



## *Corporate Presentation*



*January 2011*

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## *Gold Loans : A High Growth Industry*

# Gold Loans : A High Growth Industry

## Increasing Market Size Of Gold Loans ...

### Gold Demand in India

- India is one of the largest markets of gold accounting for nearly 10% of total world stock with 18,000 tonnes of gold
  - Value of gold stock in India has grown at 22% CAGR from FY02 to FY10
- Price in-elasticity: Despite increase in gold prices from Rs. 15,026 to Rs. 51,150 per ounce between 2002 and 2009, the demand for gold remained relatively stable at around 700 tonnes
- Rural Concentration: Rural India is estimated to hold ~65% of the gold stock
- Southern India is the largest market accounting for 40% of India's gold demand, followed by West at ~25%, North at 20-25% and East at 10-15% of annual Gold demand

### Gold Loan Market in India

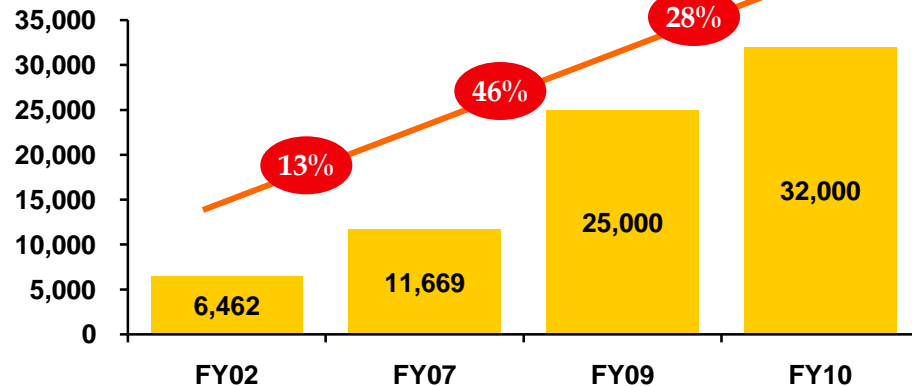
- There is a large unorganized gold loan market dominated by pawnbrokers and money lenders
- Share of organized is growing rapidly with emergence of specialized NBFCs which we believe is due to
  - Lower rate of interest; Aesthetics of branch; Safety of the ornaments and Fidelity risk avoided
- Huge under penetration in India of Gold Loans
  - Southern region accounts for 85-90% of Gold Loans market in India
- Organized Gold Loans in India have grown at 40% CAGR from FY02-10 and expected to grow at 33-41% CAGR in FY11

### % of Gold Loans Stock

0.4%      1.0%      1.0%      1.2%

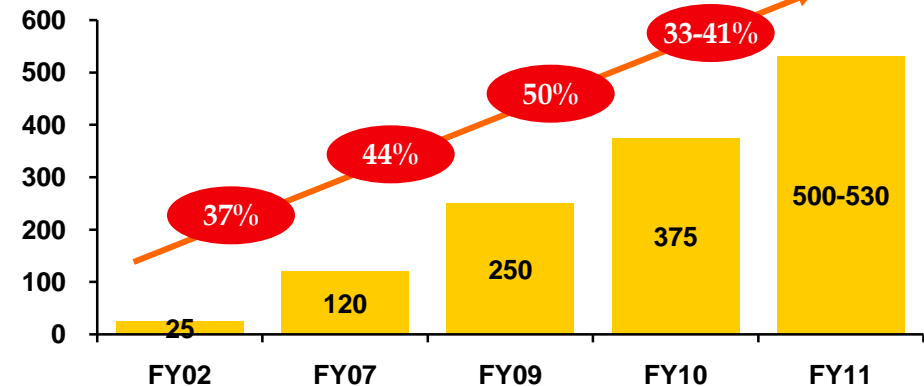
(Rs. bn)

### Value of Gold Stock



### Size of Gold Loans Market in India

(Rs. bn)



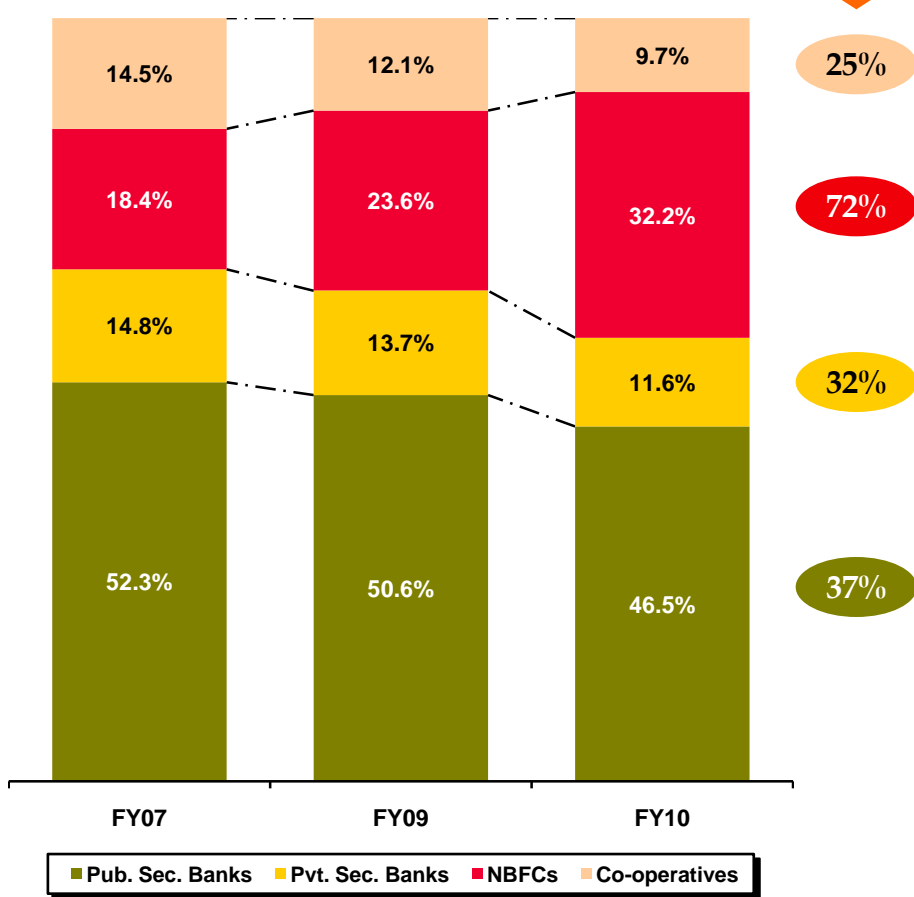
# Gold Loans : A High Growth Industry

... NBFCs Riding the Growth Wave

Share of Organized Market(%)

Growth Rate (FY07-FY10)

**NBFCs are the Fastest Growing Lenders in the Organized Gold Loan Market**



- Targeting Non-bankable customers
- High Comfort Level: Transparency & Trust
- Minimal documentation and formalities
- Quick approvals and disbursements
- Flexibility in Terms of Loans
- Easy Access due to Greater Penetration
- Presence of expert valuers
- Robust control systems
- Ability to handle cash
- Better Operating Cost Structures vis-à-vis Banks



