

# *Manappuram Finance Limited*

**Investor Presentation**  
**November 2018**

Gold Loans



Microfinance



Housing Finance



Vehicle Finance



**MANAPPURAM**  
**FINANCE LIMITED**



**MANAPPURAM**  
**FINANCE LIMITED**

## Quarterly Update

Company Overview

Business Strategy

Key Technology Initiatives

Annexure



# Q2 FY19 RESULTS: CONSOLIDATED RESULT HIGHLIGHTS



## AUM

Rs 171,907 Mn  
(+ 3.4% QoQ)  
(+25% YoY)

## Net Profit

Rs 2,214.0 Mn  
(11.4 % QoQ)  
(+40% YoY)

## Networth

Rs 41,434.9 Mn

ROA 4.8%

ROE 21.8%

## Capital Adequacy \*

26.0%

## Borrowing Cost \*

8.88%

## GNPA \*

0.7%

BV / Share Rs 49.16

EPS Rs 10.51

## Dividend / Share

Q2FY19: Rs 0.55  
FY18: Rs 2.00

Share of New  
Businesses 26.7%  
(+ 170 bps QoQ)  
(+ 510 bps YoY)

## Total Branches

4,260

## No of Live Customers

4.04 mn

AUM: Assets Under Management, Net Profit: PAT after Minority Interest

\* Calculated on standalone basis

# Q2 FY19 RESULTS: KEY PERFORMANCE HIGHLIGHTS



## Gold Loans

- Continued **robust volume growth** with 2.1% QoQ tonnage growth ; AUM growth at +1% QoQ . YoY growth in tonnage / AUM was strong at +12.7% / +17%
- Improvement in gold loan net yields** by +80 bps QoQ on account of reduction in interest waivers on online gold loans (OGL); OGL now constitutes 36% of the total gold loan AUM
- Significant headroom available to grow gold loan AUM**. Key initiatives to drive gold loan growth include opening new branches and investing in advertisements and promotion activities

## Microfinance

- Delivered **strong performance with +38.9% YoY and +11.9% QoQ AUM growth** and robust profitability (4.2% ROA, 27.8% ROE)
- Continued geographic diversification** – added 80 branches over last 12 months; Non-South regions account for 54% of loan book as of 30-Sep-2018 (vs. 42% as of 30-Sep-2017)
- Invested in technology to **strengthen internal branch level controls**, post the impact of demonetization on asset quality during FY18
- Robust growth outlook for the business in existing and new geographies. Company is well prepared to scale the business with investments in technology and internal processes

## New Businesses

- Vehicle finance:** Strong traction in vehicle finance business with +95% YoY AUM growth and stable asset quality (2.6% GNPA as of 30-Sep-2018). Business is now carried out of 145 branches across 20 states (vs. 59 branches across 10 states one year ago)
- Home finance:** Business has stabilized delivering +37% YoY AUM growth, operating in the <Rs 15L ticket size market. Asset quality is stable (4.7% GNPA).

## Other Highlights

- Opex reduction through security cost rationalization:** Security costs in Q2 FY19 were Rs 30 Cr, vs. Rs 44 Cr in Q2 FY18 and Rs 35 Cr in Q1 FY19. Some of the savings in security costs in the current quarter have been reinvested in sales & marketing efforts to drive faster growth in gold loans
- Liquidity position:** Ample liquidity with un-drawn bank lines in excess of Rs 1,200 Cr as on date. Asirvad also has a strong ALM position with positive ALM gap across all short tenor buckets.

# Q2 FY19 RESULTS: CONSOLIDATED PROFIT & LOSS STATEMENT



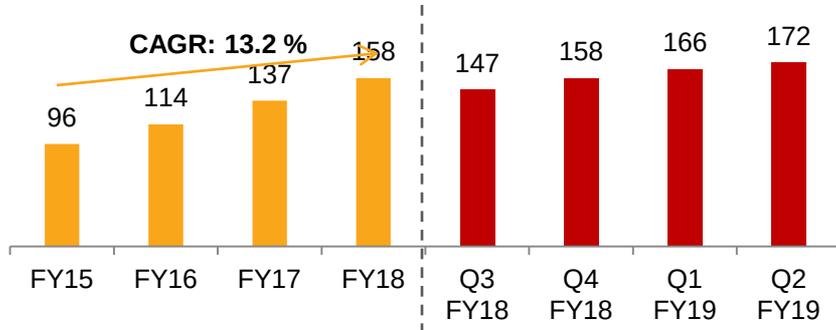
Particulars (Rs Mn)	H1FY19	H1FY18	YOY%	Q2 FY19	Q2 FY18	YOY %	Q1 FY19	QOQ %	FY18*
<b>Closing AUM (Rs Bn)</b>	<b>172</b>	<b>137</b>	<b>25.3%</b>	<b>172</b>	<b>137</b>	<b>25.3%</b>	<b>166</b>	<b>3.4%</b>	<b>158</b>
<b>Income from Operations</b>	19,502.6	16,632.5	17.3%	10,144.4	8,318.7	21.9%	9,358.2	8.4%	34,233.6
Finance expenses	6,116.4	5,027.7	21.7%	3,173.2	2,447.8	29.6%	2,943.2	7.8%	10,276.6
<b>Net interest income</b>	<b>13,386.2</b>	<b>11,604.9</b>	<b>15.3%</b>	<b>6,971.2</b>	<b>5,870.9</b>	<b>18.7%</b>	<b>6,415.0</b>	<b>8.7%</b>	<b>23,956.9</b>
Employee expenses	3,471.0	3,003.7	15.6%	1,772.9	1,556.6	13.9%	1,698.1	4.4%	6,167.1
Other operating expenses	3,249.6	2,970.4	9.4%	1,667.5	1,533.0	8.8%	1,582.1	5.4%	6,050.2
Pre provision profit	<b>6,665.6</b>	<b>5,630.8</b>	<b>18.4%</b>	<b>3,530.7</b>	<b>2,781.3</b>	<b>26.9%</b>	<b>3,134.8</b>	<b>12.6%</b>	<b>11,739.6</b>
Provisions/Bad debts	316.8	1,003.0	-68.4%	162.2	453.2	-64.2%	154.6	4.9%	2,101.5
Other Income	244.4	331.9	-26.3%	130.8	82.6	58.4%	113.6	15.1%	532.0
<b>Profit before Tax</b>	<b>6,593.2</b>	<b>4,959.7</b>	<b>32.9%</b>	<b>3,499.3</b>	<b>2,410.7</b>	<b>45.2%</b>	<b>3,093.8</b>	<b>13.1%</b>	<b>10,170.1</b>
Tax	2,353.3	1,713.2	37.4%	1,259.3	818.1	53.9%	1,093.9	15.1%	3,486.0
PAT before OCI	<b>4,239.9</b>	<b>3,246.4</b>	<b>30.6%</b>	<b>2,240.0</b>	<b>1,592.5</b>	<b>40.7%</b>	<b>1,999.9</b>	<b>12.0%</b>	<b>6,684.1</b>
Other Comprehensive Income	<b>(2.4)</b>	<b>(11.5)</b>	<b>-79.0%</b>	<b>(8.0)</b>	<b>(16.1)</b>	<b>-50.2%</b>	<b>5.6</b>	<b>100.0%</b>	<b>NA</b>
Total Comprehensive Income	<b>4,237.5</b>	<b>3,234.9</b>	<b>31.0%</b>	<b>2,232.0</b>	<b>1,576.5</b>	<b>41.6%</b>	<b>2,005.5</b>	<b>11.3%</b>	<b>NA</b>
Minority Interest	35.6	(21.3)	-267.2%	18.0	(5.5)	-427.3%	17.6	2.4%	(24.9)
<b>PAT</b>	<b>4,201.9</b>	<b>3,256.2</b>	<b>29.0%</b>	<b>2,214.0</b>	<b>1,582.0</b>	<b>40.0%</b>	<b>1,987.9</b>	<b>11.4%</b>	<b>6,709.0</b>

\*FY18 numbers are as per IGAAP

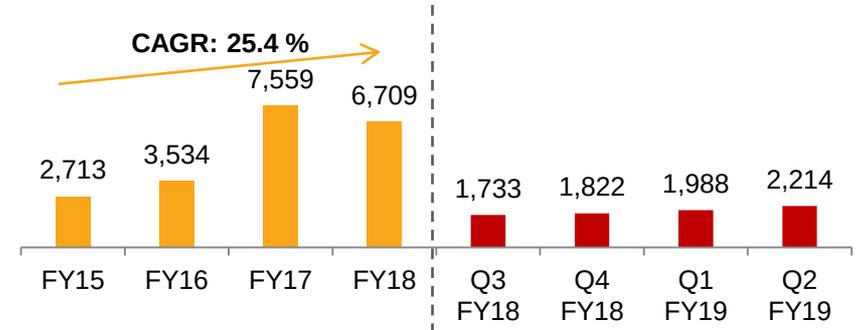
# Q2 FY19 RESULTS: CONSOLIDATED RESULT HIGHLIGHTS



