Ref: Sec/ SE/ 134 / 2024 – 25
29.08.2024

BSE Limited **Phiroze Jeejeebhoy Towers** **Dalal Street** **Mumbai- 400001** **Scrip Code: 531213**	**National Stock Exchange of India Limited** **5th Floor, Exchange Plaza** **Bandra (East)** **Mumbai – 400 051** **Scrip Code: MANAPPURAM**

Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we hereby inform that Fitch Ratings has affirmed India-based Manappuram Finance Limited's (MFIN) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BB-'. The Outlook is Stable. The rating letter is attached.

We request you to kindly take this on record.

Thanking you.

Yours Faithfully,

For Manappuram Finance Limited

MANOJKUMA
R V R

Digitally signed by MANOJKUMAR V R
DN: c=IN, o=PERSONAL, title=3934,
pseudonym=c5f23f7795104ee39aca7608fa2c68e0,
2.5.4.20=f0bfb67ed6f83c3b9ef797beb0fd2aea41840b347cc40913da
f5c810c6217107, postalCode=680581, st=Kerala,
serialNumber=ec0b07b2d06a85987aa84d48d23761b1c13f03d6698
9437cb6348bc1a592cc87, cn=MANOJKUMAR V R
Date: 2024.08.29 16:33:10 +05'30'

Manoj Kumar V.R

Company Secretary

CIN: L65910KL1992PLC006623, **Registered Office :** W - 4/ 638A, Manappuram House, P.O. Valapad, Thrissur - 680 567, Kerala, India
Tel : 0487 - 3050100, 3050108 Fax : 0487 - 2399298 E mail : mail@manappuram.com Website : www.manappuram.com

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Manappuram Finance at 'BB-'; Outlook Stable

Thu 29 Aug, 2024 - 4:42 AM ET

Fitch Ratings - Singapore/Mumbai - 29 Aug 2024: Fitch Ratings has affirmed India-based Manappuram Finance Limited's (MFIN) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BB-'. The Outlook is Stable.

KEY RATING DRIVERS

Intrinsic Profile Drives Ratings: MFIN's ratings stem from its moderate franchise in gold-backed financing and other loans to India's semi-urban and rural borrowers, stable asset quality supported by its gold-loan portfolio, generally stable funding and liquidity profile, and moderate leverage. This is counterbalanced by an evolving risk appetite, as evidenced by a shifting business mix and a history of regulatory compliance findings.

Supportive Operating Environment: We expect India's GDP expansion to remain resilient, at 7.2% in the financial year ending March 2025 (FY25) and 6.5% in FY26, backed by sustained public and private investment that should further underpin employment and consumption. We expect this environment to support profitable growth for large non-bank finance and leasing companies, despite higher local interest rates.

Rapid industry loan growth in the past two years has given rise to pockets of heightened credit risk. Nonetheless, asset-quality metrics remain contained for most large lenders and we expect tightened prudential regulation and waning market liquidity to rein in the growth rates and risk appetites of non-bank financial institutions (NBFI).

Evolving Business Mix: MFIN's share of gold loans was 53% of total loans at end-June 2024, down from around 67% over the past two years due to higher growth in non-gold loan segments - microfinance, used commercial vehicles, small business loans and low-ticket housing loans - amid rising competition in gold loans. MFIN's franchise strength and risk controls in these segments are still developing and a rapid expansion in these segments could raise asset-quality risks for the company.

Developing Governance: MFIN business model is subject to high compliance risk, due to a history of regulatory findings and penalties. Repeated findings could damage MFIN's reputation and business franchise. Against this, MFIN is taking steps to improve governance and operational practices, which should ameliorate such risk if efforts are sustained. MFIN's credit profile is also exposed to key-person risk. The company has a succession plan relating to the founding shareholder, who is also the managing director, but we believe the plan will take time to become fully effective.

High Operational Risk: Gold-backed lenders, such as MFIN, are exposed to operational risk. This is due to their decentralised branch-led disbursements and customer-related processes. Recent regulatory actions and advisories within the gold loan sector should gradually improve compliance practices at gold lenders. Continued strong portfolio growth in riskier and less-familiar businesses could raise performance volatility.

Stable Asset Quality: MFIN's highly liquid gold collateral underpins its stable asset quality; we estimate its consolidated stage 3 loan ratio was 2.3% at end-June 2024 (FYE24: 2.5%). Credit impairment costs are vulnerable to a plunge in gold prices, which could lead to a decline in the realisable value of the gold collateral. However, a regulatory loan/value ceiling of 75%, standardised collateral valuation based on pure gold content and moving-average valuation benchmarks mitigate against lower gold prices.

MFIN's credit costs rose during 1QFY25 to 2.1% of average gross loans (annualised), from 1.4% in FY24, due to higher write-offs in microfinance loans. This portfolio was affected by extreme weather conditions that impacted the underlying businesses of borrowers. That said, we expect credit costs to moderate in the near term, as weather conditions have improved.

High Margin Supports Profitability: MFIN's wide net interest margin of 13.9% in FY24 was reflected in its pre-tax profit of 6.8% of average assets, which was among the highest in Fitch's rated Indian NBFI portfolio. A rising mix of non-gold loans could lift average credit costs, but higher yields from MFIN's core lending products should offset the increase.