## Key Drivers of Growth in Gold Loans

### Changing Customer Behaviour & Increasing Awareness

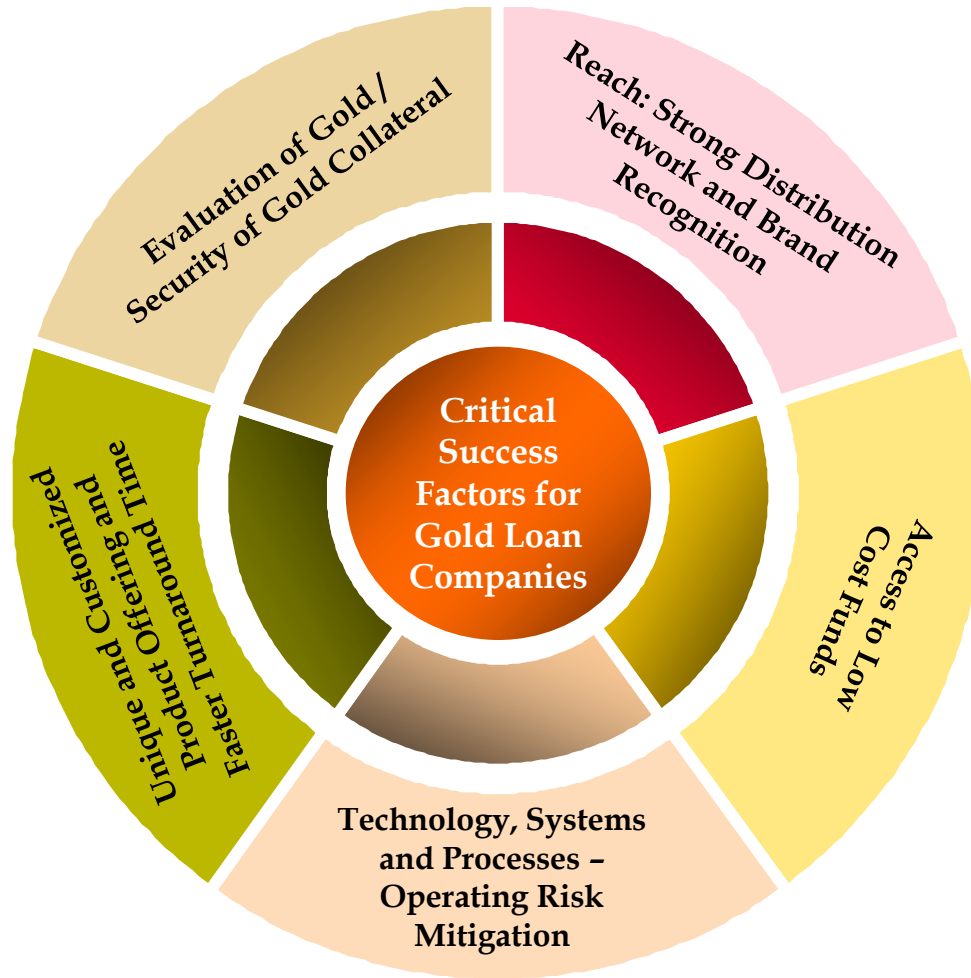
- Debt averse psychology of Indian customers changing
- Promoting creation of assets through growth in financial liabilities
  - Growth of 30-35% p.a. in retail credit between 2002-09
- Organized lenders driving awareness among rural /semi-urban customers, presenting a viable alternative to local pawn brokers and money lenders

### Policy Focus

- Government views gold loans as effective means to meet the potential micro-finance demand in India

# Gold Loans : A High Growth Industry

## Critical Success Factors For Gold Loan Companies



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## **Manappuram Snapshot**

## Brief Snapshot of Manappuram

### Brief History

- Manappuram Group was founded by late Mr. V C Padmanabhan many decades ago - currently managed by his son Mr. V P Nandakumar, Executive Chairman of Manappuram General Finance & Leasing Ltd ("Manappuram" or "MAGFIL")
  - Manappuram, registered as a deposit taking NBFC is the flagship company of Manappuram Group

### Business Overview

- Manappuram, headquartered in the State of Kerala in southern India is the largest listed gold loan company in India
  - Primarily engaged in providing loans against household used jewellery pledged by its customers
    - Amongst the safest form of asset lending, with both physical custody and beneficial ownership with the lender

### Assets Under Management

- Total AUMs of Rs. 65.2 bn<sup>(1)</sup> as on December 31, 2010 (including assigned portfolio) - (99.3% of AUMs represent gold loans, remaining are historical portfolio of hypothecation against vehicle loans and other business / personal loans)

### Branches

- Extensive branch network of 1,795 branches spread across 19 states of India (as of December 31, 2010)

### Number of Employees

- Strong and skilled employee base of over 14,670 people (as of December 31, 2010)

### High Credit Rating

- Credit rating history of 15 years - has investment grade rating since 1995
- Short term debt raising programme rated P1+ by Crisil (subsidiary of S&P) and A1+ by ICRA (associate of Moody's)