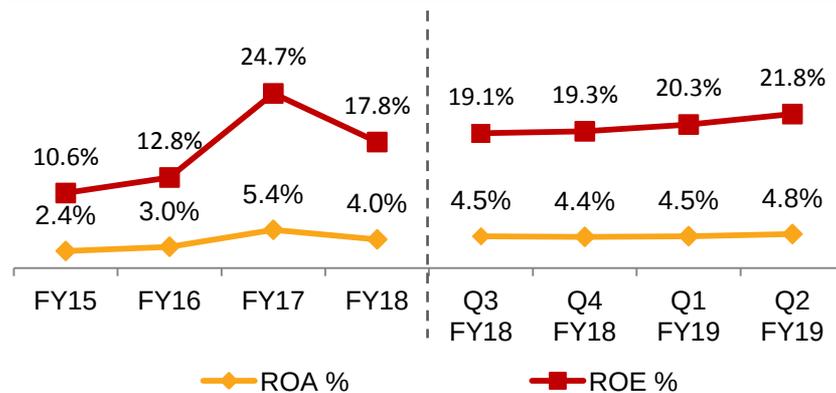
### CONSOLIDATED AUM (Rs Bn)



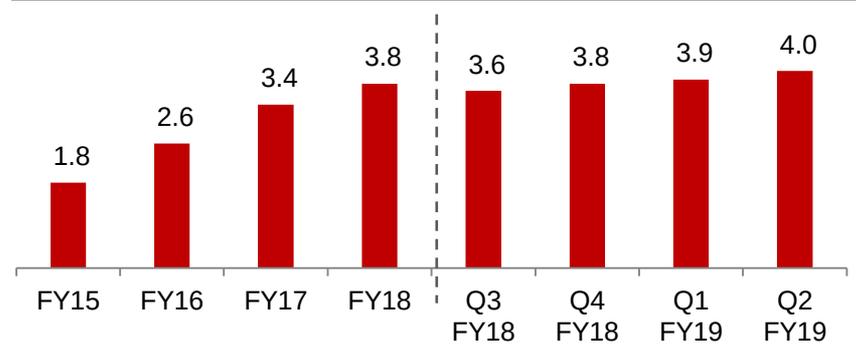
### NET PROFIT (Rs Mn)



### RETURN RATIOS %



### TOTAL CUSTOMER BASE (Mn)

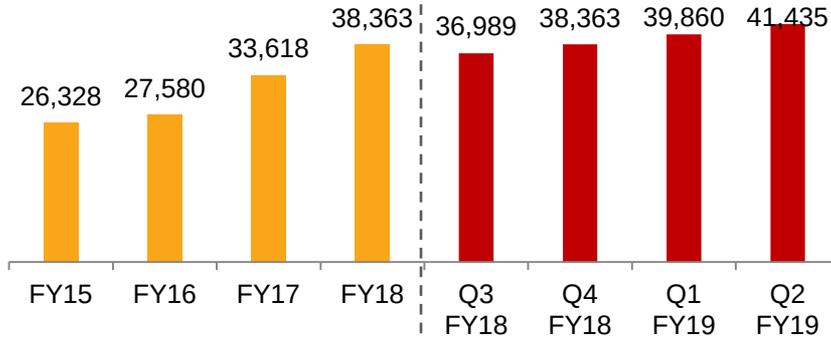


Q1 FY19 & Q2 FY19 numbers are as per IND AS

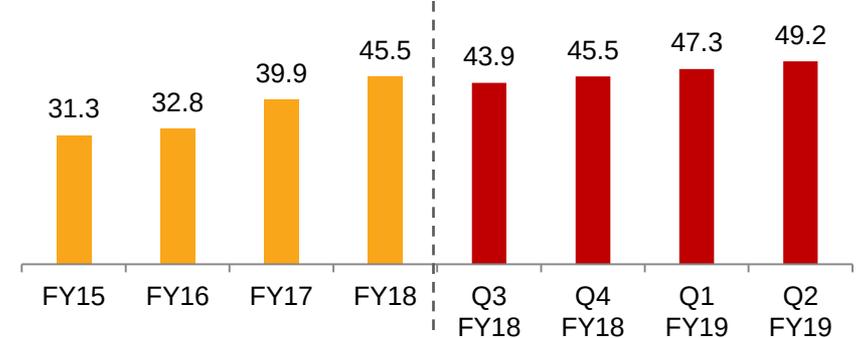
# Q2 FY19 RESULTS: CONSOLIDATED RESULT HIGHLIGHTS



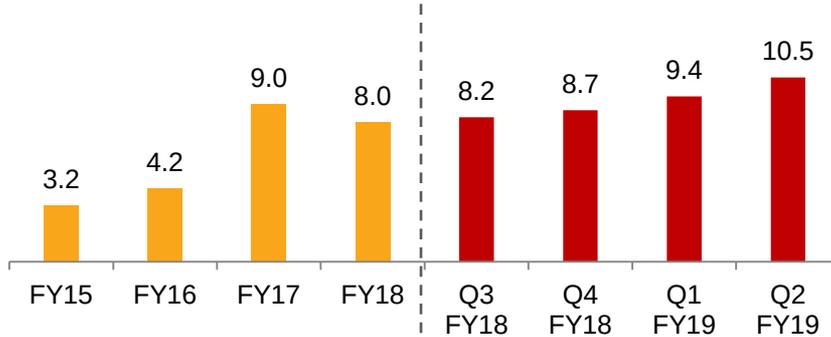
### NETWORTH (Rs Mn)



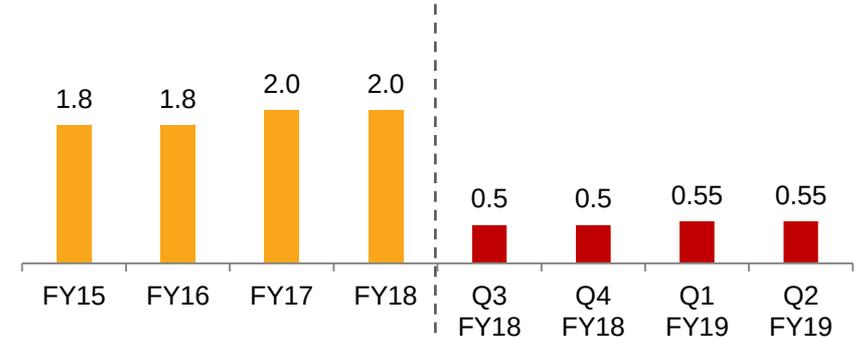
### BOOK VALUE PER SHARE (Rs)



### EARNINGS PER SHARE (Rs)



### DIVIDEND PER SHARE (Rs)



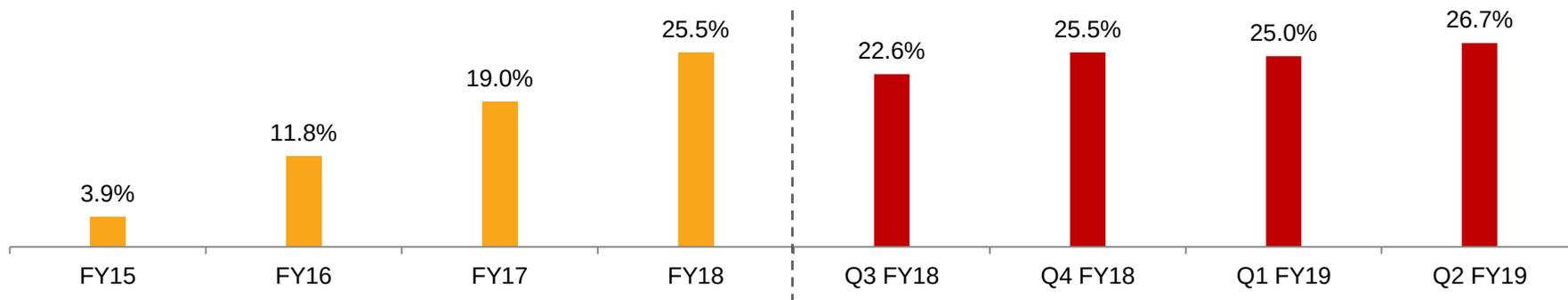
Q1 FY19 and Q2 FY19 numbers are as per IND AS

# Q2 FY19 RESULTS: CONSOLIDATED AUM UPDATE

## CONSOLIDATED AUM (Rs Mn)

Particulars (Rs Mn)	FY15	FY16	FY17	FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Gold Loans	92,244.8	100,806.0	111,245.3	117,349.8	113,270.8	117,349.8	124,650.0	125,927.6
Microfinance	3,220.0	9,988.0	17,959.4	24,372.0	21,116.5	24,372.0	24,379.4	27,289.4
Housing Finance	21.9	1,286.0	3,104.1	3,746.6	3,422.2	3,746.6	4,065.1	4,477.9
Vehicle Finance	153.7	1,297.7	3,058.3	6,253.8	4,998.1	6,253.8	7,192.8	8,172.3
Other Loans	295.0	952.0	1,204.8	5,925.2	3,694.8	5,925.2	5,903.5	6,039.9
<b>Total</b>	<b>95,935.4</b>	<b>114,329.7</b>	<b>136,572.0</b>	<b>157,647.5</b>	<b>146,502.4</b>	<b>157,647.5</b>	<b>166,190.8</b>	<b>171,907.2</b>

