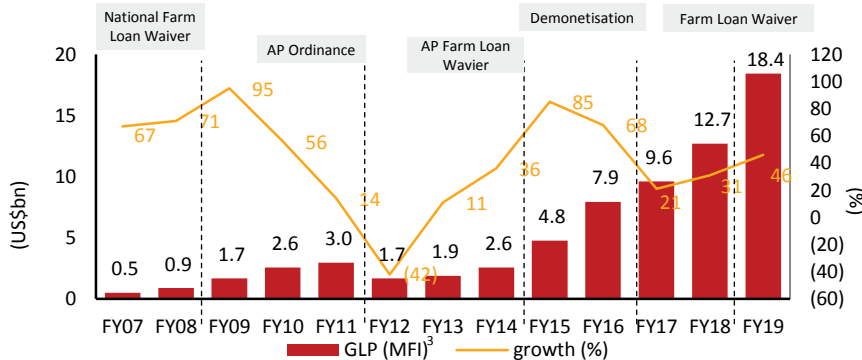
## Growth pace remains strong despite headwinds faced by the sector



## Share of MFIs in the overall book expected to improve further



## Microfinance industry has shown resilience to major shocks



## Growth drivers & future outlook

- Overall GLP growth expected to be driven by NBFC-MFIs, amid flush funding availability from the banking sector and through securitisation
- Growth for these players expected to be further supported by strong incremental lending to those customers turned away by SFBs

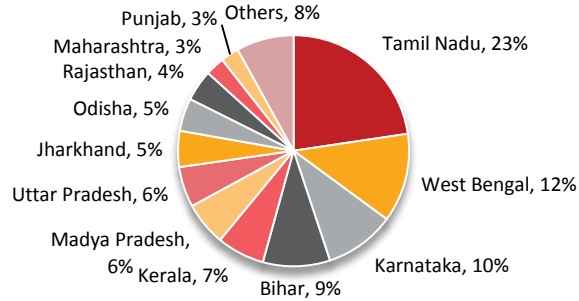
Source: MFIN, CRISIL Research, Fx. INR/USD: 70.64Notes:

- GLP includes NBFC-MFIs and all 8 MFI turned SFBs; Bharat Financial Inclusion Ltd, which has merged with IndusInd Bank, is excluded from the analysis; Data excludes values for NBFCs such as L&T Finance and Fullerton
- Banks includes loans given out under both SHG and JLG models; Bharat Finance is included in Banks; MFIs comprise of NBFC-MFIs, NBFCs, and non-profit MFIs P: Projected
- Data includes values for NBFCs, NBFC-MFIs, non-profit MFIs, SFBs, and Bharat Financial Inclusion

# Successful diversification into microfinance and establishment of a low-risk, high yield business model



Excluding legacy state<sup>1</sup> of Tamil Nadu, state-wise and district-wise portfolio exposure is limited to c.12% and c.1% respectively as of 30 September 2019



## Small ticket size further limits credit risk

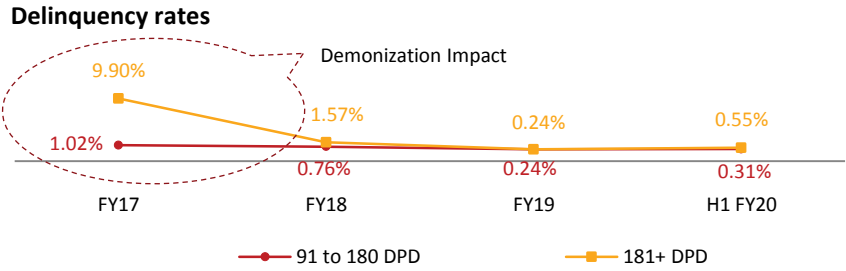
- 1 Per customer exposure limited to c.US\$328 (INR23,145) as of 30 September 2019 in comparison with RBI's per customer cap of US\$1,770 (INR1.25lakhs) in rural areas
- 2 Loan ticket size is gradually increased considering customer repayment profile