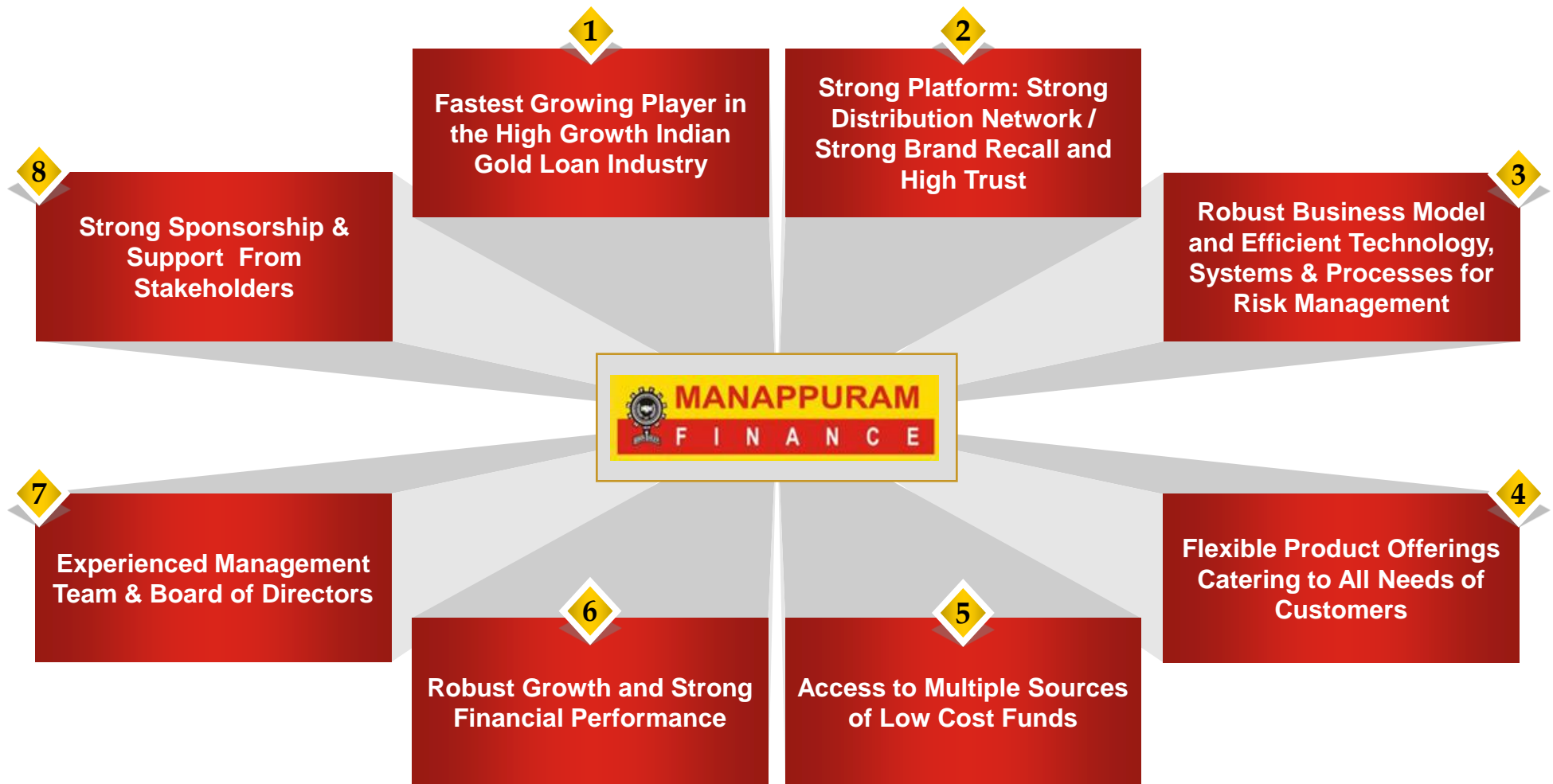
### Strong Financials

- Total income of Rs.7,611 mm and Net profit of Rs. 1,809 mm during the 9 months ended December 31, 2010
- Net worth of Rs. 18.80 bn as on December 31, 2010
- RoE of 28.03%, RoA of 5.04% and Net Interest Margin of 16.3% in 9 months ended December 31, 2010
- Net NPAs of gold loans are 0.14% as of December 31, 2010

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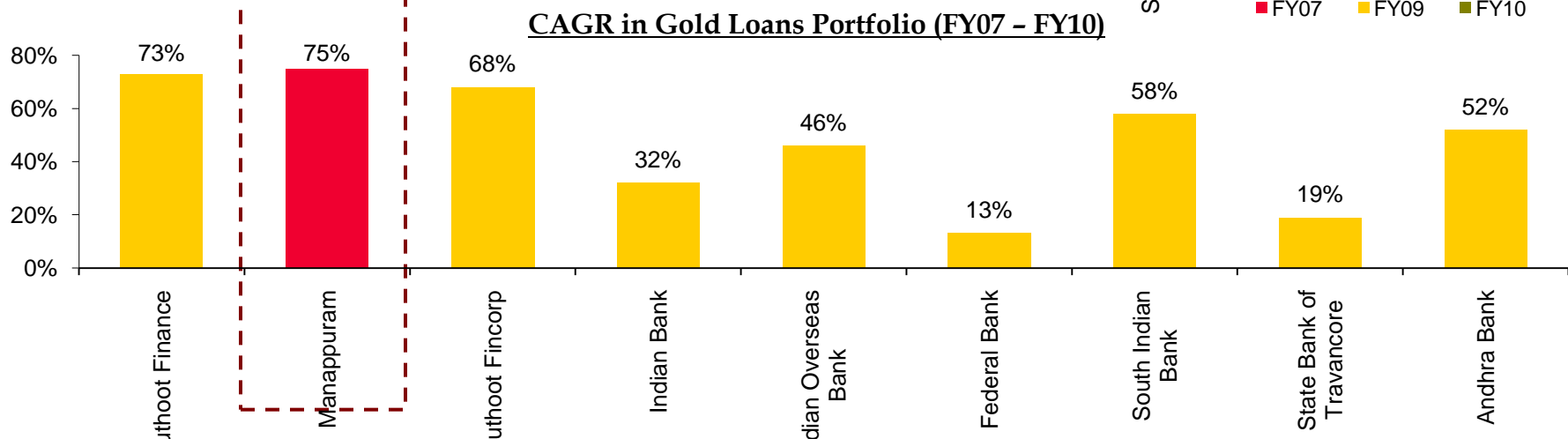
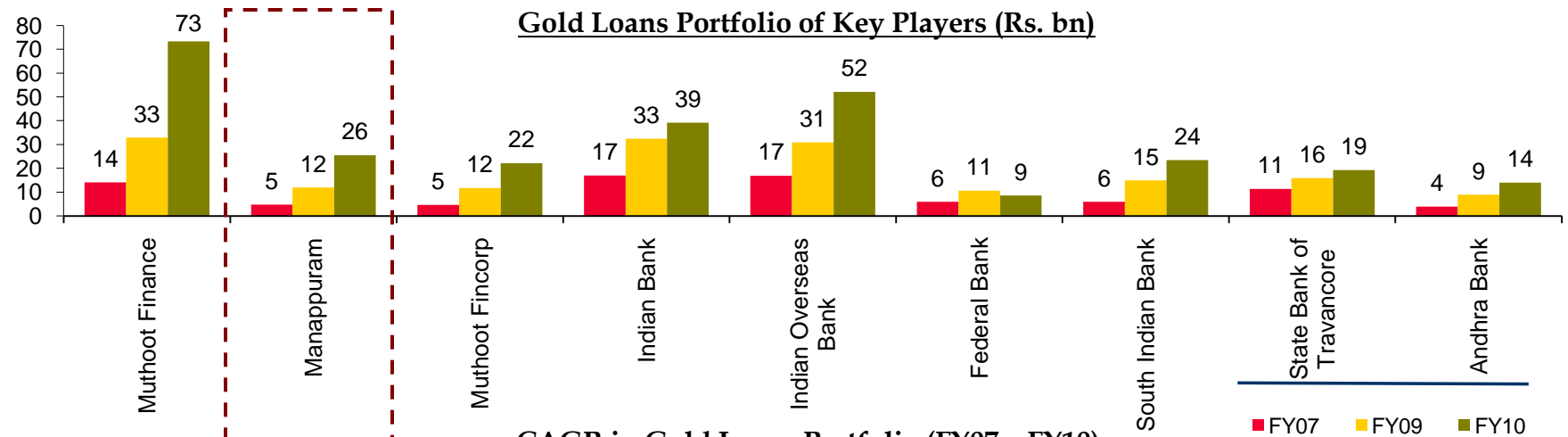
**What Makes Manappuram Unique?**