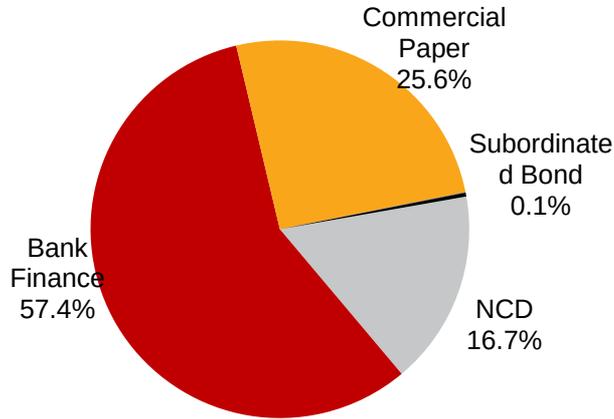
## SHARE OF NEW BUSINESSES IN CONSOLIDATED AUM



# Q2 FY19 RESULTS: MANAPPURAM FINANCE: BORROWING PROFILE



BORROWING AS ON Sep, 2018 = Rs 113,537 Mn



CREDIT RATING

### Manappuram Finance:

Long Term: AA- (Positive) by CRISIL  
 Long Term: AA- (Stable) by ICRA  
 Long Term: AA+ (Stable) by Bricwork  
 Long Term: AA (Stable) by CARE  
 Short Term: A1+ by CARE  
 Commercial Paper : A1+ by CRISIL, CARE

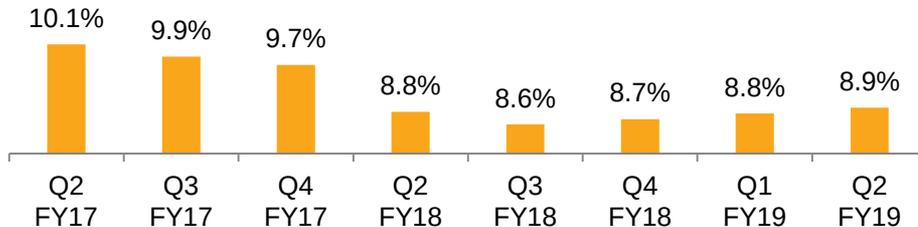
### Asirvad Microfinance:

Long Term: A+ (Stable) by CRISIL, CARE  
 Short Term: A1+ by CRISIL

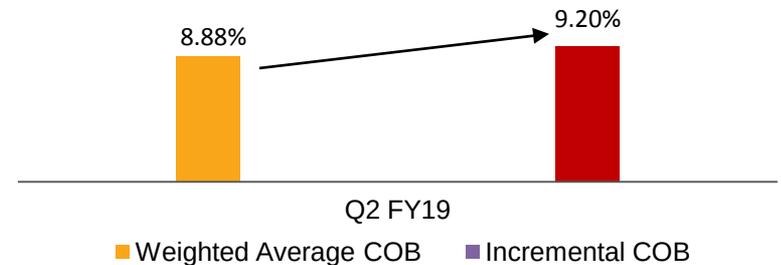
### Housing Finance:

Long Term: A+ (Stable) by CRISIL  
 Short Term: A1+ by CRISIL  
 Long Term: AA- (Stable) by CARE

COST OF BORROWING %



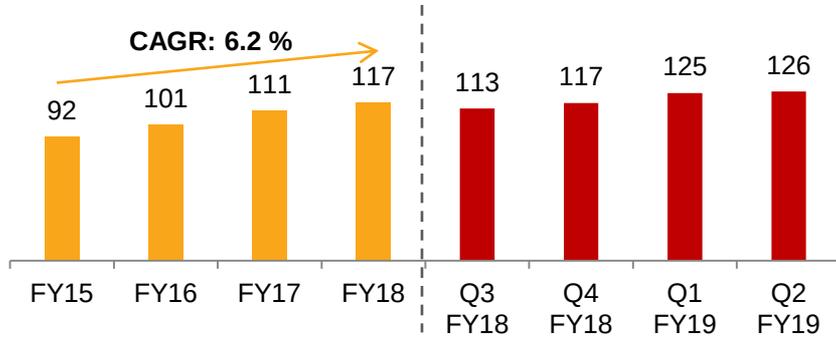
MARGINAL COST OF BORROWING



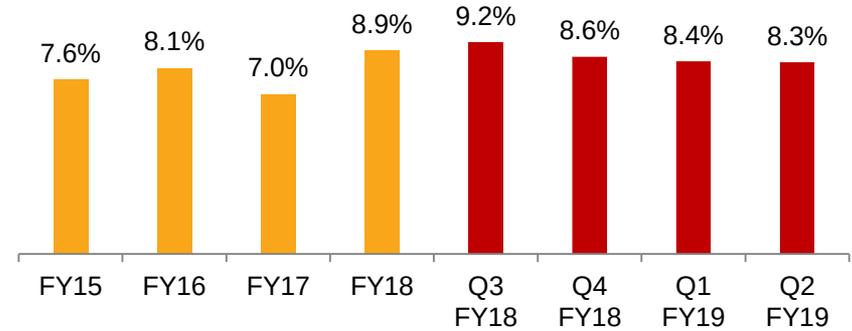
# Q2 FY19 RESULTS: MANAPPURAM FINANCE: RESULT ANALYSIS



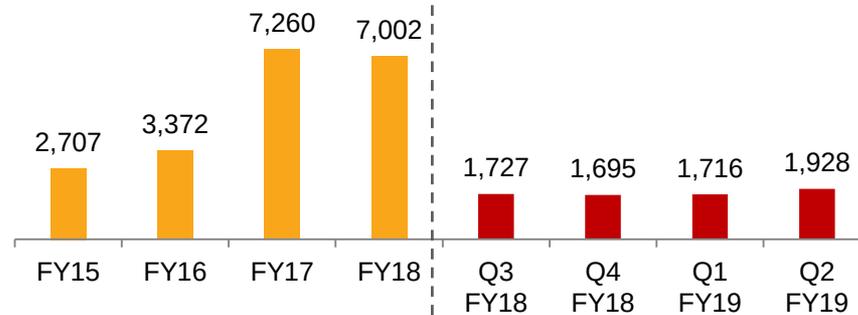
**GOLD LOAN AUM (Rs Bn)**



**OPEX TO AUM %**



**NET PROFIT (Rs Mn)**

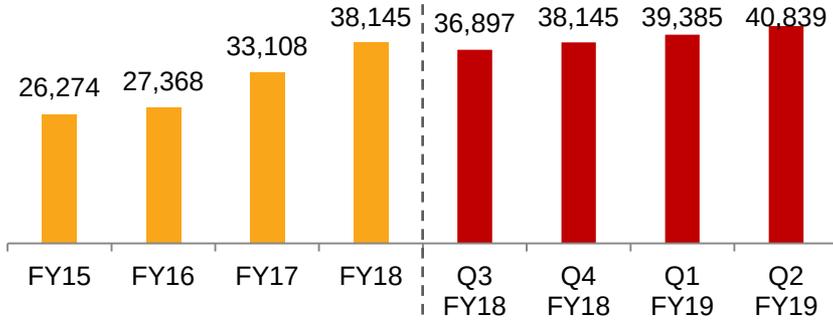


Q1 FY19 and Q2 FY19 numbers are as per IND AS

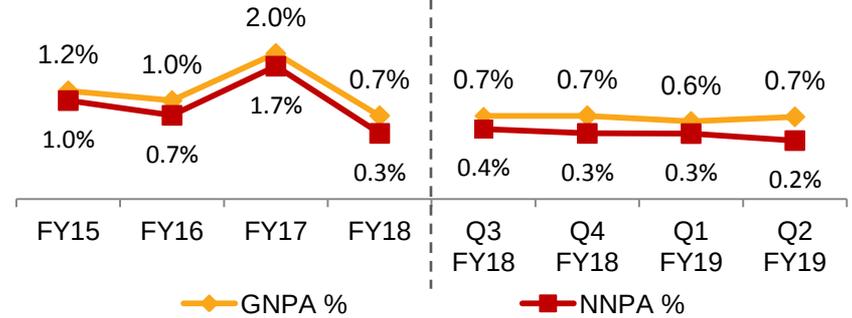
# Q2 FY19 RESULTS: MANAPPURAM FINANCE: RESULT ANALYSIS



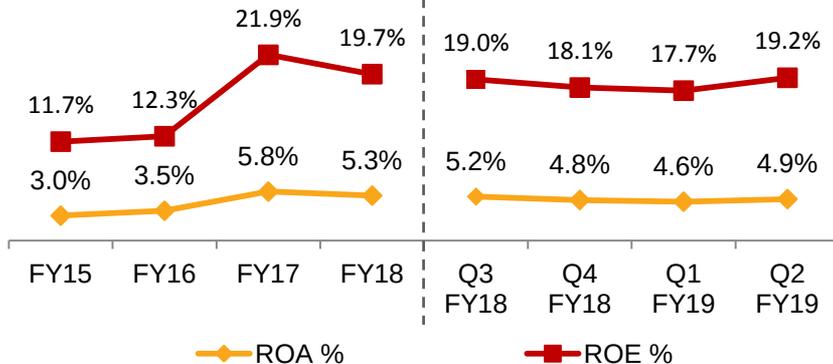
### NETWORTH (Rs Mn)