## Asirvad has stringent customer onboarding process

- 1 In-house field development officers engage with local customers, JLGs and have access to local customer knowledge
- 2 Customer credit information is obtained from 2 credit depositories and shared with 4 credit bureau repositories
- 3 Extensive 3-days process to ensure customer is not over-leveraged and not borrowing from more than 2 MFIs
- 4 Group tests are conducted to ensure JLGs understand the T&C's

## Efficient collection strategy ensures low delinquencies

- 1 Regular interaction between JLGs and the field officer
- 2 Monthly collection cycle

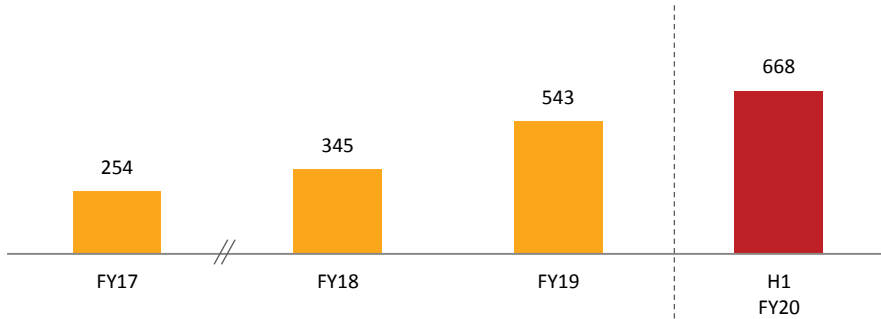


Note: Fx. INR/USD: 70.64  
 1 At the time of Manappuram's acquisition of Asirvad Micro Finance, Asirvad was majorly present in Tamil Nadu, Kerala and Karnataka

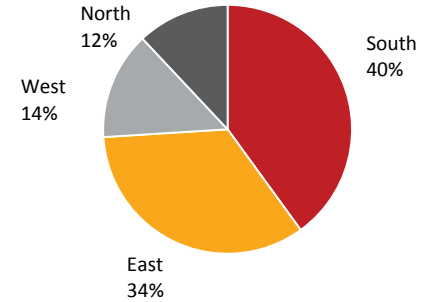
# Microfinance: financial summary



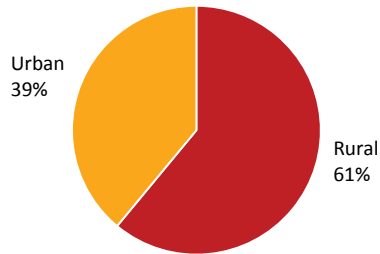
AUM (US\$m)



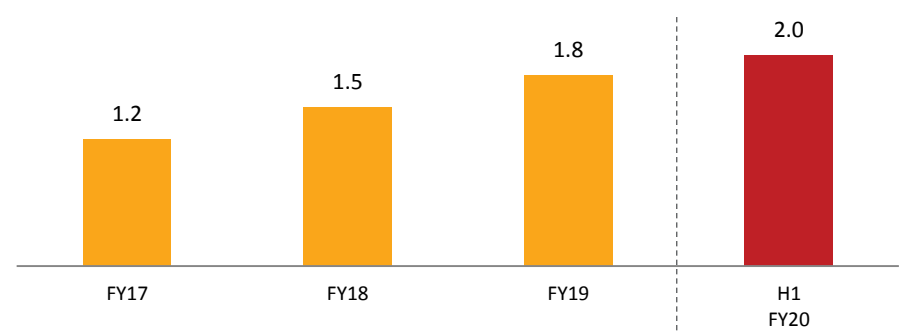
MFI AUM – region wise breakup (H1 FY20)



MFI disbursements region wise (H1 FY20)



Customer base (m)



Note: FY17 is as per IGAAP and FY18, FY19 and H1FY20 are as per IndAS; Fx. INR/USD: 70.64

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