# What Makes Manappuram Unique?



# Fastest Growing Player in the High Growth Indian Gold Loan Industry

## Growth Of Key Players In Gold Loan Industry



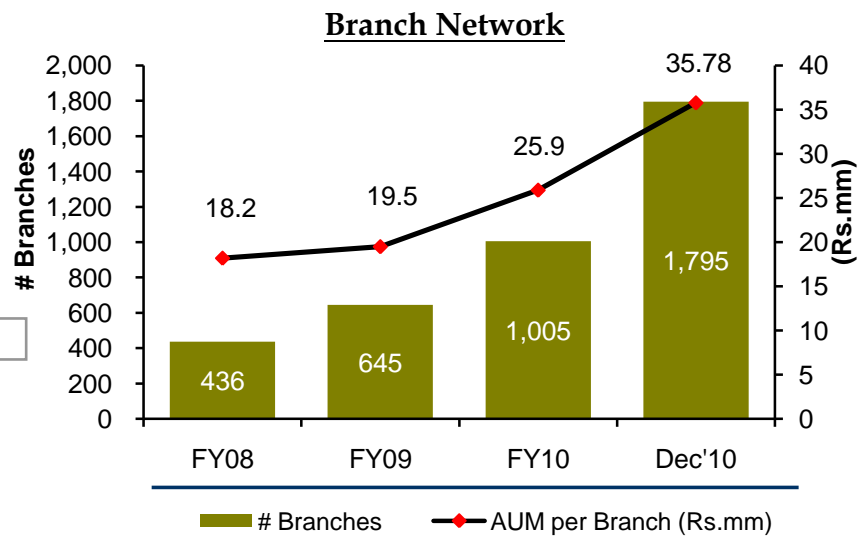
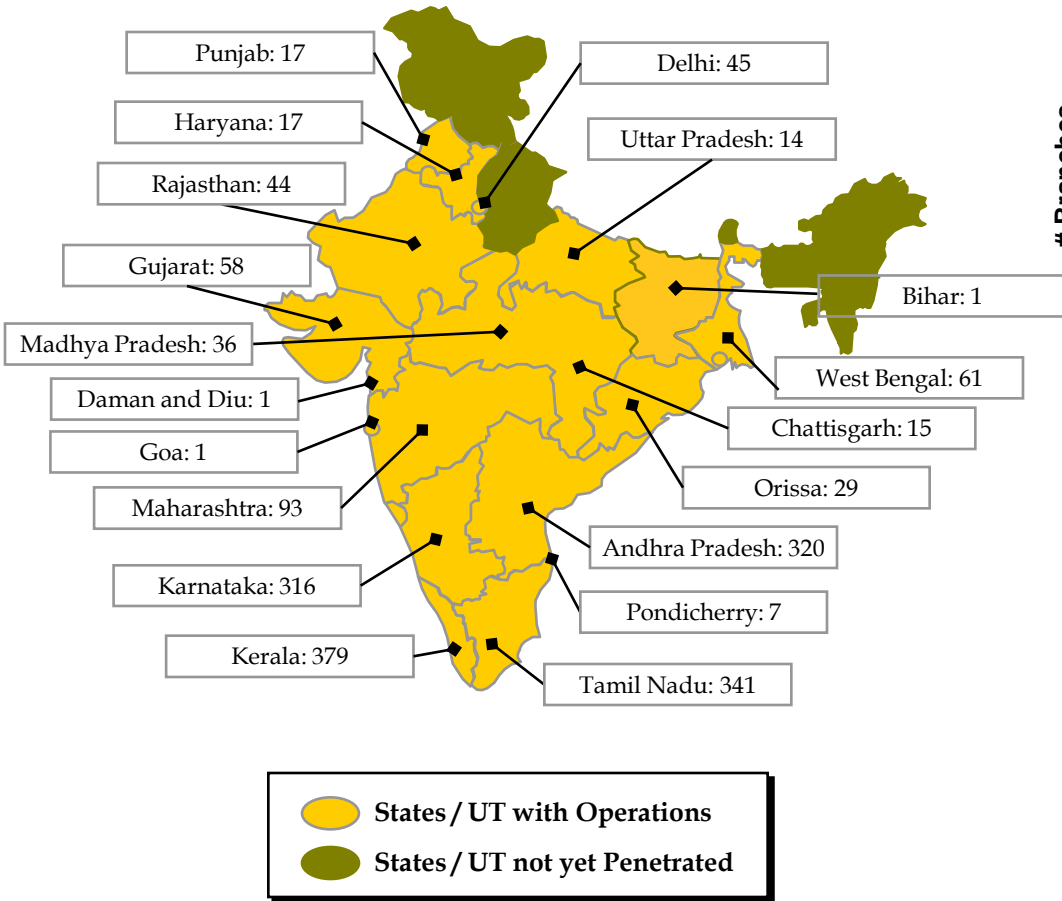
*Manappuram AUMs have grown the fastest over the past 3 years and is well positioned to increase its market share in the high growth Indian gold loan industry*

Source: IMACS Report on Gold Loans Market in India 2009 and Updated Report on Gold Loans Market In India 2010  
 Note: Manappuram includes MAFIT



# Strong Platform: Strong Distribution Network / Strong Brand Recall and High Trust

## Widespread Geographic Presence: Key to Growth ...



- 1,795 branches across 19 states / union territories with a customer base of over 1.03 mm as of December 31, 2010
- Strong presence in South India (76% of branches) which currently accounts for 40% of India's gold demand and 85-90% of the gold loans market in India
- Manappuram, with decades of history, enjoys strong trust from the public which is key for this business
  - Enjoys extremely strong brand recall
    - Recently roped in celebrities to endorse Manappuram

Note: Historical branches (in FY08 and FY09) include branches of MAFIT



# Robust Business Model and Efficient Technology, Systems & Processes for Risk Management

## In-house IT Infrastructure

- Availability of accurate and real-time information aids in faster decision making and reduced turnaround time resulting in improved loan disbursement facility
- Significant automation at front end reducing human intervention
- Centralized technology for offsite surveillance of all branches (efficient monitoring and controlling)
- Scalability enables rapid branch roll-out
- Disaster recovery system in place

## Strong Internal Controls

- Stringent collateral approval process
- Routine inspections and vigilance teams
- Pledges routinely checked by an internal audit team on a consistent basis

## Prevention of Fraud

- Robust KYC checks (robust approval process provides a competitive edge over unorganized players)
- Customers with outstanding exceeding Rs. 1 mm are monitored individually
- Employee profiling, monitoring changes in lifestyle and regular rotation across departments and branches

## Asset Evaluation & Appraisal Risk

- Decades of experience provide a competitive advantage in terms of ability to evaluate the gold
- Only household used jewelry and gold coins accepted as security (emotional factor is key)
- Employees are regularly trained in gold appraisal methods
- Several tests for checking spurious gold including touchstone test, nitric acid test, sound test and checking for hallmark
- Three level valuation of gold
- Short tenor (~117days) & LTV at ~70-85% assists in countering volatility in gold prices
- Gold jewelry valued at moving average of last three months - helps to mitigate risk of fluctuations in gold prices
- Net NPA's of gold loans - 0.14% as at Dec 31, 2010

## Gold Security & Custodial Risk

- Post verification gold transferred to highly secured Vaults which have RCC structures on all 6 sides
- Use of strong rooms, use of many small vaults make it difficult to steal
- "Dual custody" of vault keys
- Branches' cash balance reconciled daily
- Premises located above ground floors, with 24x7 CCTV camera
- Burglary Insurance to mitigate risk of theft