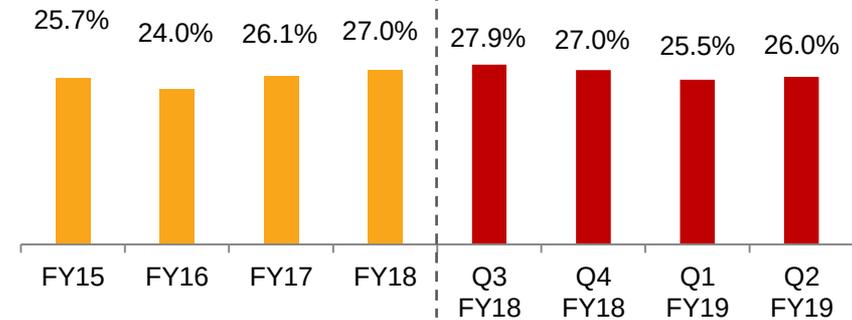
### NPA ANALYSIS %



### RETURN RATIOS %



### CAPITAL ADEQUACY RATIO %

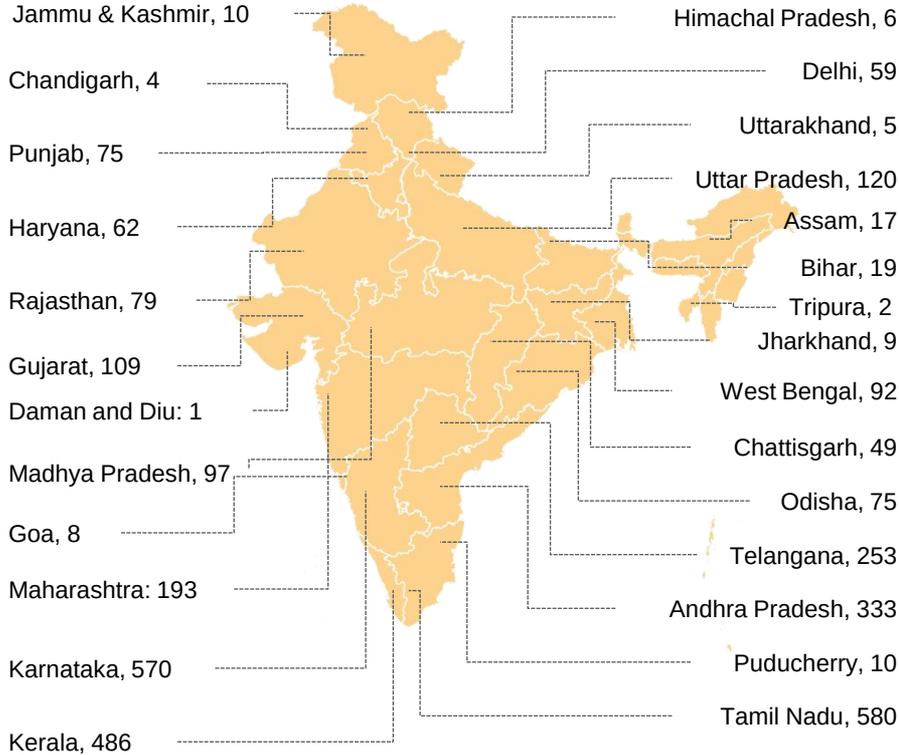


Q1 FY19 & Q2 FY19 numbers are as per IND AS  
NPAs on account of theft, spurious collateral etc. are 0.04% of AUM

# Q2 FY19 RESULTS: MANAPPURAM FINANCE: GOLD AUM UPDATE

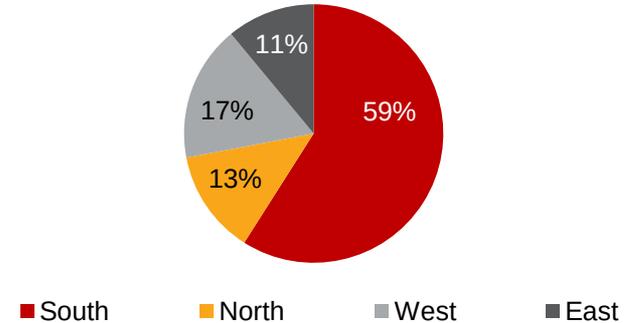


## PAN INDIA PRESENCE

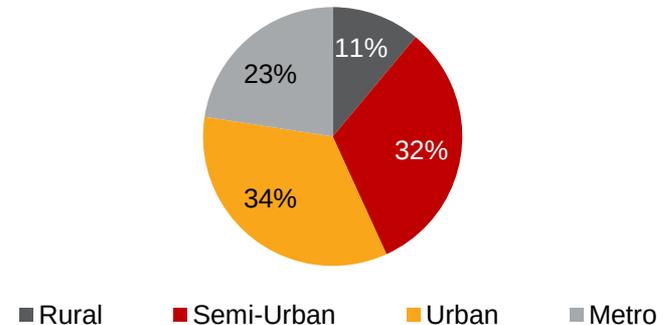


**3,330 Branches as on Sep 2018**

## GOLD AUM - REGIONWISE BREAKUP



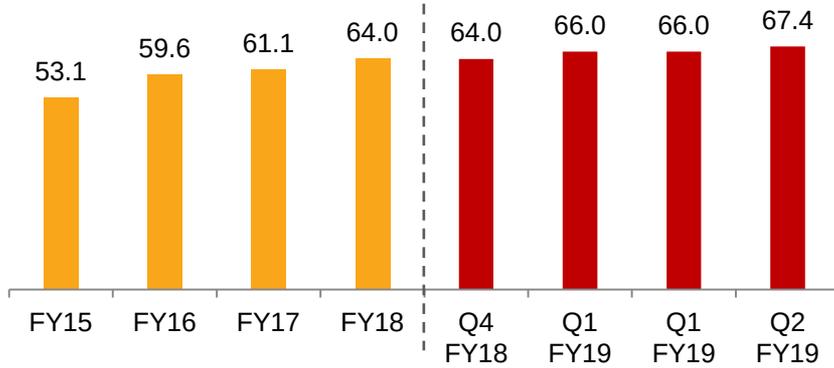
## GOLD AUM - RURAL URBAN MIX



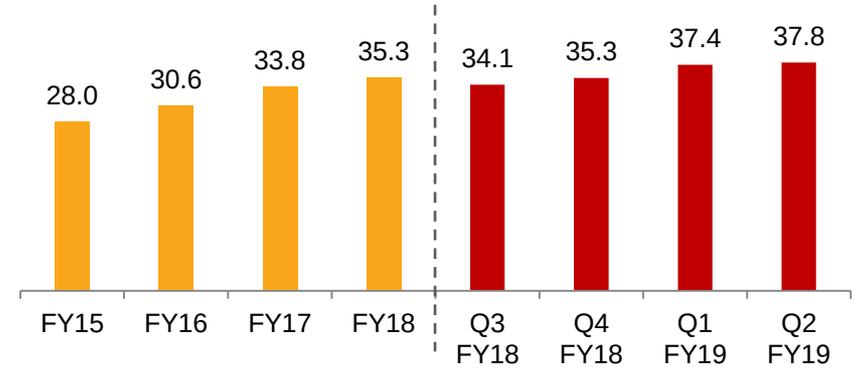
# Q2 FY19 RESULTS: MANAPPURAM FINANCE: GOLD AUM UPDATE



### GOLD HOLDING (TONNES)



### GOLD AUM PER BRANCH (Rs Mn)



### CUSTOMER BASE (Mn) & AVG. LOAN TICKET SIZE (Rs '000)



■ No. of Customers (Mn)

