



Shri V.P. Nandakumar, Executive Chairman

Chairman's Speech

Manappuram General Finance and Leasing Ltd.

Eighteenth Annual General Meeting of the shareholders held on July 20, 2010 at Valapad, Thrissur.



MANAPPURAM
GENERAL FINANCE AND LEASING LIMITED

India's Largest Listed & Highest Credit-Rated Gold Loan Company

In the second half of the year, the sector showed signs of a healthy turnaround, but the unsecured loans segment continued to be depressed. The crisis has also set off a process of consolidation in the sector with the weaker NBFCs gradually exiting to make way for a stronger NBFC sector. This is a healthy development. On the other hand, regulation of non-banking entities is being progressively strengthened. Experience tells us that the dividing line between regulations that seek to minimise risk and regulations that stifle innovation and efficiency is often thin; therefore, striking the right balance is of the essence. Nevertheless, the fact that the RBI had stepped in during the crisis with measures specifically in support of the NBFC sector, suggests a welcome recognition of the systemic importance of this sector.

Performance of the Company

I mentioned earlier that the past year has been one of extraordinary success for us. Indeed, by capitalising on the opportunities presented by the strong economic revival, your company has achieved working results that are truly spectacular.

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The company posted a net profit of Rs.1,197.21 million during the financial year as against Rs.302.97 million the year before. This represents a breathtaking growth of 295 percent. The Company's profitability was driven by the surge in its gold loan book which went up from Rs.3,975 million in 2009 to Rs.18,456 million this year. Profit before tax for the year stood at 1,818.25 million as against Rs.462.83 million the previous year, a growth rate of 289 percent. Gross income of the company rose to Rs.4,782.01 million from Rs.1661.11 million. There was also good increase in the fee based income from 20.44 million to 24.67 million during the year.

It is no surprise then that your company continued to find favour with savvy foreign and domestic Private Equity (PE) investors and was able to raise additional equity capital of Rs.2,450 million through the QIP route. Moreover, our short-term credit rating was upgraded from A1 to A1+by ICRA.

In keeping with an unblemished track record of steadily increasing payouts, your Board of Directors has recommended a dividend of 25 percent on the equity capital enhanced by the issue of 1:1 bonus shares in April 2010. I am sure you will be delighted at this news.

Our Superstar Brand Ambassadors

The last year was also a momentous year for your company in the matter of its celebrity endorsements. We took a major step forward when we signed on the reigning superstar **Mohanlal** to be our brand ambassador for Kerala. We followed it up by signing on superstars **Vikram** in Tamil Nadu,

Venkitesh in Andhra Pradesh and **Puneeth Rajkumar** (son of the legendary actor Rajkumar) in Karnataka. And, lest you begin to wonder about our plans for the rest of India, in June of this year, we have signed on Bollywood superstar **Akshay Kumar** to be our brand ambassador for North India.

We are clear about what we want from them. Our Brand Ambassadors will use their popularity and star power to promote gold loans as a class of preferred loan products. They will educate the ordinary people of India about the many advantages of gold loans. Importantly, they will urge them to shed their age-old, ultimately meaningless, prejudices about borrowing against their gold jewellery. No doubt, the Manappuram brand-name also gets a welcome lift, but this would remain secondary.

The Manappuram Foundation

The Corporate Social Responsibility (CSR) activities of the group also turned a new page last year. As a group, we have always believed that a business like ours draws its sustenance from the wider community around us, and therefore, we should reciprocate in equal measure.

You will be encouraged to know that as part of our quest to become a model corporate citizen, the Manappuram group has established the Manappuram Foundation on October 24, 2009 at Valapad. The very first initiative of the Foundation was an original scheme providing health insurance to 20,000 Below Poverty Line (BPL) households in the seven Panchayats of the Nattika assembly constituency. They are now eligible for free medical care up to Rs.60,000 per year along with cashless treatment at some of the leading hospitals in Thrissur District, thanks to premiums amounting to Rs.4 million borne by the foundation.

Gold Loans: The Unrecognised Social Welfare Aspect

Our borrowers belong largely to the lower or lower-middle classes. The typical loan amount is between Rs.18,000 to Rs.25,000, taken for a period of no more than three or four months. Not surprisingly, this category has never been of interest to our commercial banks.

And to this segment, long ignored by the established players, and preyed upon by unscrupulous pawnbrokers and moneylenders, we have brought the highest standards of integrity, transparency and professionalism.

For them, our very presence represents a way out of the clutches of pawnbrokers and moneylenders. And I am convinced our efforts in reaching out to this section, with what are essentially micro-finance products, promote financial inclusion in the real sense.

"Our enduring vision—and we never tire of repeating this—is to impart liquidity to the vast stock of privately held gold in India".

Future Plans

Your Company has drawn up elaborate plans to maintain its growth momentum. Our enduring vision—and we never tire of repeating this—is to impart liquidity to the vast stock of privately held gold in India. This necessarily implies taking gold loan products to the masses in India, a process we believe can only make their lives a little more secure and free of worries. We therefore propose to open as many as 400 additional outlets during the current financial year. We also intend to improve our reach in northern India where our presence has been limited so far. We expect that the popular appeal of our Brand Ambassadors along with continuing firmness in gold prices will provide impetus to our efforts. Further, in order to serve as the backbone for all these plans, your company is building a new Corporate Head Quarters complex at Valapad, adjacent to the existing headquarters. It is scheduled for completion by March, 2011 with 60,000 square feet of usable space, spanning eight floors and with two levels of car parking. It will also be centrally air-conditioned and, in keeping with the times, it will be a "green" building with solar power generation meeting a significant part of its total energy consumption.

In Conclusion

In fiscal 2008-09, in the face of tremendous odds, your company grew its net profit by 44 percent. Last year (i.e. 2009-10), under circumstances much brighter, your company has almost quadrupled its net profit. I believe it is a pointer to the fundamental strength of our business model that it does well when the times are troubled, and performs brilliantly when the times are good. I also believe that our momentum comes from something very basic. We offer a value proposition to customers so compelling, they cannot even think of going anywhere else. We take pride in the fact that a customer who walks into our branch for a gold loan can walk out with the money in as little as fifteen minutes. The kind of service that banks and other financial institutions extend to their privileged customers, we give to every one of our customers without exception. This is perhaps the real story behind our, no doubt, impressive numbers.

Let me express my heartfelt gratitude to all the distinguished share holders, to the executives and employees for the hard work they have put in, and to all the stake holders of the Company. I must also make a special mention of the foreign and domestic investors who have made our recent QIP a success.

With support from all of you, this Company is sure to scale ever greater heights in the coming years. I also thank each member for the trust and confidence reposed in the Management and I look forward to your continued support

.Thank you very much.

(Note: This does not purport to be a record of the proceedings of the AGM)