# Robust Business Model and Efficient Technology, Systems & Processes for Risk Management

## Robust Risk Management/ Internal Audit Practices – Dedicated Departments for Offsite / Onsite Surveillance

Appraisal

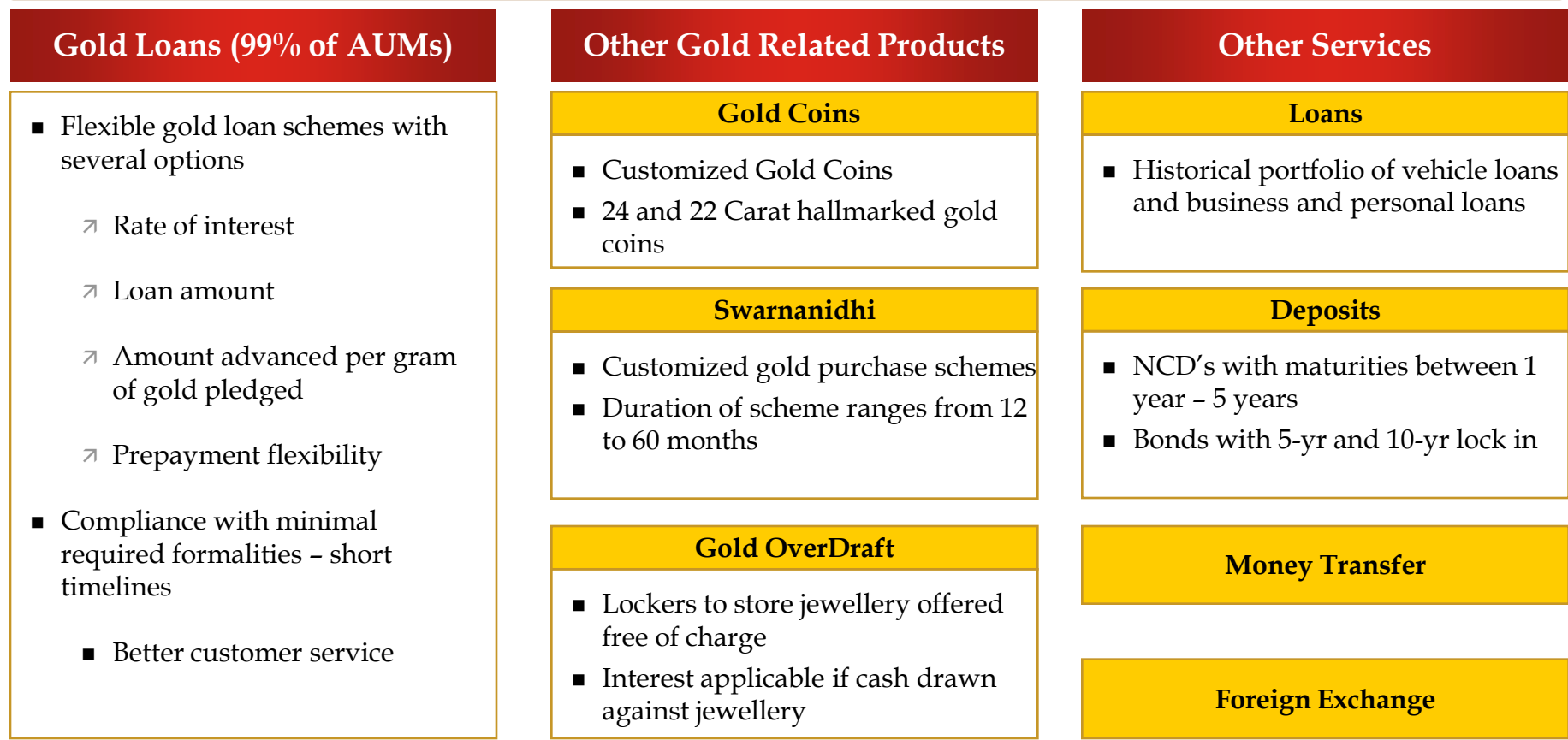
Alert Verifications

Routine Inspections

Vigilance

- **System of Online Alerts** - based on potential / perceived risk factors for daily disbursements and outstanding loans (Normal, High Risk, Random alerts)
- **Risk based classification** - disbursements classified into 4 risk categories and monitored regularly
- **Trend analysis of pledges of spurious items** - random alerts, strengthened KYC compliance, reward schemes for employees identifying such cases
- **Delivery of gold without receipts** – discretionary powers linked to weight of pledge and age of accounts
- **Confirmation of mobile number** – generation of Unique Identification Number through SMS at time of pledge to confirm mobile number
- **Confirmation of photos** – photo of each customer is recorded in the system for future follow up
- **Large Value Borrowers** - Field verification / address verification of large borrowers as well as profiling of such customers
- **Patrolling services** – recently implemented to improve levels of security and reduce chances of burglary
- **Periodic Internal audits / inspections**
  - 90 day inspection for entire gold inventory to confirm quality and quantity of stock
  - 45 day audit for verification of incremental pledges as regards quality and quantity of gold as well as documentation
- **Cash van services** – recently introduced for ensure secure movement of cash between branches / banks
- **Cash management analysis** – to ensure optimum cash balance levels at branches
- **Tracking KYC compliance** - to improve adherence to laid down policies and procedures by employees
- **Day book checking** – to identify and rectify data entry errors in customer data

# Flexible Product Offering Catering to All Needs of Customers



# Access to Multiple Sources of Low Cost Funds

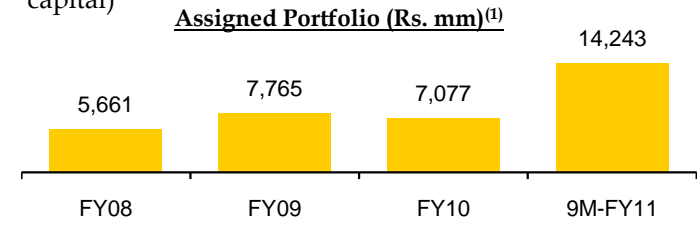
## Strong Credit Rating

- High credit ratings (credit rating history of 15 years)
  - CP/STD: **A1+ (ICRA) and P1+ (Crisil)**
  - LT Credit Lines: LA+
  - Fixed Deposit Program: MA+
  - Working Capital as per Basel II: LA+



## Eligibility for Priority Sector Lending

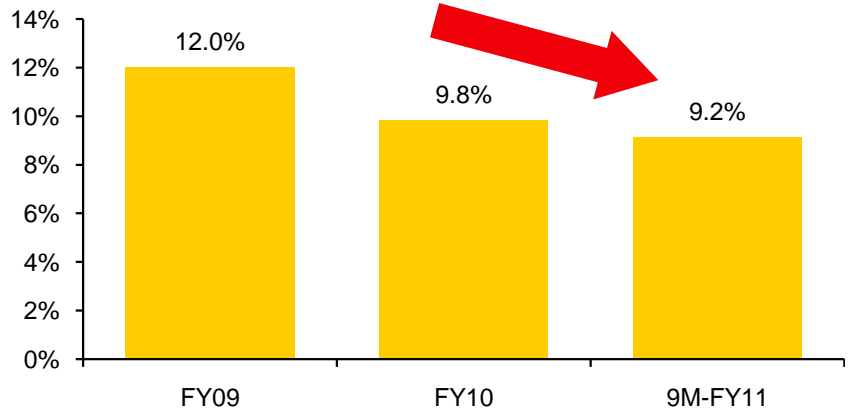
- Enables Manappuram to obtain low cost funds from banks
  - **Favourable ALM profile**
- Benefits from Assignment (enables significant release of capital)