—■ Avg. loan ticket size

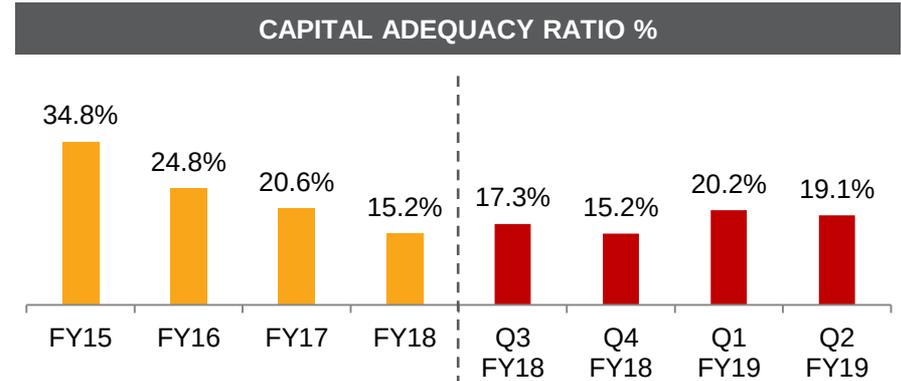
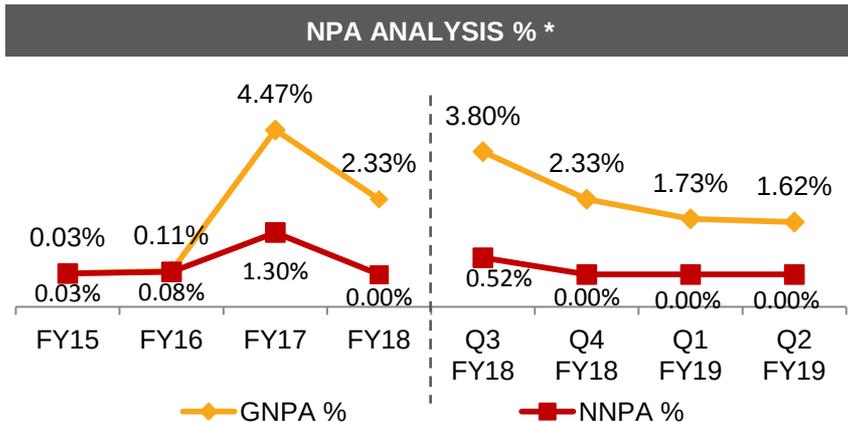
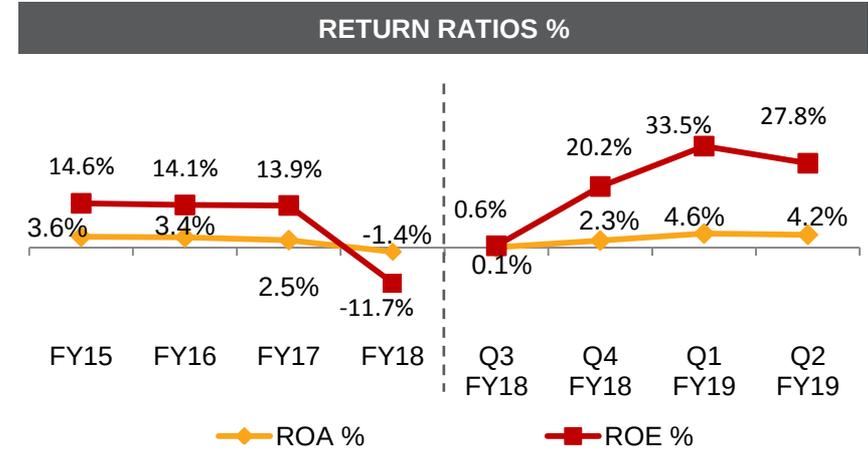
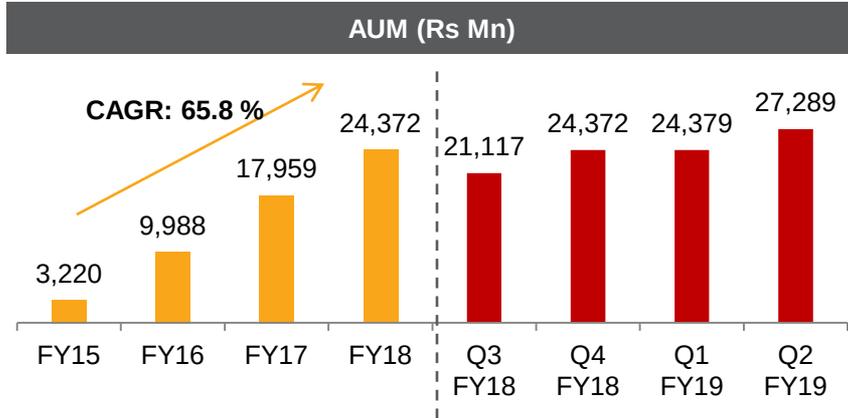
# Q2 FY19 RESULTS: ASIRVAD MICROFINANCE: KEY HIGHLIGHTS



Particulars (Rs Mn)	H1FY19	H1FY18	YOY%	Q2 FY19	Q2 FY18	YOY %	Q1 FY19	QOQ %	*FY18
<b>Closing AUM</b>	27,289.4	19,645.8	38.9%	27,289.4	19,645.8	38.9%	24,379.4	11.9%	24,372.0
<b>Income from Operations</b>	<b>2,860.9</b>	<b>2,003.2</b>	<b>42.8%</b>	<b>1,475.4</b>	<b>1,016.7</b>	<b>45.1%</b>	<b>1,385.4</b>	<b>6.5%</b>	<b>4,372.6</b>
Finance expenses	1,242.3	1,001.9	24.0%	641.6	516.6	24.2%	600.7	6.8%	2,138.4
<b>Net interest income</b>	<b>1,618.6</b>	<b>1,001.2</b>	<b>61.7%</b>	<b>833.9</b>	<b>500.1</b>	<b>66.7%</b>	<b>784.7</b>	<b>6.3%</b>	<b>2,234.1</b>
Employee expenses	543.5	466.1	16.6%	281.2	244.3	15.1%	262.3	7.2%	920.1
Other operating expenses	315.8	239.1	32.1%	164.3	121.4	35.4%	151.4	8.5%	540.9
<b>Pre provision profit</b>	<b>759.3</b>	<b>296.1</b>	<b>156.4%</b>	<b>388.3</b>	<b>134.4</b>	<b>189.0%</b>	<b>371.0</b>	<b>4.7%</b>	<b>773.1</b>
Provisions/Bad debts	84.1	859.9	-90.2%	49.9	398.4	-87.5%	34.2	45.9%	1,583.1
Other Income	207.1	126.4	63.9%	111.1	77.0	44.2%	96.1	15.6%	310.7
<b>Profit before Tax</b>	<b>882.4</b>	<b>(437.4)</b>	<b>301.7%</b>	<b>449.5</b>	<b>(187.0)</b>	<b>340.4%</b>	<b>432.9</b>	<b>3.8%</b>	<b>(499.3)</b>
Tax	303.9	(153.4)	298.1%	156.8	(64.0)	344.9%	147.1	-6.6%	(176.3)
<b>PAT before OCI</b>	<b>578.5</b>	<b>(284.0)</b>	<b>303.7%</b>	<b>292.7</b>	<b>(123.0)</b>	<b>338.0%</b>	<b>285.8</b>	<b>2.4%</b>	<b>(323.0)</b>
Other Comprehensive Income	<b>3.0</b>	<b>(0.8)</b>	<b>497.6%</b>	<b>1.3</b>	<b>(0.4)</b>	<b>448.0%</b>	<b>1.7</b>	<b>100.0%</b>	<b>0.0</b>
<b>PAT</b>	<b>581.5</b>	<b>(284.8)</b>	<b>304.2%</b>	<b>294.0</b>	<b>(123.4)</b>	<b>338.3%</b>	<b>287.5</b>	<b>2.3%</b>	<b>(323.0)</b>
<b>Borrowings</b>	23,441.0	17,615.4	33.1%	23,441.0	17,615.4	33.1%	21,242.1	10.4%	20,682.4
<b>Networth</b>	4,370.8	2,046.8	113.5%	4,370.8	2,046.8	113.5%	4,076.0	7.2%	2,873.6

FY18 numbers are as per IGAAP

# Q2 FY19 RESULTS: ASIRVAD MICROFINANCE: RESULT ANALYSIS



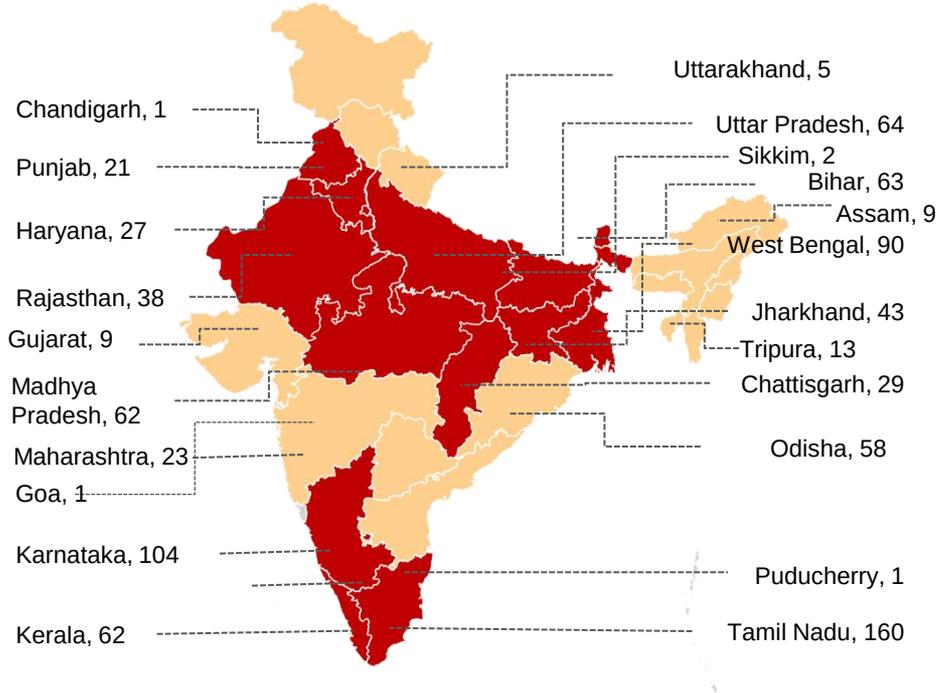
Q1 FY19 and Q2 FY19 numbers are as per IND AS