Moderate Leverage: Leverage is likely to rise modestly in the medium-term along with loan growth, although we expect it to remain commensurate with the rating over the next two years. Adequate internal capital generation (FY24: 19.7% of opening equity) helps to contain the debt/tangible equity ratio, which remained moderate at 3.0x at FYE24.

Generally Steady, Though Costlier, Funding: MFIN is wholesale-funded, like most other Indian NBFIs, and retains adequate access to funds. Bank loans comprised 76% of total funding at FYE24 (FYE23: 69%), due to fewer capital market issuances in a rising interest-rate environment. However, MFIN has accessed funding from various channels in the past few months, such as offshore bonds and commercial paper, as interest rates on bank loans have risen.

The asset-liability profile is positively matched, supported by short asset tenors. Growth in long-tenor non-gold products may narrow the asset-liability gap in the medium to long term, but MFIN plans to increase its borrowing tenor to maintain an adequately matched profile.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The rating may be downgraded in the event of aggressive growth without a corresponding strengthening in risk controls and balance-sheet buffers. This may be indicated by a rapid shift in the business mix, such as non-gold loans exceeding 60% of consolidated gross loans in the short- to medium-term on soaring growth, or a rise in debt/tangible equity beyond 4.5x. Higher losses from compliance, operational or reputational risks than we expect would also be negative for the ratings.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

We believe MFIN's ratings have limited upside potential in the near term. In the longer term, we may take positive rating action with evidence of an improved regulatory compliance record, more mature business franchise in MFIN's non-gold loan segments and a steadier risk-management record in these segments, demonstrated by steady asset quality as the portfolios season. This is provided that profitability metrics remain stable and commensurate with the higher ratings.

DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS

The ratings on MFIN's medium-term note (MTN) programme and foreign-currency senior secured debt are at the same level as its Long-Term Foreign-Currency IDR.

Indian NBFIs' borrowings are typically secured and we believe non-payment of senior secured debt would best reflect the uncured failure of the entity. NBFIs can issue unsecured debt in the overseas market, but such debt is likely to constitute a small portion of their funding and thus cannot be viewed as their primary financial obligation.

DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES

The ratings on MFIN's US-dollar MTN programme and senior secured debt are sensitive to its Long-Term Foreign-Currency IDR. Any action on the Long-Term Foreign-Currency IDR will drive similar action on the MTN programme and senior secured debt ratings.

ADJUSTMENTS

The 'bb+' sector risk operating environment score is above the 'b' implied score for the following reasons: size and structure of economy (positive) and economic performance (positive).

The 'bb+' earnings and profitability score is below the 'bbb' implied score for the following reason: portfolio risk (negative).

The 'bb-' funding, liquidity and coverage score is above the 'ccc' implied score for the following reason: funding flexibility (positive).

Sources of Information

The principal sources of information used in the analysis are described in the applicable criteria.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

MFIN has an ESG Relevance Score of '4' for Customer Welfare - Fair Messaging, Privacy and Data Security, due to a history of customer-related business practices that did not fully comply with regulatory norms. The score reflects our assessment that customer-related practices appear weaker than at rated peers, raising regulatory and reputational risk for MFIN. This has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

MFIN has an ESG Relevance Score of '4' for Governance Structure, due to its history of customer-related business practices that did not fully comply with regulatory norms. This implies that the company has gaps in its governance structure. The score reflects our assessment that governance practices appear weaker than at rated peers, raising regulatory and reputational risk for MFIN. This has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Manappuram Finance Limited	LT IDR	BB- Rating Outlook Stable	Affirmed	BB- Rating Outlook Stable
	LC LT IDR	BB- Rating Outlook Stable	Affirmed	BB- Rating Outlook Stable
senior secured	LT	BB-	Affirmed	BB-

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Elaine Koh
Senior Director
Primary Rating Analyst
+65 6796 7239

elaine.koh@fitchratings.com
Fitch Ratings Singapore Pte Ltd.
1 Wallich Street #19-01 Guoco Tower Singapore 078881

Siddharth Goel
Director
Secondary Rating Analyst
+91 22 4000 1760
siddharth.goel@fitchratings.com

Jonathan Lee
Managing Director
Committee Chairperson
+886 2 8175 7601
jonathan.lee@fitchratings.com

MEDIA CONTACTS

Leslie Tan
Singapore
+65 6796 7234
leslie.tan@thefitchgroup.com

Bindu Menon
Mumbai
+91 22 4000 1727
bindu.menon@fitchratings.com

Vivian Kam
Hong Kong
+852 2263 9612
vivian.kam@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Country-Specific Treatment of Recovery Ratings Criteria (pub. 04 Mar 2023)

Non-Bank Financial Institutions Rating Criteria (pub. 18 Jan 2024) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Manappuram Finance Limited	EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the “NRSRO”). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the “non-NRSROs”) and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch’s international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch’s approach to endorsement in the EU and the UK can be found on Fitch’s Regulatory Affairs page on Fitch’s website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.