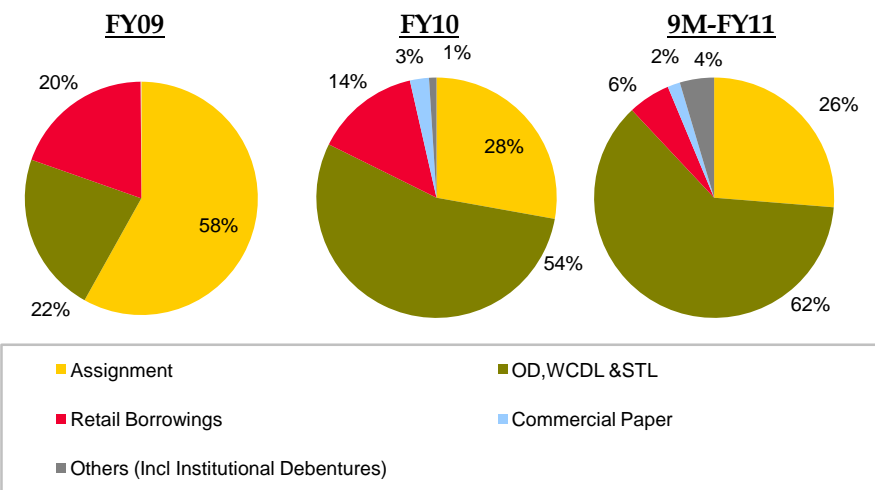
## Diversified & Cost Effective Sources of Finance

- Credit Lines from >30 Banks including SBI, ICICI, HDFC, Axis, Kotak, Barclays & DBS
  - Healthy pipeline of un-utilized limits with Banks / Financial Institutions
- Commercial papers from short term money markets
- Retail NCD's, Bonds and deposits

## Reducing Borrowing Costs...<sup>(2)</sup>



## ... Resulting from Diversified Sources of Funding<sup>(2)</sup>

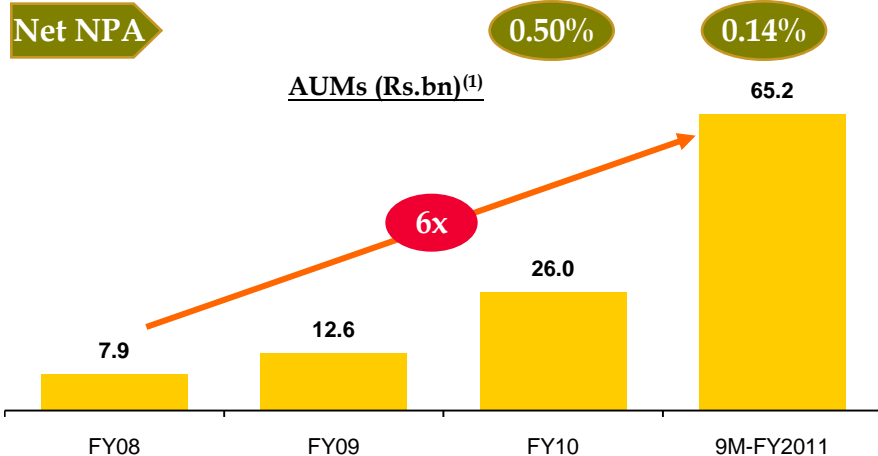


(1) Assigned portfolio includes MAFIT  
 (2) Borrowing cost and sources of funding for are including MAFIT

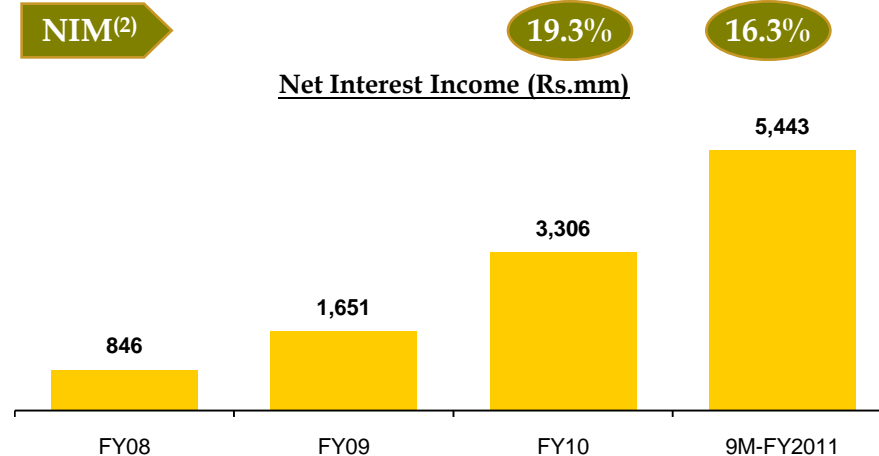


# Robust Growth & Strong Financial Track-record

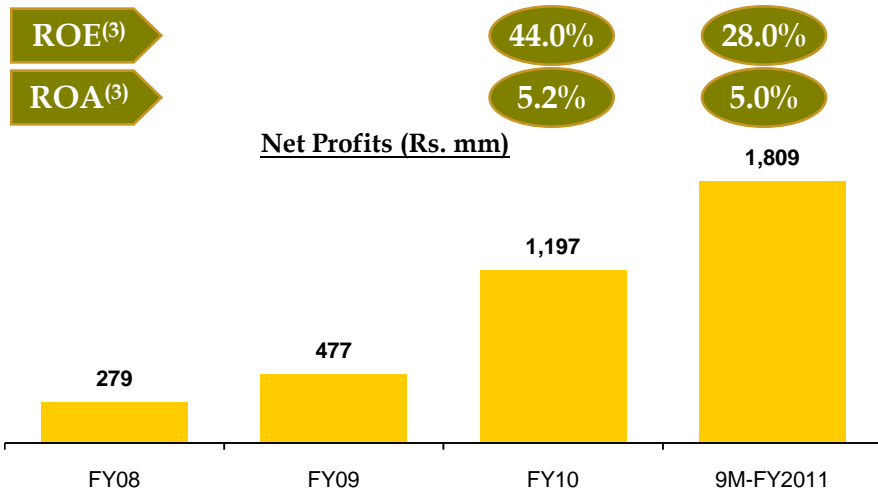
## Exponential Growth in Portfolio While Maintaining Asset Quality...