\* NPA recognised at 90 Days

# Q2 FY19 RESULTS: ASIRVAD MICROFINANCE: AUM UPDATE



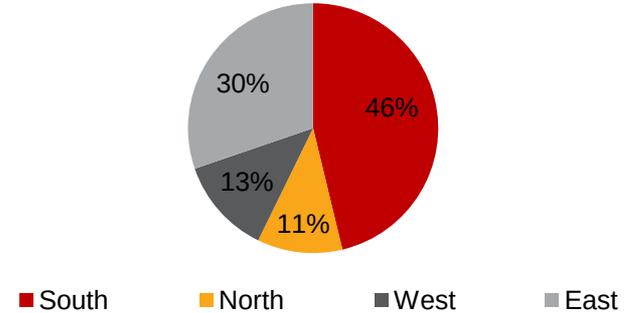
## PAN INDIA PRESENCE



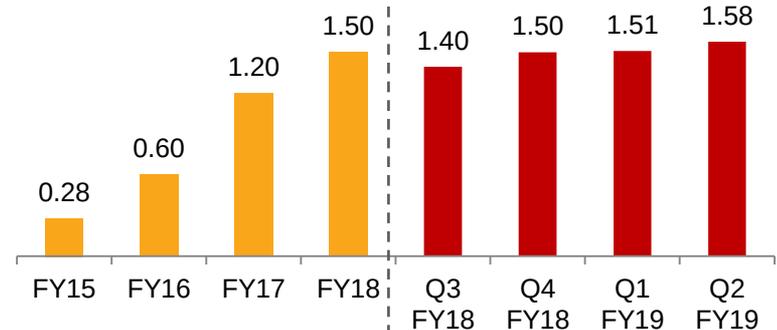
**893 Branches**

**1.58 mn Customers**

## MFI AUM - REGIONWISE BREAKUP



## CUSTOMER BASE (Mn)



# Q2 FY19 RESULTS: HOUSING FINANCE: BUSINESS UPDATE



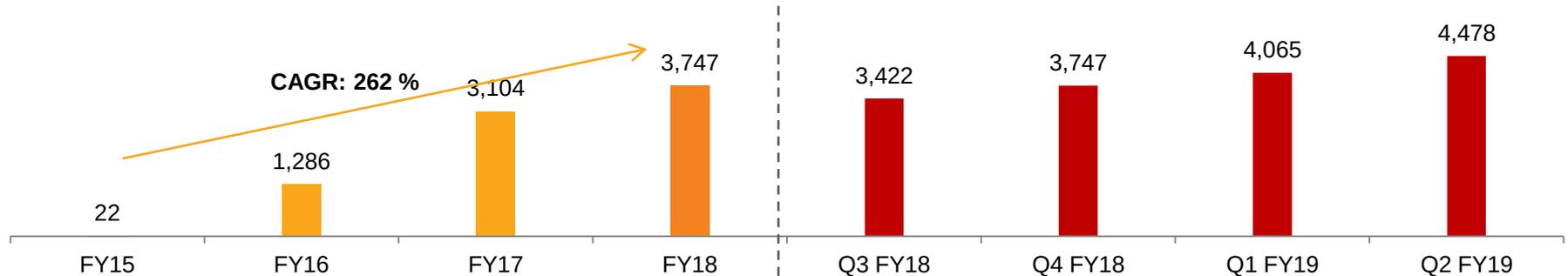
## AFFORDABLE HOUSING

- Started commercial operations in January 2015.
- Focus on Affordable Housing for Mid to Low income Group.
- Focus on South and West of India.
- Rated A+/Stable (Long Term) & A1+ (Short Term) by CRISIL
- Rated AA – (Stable) (Long Term) by CARE

## HOUSING FINANCE METRICS

AUM (Rs Mn) – Sep 2018	4,477.9
Branch Network	35
Number of States	6
Average Ticket Size (Rs mn)	1
Average Yield (%)	14.6%
GNPA %	4.7%
NNPA %	3.7%

## AUM (Rs Mn)



# Q2 FY19 RESULTS: VEHICLE AND EQUIPMENT FINANCE: BUSINESS UPDATE



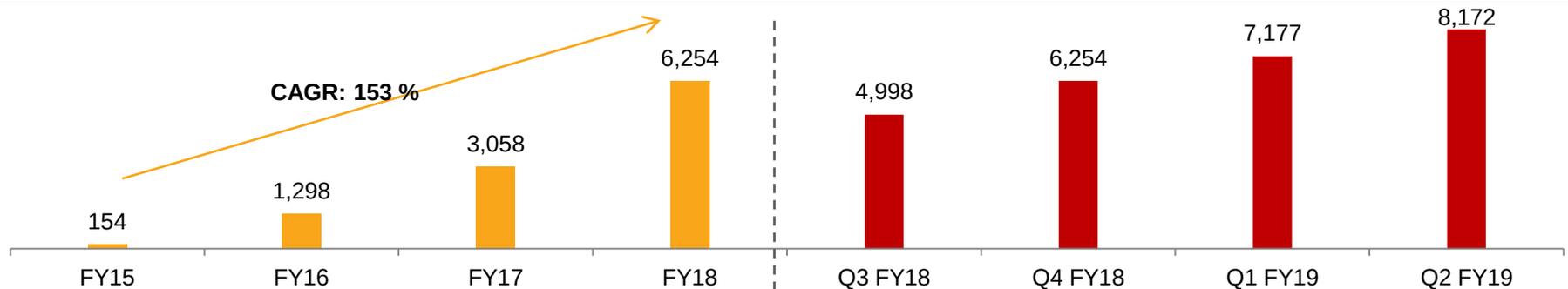
## VEHICLE AND EQUIPMENT FINANCE

- Started commercial operations in January 2015.
- The operations are a part of Manappuram Finance Ltd and are carried out from existing gold loan branches
- Selectively entered in Southern and Western India.
- Focus on Underserved Category of Customers who do not have access to Formal Banking system.

## VEHICLE AND EQUIPMENT FINANCE METRICS

AUM (Rs Mn) – Sep 2018	8,172.3
Branch Network	145
Number of States	20
Average Ticket Size (Rs mn)*	0.73
Average Yield (%)	19.2%
GNPA %	2.6%
NNPA %	0.80%

## AUM (Rs Mn)



\* Only Commercial Vehicle



**MANAPPURAM**  
**FINANCE LIMITED**



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# COMPANY OVERVIEW: BRIEF PROFILE



## STRONG PEDIGREE

- Incorporated in 1992, the company has been one of India's leading gold loans NBFCs.
- Promoted by Mr. V.P. Nandakumar (current MD & CEO) whose family has been involved in gold loans since 1949.

## BUSINESS OVERVIEW

- Focus on utilising surplus capital to build or acquire new lending products relevant to the existing retail customer base.
- Addition of new synergistic product segments – Microfinance (MFI), Commercial vehicles (CV), Mortgage & Housing Finance.
- Consolidated AUM of Rs 158 Bn as on Mar-2018
- Established pan-India presence

## FINANCIAL OVERVIEW

- Total AUM has grown from Rs 75.5 Bn in FY11 to Rs 158 Bn in FY18 at CAGR of 10%.
- Standalone Capital Adequacy Ratio in FY18 stood at 27.0%.
- Net Interest Income of Rs 23,956.9 Mn and PAT of Rs 6,709.0 Mn in FY18 grown at CAGR of 17 % and 24 % respectively over last 5 years.
- Return ratios: ROA – 4.0% in FY18, ROE – 17.8 % in FY18.

## HIGH CORPORATE GOVERNANCE STANDARDS

- Consistent dividends to shareholders.
- Reputed auditors such as KPMG as internal auditors and Deloitte Haskins & Sells LLP as statutory auditors to ensure accurate financial reporting & transparency.
- Strong external professional representation on the Board with 6 of the 10 directors being independent. Board is chaired by Mr. Jagdish Capoor – Ex-Deputy Governor of RBI, Ex-Chairman of HDFC Bank.

# COMPANY OVERVIEW: STRONG BRAND RECALL

- Strong brand equity built over the years.
- Celebrity endorsements have led to enhanced visibility and growing business.
- Brand 'Manappuram' is endorsed by well recognized film industry icons across India .
- Our brand ambassadors - Venkatesh, Mohan Lal, Puneeth Rajkumar, Vikram, Akshay Kumar, Jeet, Sachin Khedekar And Uttam Mohanty.



# COMPANY OVERVIEW: EXPERIENCED MANAGEMENT TEAM

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

- Chief Promoter of Manappuram Group
- Certified Associate of Indian Institute of Bankers



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

- Director since July 1992
- Worked in a senior role with Blue Marine International in U.A.E



**Mrs. Bindu A L**  
*EVP – Finance & Accounts*

- Chartered Accountant with Over 20 years experience in the area of Finance and Accounts



**Mr. Raja Vaidhyathan**  
*Managing Director – MFI*

- Erstwhile Promoter of Asirvad Microfinance
- IIT IIM Alumni with over 33 years of experience across industries



**Mr. Jeevandas Narayan**  
*Managing Director – Housing Finance*

- Erstwhile MD of State Bank of Travancore
- Over 37 years of experience in the financial services industry



**Mr. Subhash Samant**  
*CEO – Housing Finance*

- Over 21 years experience with organizations such as L&T Housing, DHFL, ICICI Bank, GIC Housing



**Mr. K Senthil Kumar**  
*Head – Commercial Vehicle*

- Over 21 years experience with organizations such as Fullerton India, Citi Bank, HDFC Bank etc.



**Mr. Mr. Kamalakar Sai Palavalasa**  
*EVP- Insurance*

- Over 24 years experience with organizations such as Genosar, IndiaFirst, Reliance and Birla Insurance Company



**Mrs. Puneet Kaur Kohli**  
*SVP - CTO*

- Over 22 years experience with organizations such as Bajaj Capital, Motricity, Bharti Airtel, Accenture, Duncan Industries, ITC Hotel



# COMPANY OVERVIEW: CORPORATE GOVERNANCE – STRONG BOARD OF DIRECTORS



**Mr. Jagdish Kapoor**  
**CHAIRMAN, INDEPENDENT &**  
**NON-EXECUTIVE DIRECTOR**

- Former Chairman of HDFC Bank, former Deputy Governor of Reserve Bank of India, former Chairman of UTI and BSE Ltd
- Currently, he is on the Board of Indian Hotels Company Limited, Assets Care Enterprise Limited, Indian Institute of Management, LIC Pension Fund Limited and is the Chairman of Quantum Trustee Company Private Limited.

**Mr. E. A. Kshirsagar**  
**NOMINEE DIRECTOR**

- He is a Fellow of the Institute of Chartered Accountants in England & Wales
- He was associated with the Management Consultancy division of A F Ferguson for over three decades and retired in 2004 as the Senior Partner

**Mr P. Manomohan**  
**INDEPENDENT &**  
**NON-EXECUTIVE DIRECTOR**

- Bachelor of Commerce 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

**Mr. Rajiven V. R.**  
**INDEPENDENT &**  
**NON-EXECUTIVE DIRECTOR**

- He is a retired IPS officer.
- He holds a Bachelor of Science degree and has completed his LLB from Govt. Law College, Trivandrum
- Shri Rajiven brings to the Board a wealth of experience in areas like Leadership and Staff management, Strategic Management, Financial Control / Budgeting, Team Development etc.

# COMPANY OVERVIEW: CORPORATE GOVERNANCE – STRONG BOARD OF DIRECTORS



**MANAPPURAM**  
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**Dr. Amla Samanta**  
**INDEPENDENT &**  
**NON-EXECUTIVE DIRECTOR**

- Bachelor of Science from Mumbai University, Masters in Biochemistry from GS Medical College, Mumbai.
- She is Managing Director of Samanta Organics Pvt Ltd, Tarapur & Ashish Rang Udyog Pvt Ltd.
- She has served on the boards of HDFC Bank & HDFC Securities. Prior to this she was consultant bio-chemist at Lilavati Hospital

**Mr V. R. Ramchandran**  
**INDEPENDENT &**  
**NON-EXECUTIVE DIRECTOR**

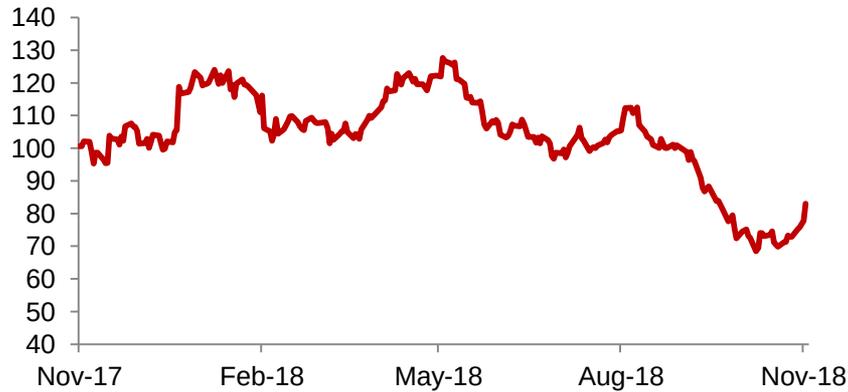
- He holds a Bachelor of Science from the Calicut University and a Bachelor degree in law from the Kerala University.
- He has over 32 years of work experience and is a civil lawyer enrolled with the Thrissur Bar Association.

**Mr Gautam Narayan**  
**ADDITIONAL DIRECTOR**

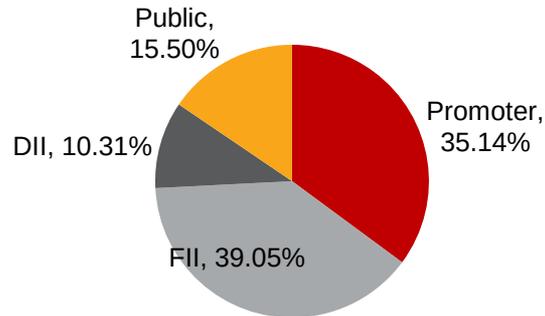
- He is a Chartered Accountant with additional qualification in management Post Graduate Diploma in Management from IIM Ahemadabad.
- He is a partner at Apex Partners.

# COMPANY OVERVIEW: SHAREHOLDING STRUCTURE

Share Price Performance



% SHAREHOLDING – Sep 30, 2018



## MARKET DATA

AS ON 04.11.2018

Market Capitalization (Rs Mn)	69,954
Price (Rs)	83.0
No. of Shares Outstanding (Mn)	843
Face Value (Rs)	2.0
Avg. Qtrly Trading Volume (Rs Mn)	358
Avg. Qtrly Trading Volume (Mn shares)	4.1
52 Week High-Low (Rs)	130.5 -66.4

Source – : NSE, Trading volume and Value is BSE & NSE combined

## KEY INSTITUTIONAL INVESTORS AT SEP 18

% HOLDING

Quinag Acquisition (FPI) Ltd	9.94%
Baring India Private Equity Fund	8.79%
Barclays Merchant Bank Singapore Ltd	3.77%
DSP Blackrock Microcap Fund	3.04%
Fidelity Investment Trust	3.03%
Duro one Investments Ltd	1.39%
Societe Generale	1.19%
Dolly Khanna	1.07%

Source – BSE



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# BUSINESS STRATEGY: KEY HIGHLIGHTS

## BUSINESS STRATEGY

**STRENGTHEN THE  
CORE GOLD LOAN BUSINESS**

**ADDITION OF SYNERGISTIC  
NEW BUSINESS SEGMENTS**



- **De-Linking the Gold Business from Gold Prices**
- **Focus on Branch Activations through increased Incentives & Performance Scorecard**
- **Enhanced Marketing Initiatives**

- **Leveraging the Strong Brand Equity & Existing Retail Customer Base**
- **Addition of new synergistic Product segments – Microfinance, Mortgage & Housing Finance, CV Lending**

# BUSINESS STRATEGY: DE-LINKING GOLD BUSINESS FROM GOLD PRICES

Earlier Scenario – 12 month Long Tenure Product		12 months – Single Product Offering	Additional 2 month for Auction
Gold value	100		
LTV	75%		
<b>Gold Loan</b>	<b>75</b>		
Interest Rate	24%		
<b>Interest Cost*</b>	<b>21</b>		
<b>Total Principal + Interest*</b>	<b>96</b>		

**If the Customer does not pay or close the Loan, then there is likely loss of interest for 2 months during Auction**



- Recalibrated the product structure to de-Link from gold price fluctuation.
- Loan to value (LTV) ratio is now linked to the tenure of the loan. Therefore, the maximum permissible LTV of 75% would be available on loans of shorter tenure rather than one year as was the standard practice earlier.

Current Revised Scenario – 3 to 6 month Short Tenure Products	3 months	6 months	9 months	12 months	Additional 2 month for Auction
	3 Month Scenario	6 Month Scenario	9 Month Scenario	12 Month Scenario	
Gold value	100	100	100	100	
<b>LTV</b>	<b>75%</b>	<b>70%</b>	<b>65%</b>	<b>60%</b>	
<b>Gold Loan</b>	<b>75</b>	<b>70</b>	<b>65</b>	<b>60</b>	
Interest Rate	24%	24%	24%	24%	
<b>Interest cost *</b>	<b>7.5</b>	<b>11.2</b>	<b>14.3</b>	<b>16.8</b>	
<b>Total Principal + Interest *</b>	<b>82.5</b>	<b>81.2</b>	<b>79.3</b>	<b>76.8</b>	

If the Customer does not pay or close the Loan, there is ample margin of safety to recover Principal as well as Interest. Also, Linkage to Gold prices is Negligible.