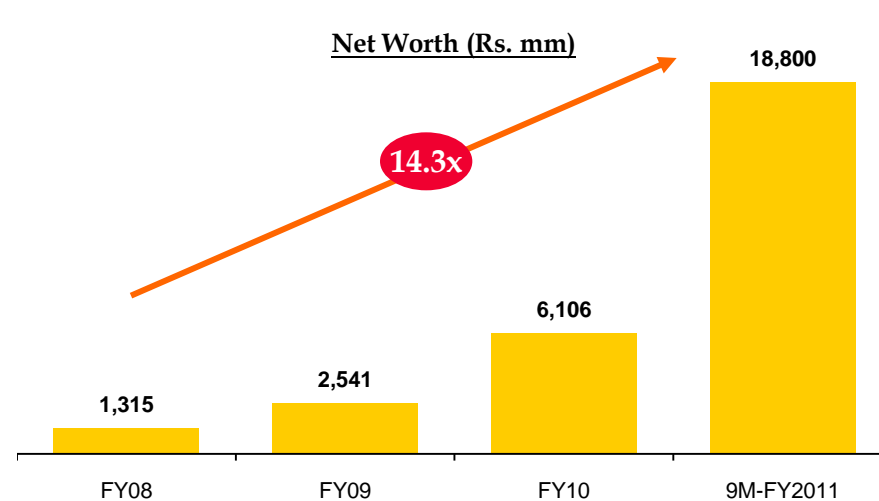
## ... And Increasing Income ...



## ... Generating Higher Profits...



## ... Resulting in Wealth Creation



Note: Includes MAFIT in FY08 and FY09 calculated as the sum of the numbers for the respective years for MAGFIL and MAFIT (since MAFIT merged with Manappuram from FY10 onwards only)

(1) Includes assigned portfolio;

(2) Calculated as Net Interest Income (including income on assigned portfolio) / Average AUMs calculated on a monthly basis

(3) ROA (on total assets including assigned book) and ROE calculated on the basis of monthly averages



## Senior Management Team



**Mr. V. P. Nandakumar**  
*Executive Chairman*

- Chief Promoter of the Manappuram Group of Companies
- Holds a masters degree in science from Calicut University and is also a Certified Associate of Indian Institute of Bankers
- Has been associated with the banking industry in various capacities. He is the Chairman of the Equipment Leasing Association (India) and the Kerala Non-Banking Finance Companies Welfare Association



**I. Unnikrishnan**  
*Managing Director*

- Holds a bachelors degree in commerce from Calicut University and is a fellow member of the Institute of Chartered Accountants of India
- He has experience in rendering advisory services relating to NBFCs. He has in the past worked with HAWA-MK Electrical Limited
- He has been the Director of Manappuram since October 11, 2001



**B.N. Raveendra Babu**  
*Joint Managing Director*

- Holds masters degree in commerce from Calicut University and completed Inter from Institute of Certified Management Accountants
- Has worked in a senior position in the Finance and Accounts Department of Blue Marine International at the U.A.E
- He has been the Director of Manappuram since July 15, 1992

## Board of Directors

**M. Anandan**  
*Independent Director*

- BCom from the Madras University and is a qualified Fellow Chartered Accountant
- He has more than 30 years of work experience in the field of financial services
- Currently the Chairman of Aptus Value Housing Finance Ltd and is non executive director on the board of Equitas Micro Finance India Pvt Ltd

**Jagdish Capoor**  
*Independent Director*

- Former Chairman of HDFC Bank, former Deputy Governor of Reserve Bank of India, former Chairman of UTI and BSE Ltd
- Has been on the Board of many Banks and companies including SBI, Bank of Baroda NHB, IDFC

**V. M. Manoharan**  
*Independent Director*

- MCom from Christ College, Irinjalakuda and PhD in International Business (Commerce) from Cochin University of Science and Technology
- Over 40 years of experience; held posts of Deputy Director, Collegiate Education, Thrissur Zone and Dean, KMCT school of Business, Kozhikode

**P. Manomohanan**  
*Independent Director*

- BCom from Kerala University, Diploma in Industrial finance from Indian Institute of Bankers and also a Certified Associate of the Indian Institute of Bankers
- Has over 38 years of work experience in the RBI and in the regulatory aspects of NBFCs

**Gaurav Mathur<sup>(1)</sup>**  
*Nominee & Non-executive Director*

- Received a Management Degree from Indian Institute of Management, Ahmedabad and a BA (Honours) in Economics from the University of Delhi
- Co-founder and Managing Director of India Equity Partners; Was previously a Principal at JP Morgan Partners in Singapore and part of the capital markets group at Deutsche Bank in London; Currently on the boards of A2Z Engineering & Maintenance, Ikya HR Services & Ocean Sparkle Limited

**Shailesh J Mehta**  
*Independent Director*

- BTech in mechanical engineering from IIT Mumbai, MSc in Operations Research from Case Western Reserve University and PhD degree in Operation Research and Human Letters from California State University and in Computer Science and Operations Research from Case Western Reserve University
- Over 38 years of experience, was President of Granite Hill Capital Ventures, Chairman and CEO of Providian Financial Corporation, operating general partner of West Bridge Capital, President and COO of Capital Holding and Executive Vice President of Key Corp

**V. R. Ramachandran**  
*Independent Director*

- BSc from Calicut University and a LLB from the Kerala University
- Has over 32 years of work experience and is a civil lawyer enrolled with the Thrissur Bar Association

**Gautam Saigal**  
*Nominee & Non-executive Director*

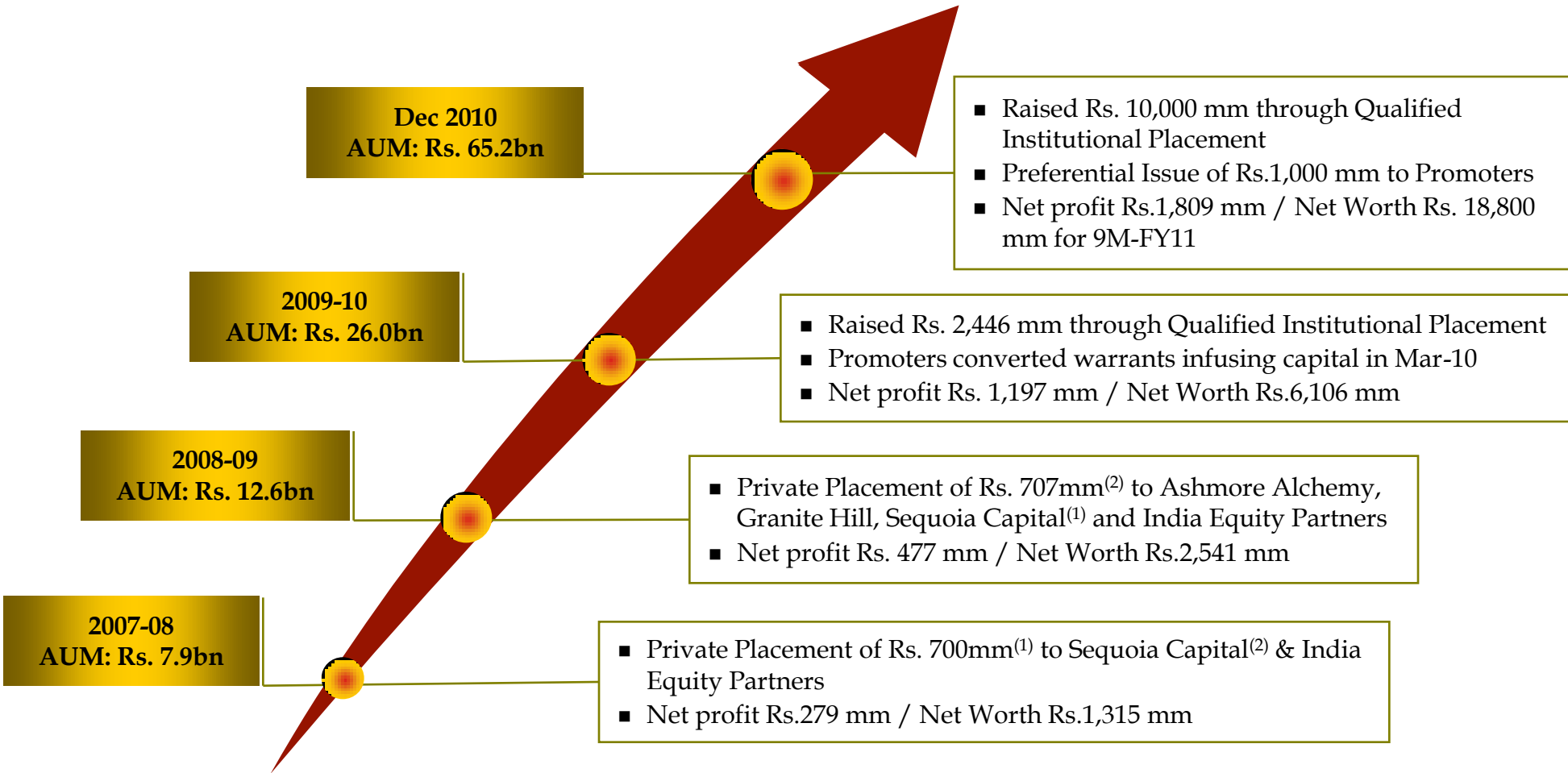
- MCom from the Calcutta University and is a Fellow Member of Institute of Chartered Accountants of India
- Presently the MD of AA Indian Development Capital Advisors Private Limited (AAIA), Mumbai
- Has over 13 years of experience; was VP at AIG Global Investment, Mumbai, VP as SSKI Corporate Finance and manager at Stewart & Mackertich

**A. R. Sankaranarayanan**  
*Independent Director*

- MSc from Annamalai University and is a retired officer from the Indian Revenue Service
- Has over 50 years of work experience and has in the past worked as Director of the Prime Minister's Secretariat, MD of SAIL International and Director of the Federal Bank

# Strong Sponsorship & Support From Blue Chip Stakeholders

## Stakeholders Have Supported Manappuram In Its Growth Trajectory



*Consistent track record and high growth potential has attracted reputed institutional and private equity investors to participate in the Manappuram growth story and infuse capital*

Note: AUMs (referring to loan portfolio including assigned portfolio), net profits and net worth are including MAFIT  
 (1) Includes investment into MAFIT of Rs. 232 mm and Rs. 212 mm in FY08 and FY09 respectively  
 (2) Recently exited Manappuram



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## **Summary Financial Statements**

## Profit & Loss Account

(INRmm)	MAGFIL		MAFIT		MAGFIL + MAFIT		Post-merger	
	FY08	FY09	FY08	FY09	FY08	FY09	FY10	9M-FY11
Income from Services	780	1,605	263	511	1,043	2,116	4,700	7,506
Other Income	17	56	7	7	24	63	82	105
<b>Total Income</b>	<b>797</b>	<b>1,661</b>	<b>270</b>	<b>518</b>	<b>1,067</b>	<b>2,179</b>	<b>4,782</b>	<b>7,611</b>
Financial Expenses	144	386	43	59	187	445	1,369	2,041
Personnel Expenses	115	284	64	90	178	374	536	1,020
Operating and other expenses	200	495	51	99	252	593	1,001	1,743
Depreciation/ Amortization	18	34	7	5	25	39	57	100
<b>Total Operating Expenditure</b>	<b>333</b>	<b>812</b>	<b>121</b>	<b>195</b>	<b>455</b>	<b>1,007</b>	<b>1,595</b>	<b>2,863</b>
<b>Profit Before Tax</b>	<b>320</b>	<b>463</b>	<b>105</b>	<b>264</b>	<b>425</b>	<b>727</b>	<b>1,818</b>	<b>2,707</b>
Less: Provision for tax	110	160	36	90	146	250	621	898
<b>Profit After Tax</b>	<b>210</b>	<b>303</b>	<b>69</b>	<b>174</b>	<b>279</b>	<b>477</b>	<b>1,197</b>	<b>1,809</b>

Note: MAGFIL + MAFIT for FY08 and FY09 are calculated as the sum of the numbers for the respective years for MAGFIL and MAFIT



## Balance Sheet

(INR mm)	MAGFIL		MAFIT		MAGFIL + MAFIT		Post-merger	
	FY08	FY09	FY08	FY09	FY08	FY09	FY10	9M-FY11
Networth	930	1,679	385	862	1,315	2,541	6,106	18,800
Loan funds	1,745	4,506	412	1,096	2,157	5,601	18,357	39,964
Deferred tax liability (net)	0	-	1	-	1	-	-	-
<b>Total Liabilities</b>	<b>2,675</b>	<b>6,185</b>	<b>799</b>	<b>1,957</b>	<b>3,474</b>	<b>8,142</b>	<b>24,462</b>	<b>58,764</b>
Net block (incl. intangibles)	163	278	49	54	212	332	568	1,047
Capital work in progress	-	3	-	-	-	3	1	112
Deferred tax asset (net)	-	14	-	1	-	14	33	108
Investments	29	11	-	-	29	11	1,407	403
<b>Current Assets, Loans and Advances:</b>								
Cash and bank balances	672	1,134	310	1,543	982	2,677	2,682	3,948
Other current assets	203	676	50	182	253	857	1,879	3,355
Loans and advances	1,853	4,486	420	345	2,273	4,831	18,907	50,736
<b>Total current assets</b>	<b>2,728</b>	<b>6,296</b>	<b>780</b>	<b>2,069</b>	<b>3,508</b>	<b>8,365</b>	<b>23,468</b>	<b>58,039</b>
<b>Current liabilities</b>	<b>221</b>	<b>348</b>	<b>30</b>	<b>145</b>	<b>250</b>	<b>493</b>	<b>810</b>	<b>820</b>
Provisions	25	68	0	22	25	90	205	125
<b>Total current liabilities</b>	<b>245</b>	<b>416</b>	<b>30</b>	<b>166</b>	<b>275</b>	<b>582</b>	<b>1,015</b>	<b>945</b>
<b>Net current assets</b>	<b>2,483</b>	<b>5,880</b>	<b>750</b>	<b>1,903</b>	<b>3,233</b>	<b>7,783</b>	<b>22,453</b>	<b>57,094</b>
<b>Total Assets</b>	<b>2,675</b>	<b>6,185</b>	<b>799</b>	<b>1,957</b>	<b>3,474</b>	<b>8,142</b>	<b>24,462</b>	<b>58,764</b>

Note: MAGFIL + MAFIT for FY08 and FY09 are calculated as the sum of the numbers for the respective years for MAGFIL and MAFIT