\* Includes interest outgo during 2 months of auctioning period

# BUSINESS STRATEGY: GOLD LOAN BUSINESS – REACHING OUT TO THE CUSTOMER

Increased marketing initiatives across branches and key markets

Significantly enhanced our marketing spend with growing BTL and ATL activities

Increased incentives and branch activations

Initiative to track branch level performance scorecard

**STRATEGIC INITIATIVES TO DRIVE BUSINESS PERFORMANCE**



# BUSINESS STRATEGY: INTRODUCING NEW SYNERGISTIC PRODUCT SEGMENTS



## RATIONALE FOR STRATEGY TO DIVERSIFY INTO SYNERGISTIC PRODUCT SEGMENTS -

- Strategy to Utilise surplus capital to build or acquire new lending products relevant to the existing retail customer base.
- To leverage the strong retail customer base, retail branch network and the strong Manappuram Brand Equity build over the years.
- To Leverage our operational capability to process large volume, small ticket lending transactions with semi-urban and rural customers.
- Focus to enhance the revenue mix and improve structural return on equity (RoE).



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# KEY TECHNOLOGY INITIATIVES: EXPLORING NEW AGE FINTECH BUSINESS OPPORTUNITIES

## INNOVATE (STRATEGIC)

Out of the box innovative projects to make us ready and relevant to face future challenges / Changes. E.g. - SGL, Mobility platforms, Digital PL Loans, OGL E Wallets, Digital Scorecards, OGL Digital Cards, Kiosks, Business Associate Portal, VAS Portal

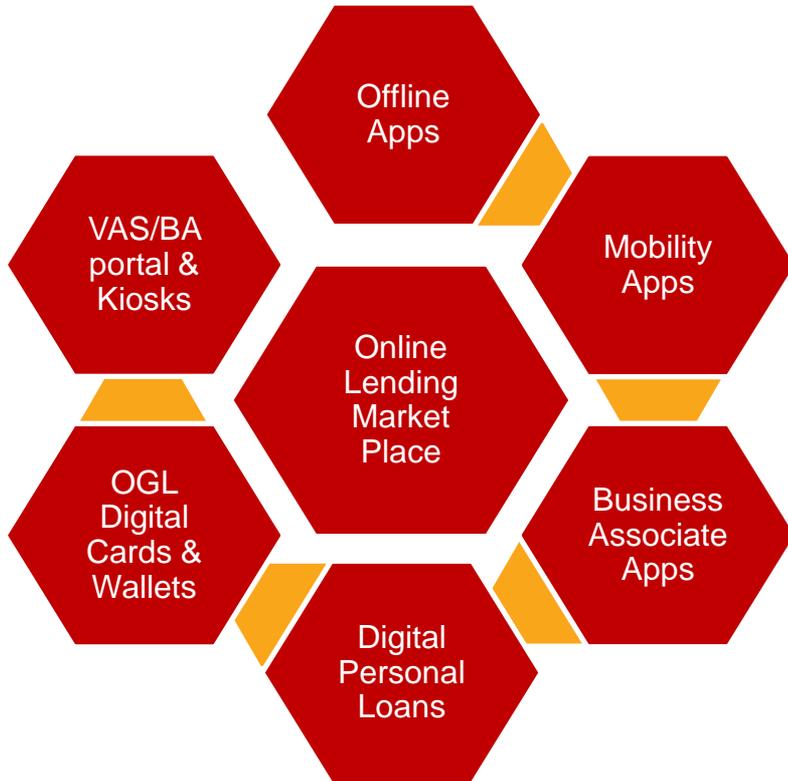
## DIFFERENTIATE (TACTICAL)

Business differentiators like CRM, MDM, UPI, eSign, AEPS, eNACH & Chatbots, Ent. Apps like AML, AFS, GRC, LMS and Infra Solutions SD WAN based Connectivity, Usage of public cloud, DMS and Digital Work Flows

## RUN (OPERATE)

Improved SLA Based Support for IT Services, Replacement of PCs to Mobile devices with MDM, Setting Up of Outsourced Information Security Organization, Involvement of Professional Network Integrators better connectivity

# KEY TECHNOLOGY INITIATIVES: INNOVATIVE BUSINESS PROPOSITIONS



- **Offline Apps:** B2C & B2B Apps that can work without internet connectivity
- **Mobility Apps :** Restructured Apps that can work without any device, browser, platform dependency
- **OGL Digital Cards & Wallets :** This may open up opportunity for vertical integration with merchants
- **Digital Personal Loans :** Paper less digital loans with built in scorecards with quicker TAT for disbursing Loans
- **VAS Portal & Kiosks :** Portal that can provide Value added services to Customers including provision of Self operated Kiosks
- **BA/BC/Agent/Franchisee Portals:** Portals that allow to Business Associates/Business correspondents/ Agents/Franchisees to offer MAFIL Group product and services to customers
- **Online Lending Market Place:** Cater/Offer or avail MAFIL Group services through online

# KEY TECHNOLOGY INITIATIVES: IMPLEMENTATION OF NEW TECHNOLOGIES - STAYING AHEAD OF THE CURVE

## EKYC & AEPS

(a) Employee punching (b) Additional authentication for Gold Loan from customers & Employees (c) KYC Validation (d) Aadhaar Enabled Payment System

## CRM

(a) Solution for Customer 360 view (b) Lead Management (c) Campaign Management (d) Customer Service Management

## Litigation App

(a) App supports for end to end management of Litigation processes at MAFIL Group level (b) Alerting and sending notification to relevant stakeholders

## UPI

(a) Enabling UPI solution for Collection (b) Bank Account confirmation (c) Enabling additional disbursement solution (d) Support for multi-bank transfer facility

## eNACH

(a) E Mandate Registration (b) Automatic Collection of Interest and Principle from the customer Bank Account and crediting to the Loan A/c

## LMS

(a) Learning through mobile Platform (b) development of curriculum for continuous learning exercise (c) Integrated platform Training Result Assessment

## Bots

(a) Person less Calling solution for repeated follow up calls (b) Person less addressing customer queries as part of Customer Service

## DMS & Digital Work Flows

(a) Centralized DMS System for management of Images (b) Implementation of digital work flows

## AML/ AFS

(a) Solution for customer Risk Profiling, (b) Transaction Monitoring, (c) Suspicious/ Fraudulent Transaction Monitoring (d) Real time case Management

## MDM

(a) Single Source of data (b) Data Governance (c) Source for HR/Sales/ Market/ Customer Analytics (d) building Cross Sell/ Up Sell opportunities

## eSign

(a) Paper less legal documentation (b) Reduced TAT for Loan processing (c) Digital Onboarding for OGL Customers

## GRC

(a) Platform for category wise enterprise risk Reporting (b) Platform for Measurement and treatment of Enterprise Risk (c) Tracking Governance, Risk & compliance

MAJOR BUSINESS DIFFERENTIATORS

ENTERPRISE LEVEL APPS



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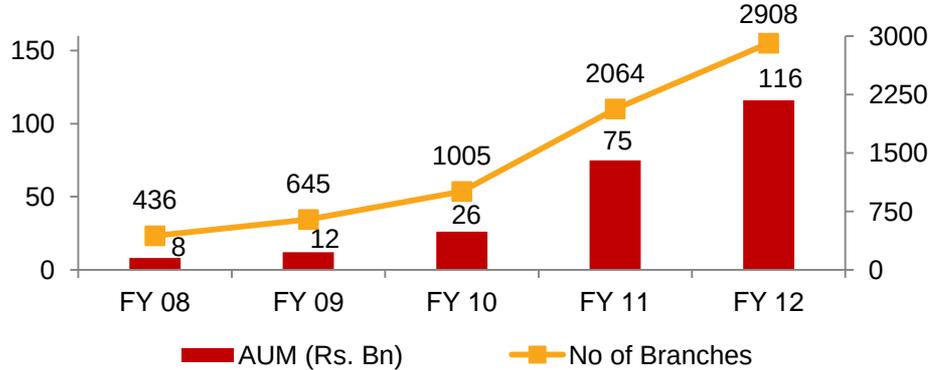
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# UNDERSTANDING OUR EVOLUTION

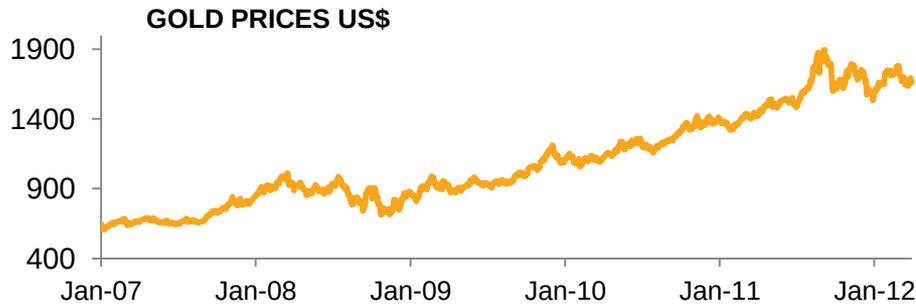
## PHASE 1: FY08 - FY12

### STRONG GROWTH WITNESSED....



- Higher Loan To Value (LTV) up to 85%
- Lower Cost of Funds due to Eligibility under Priority Sector Lending
- Supported by Buoyant Economic Growth
- Long Tenure Products supported by Rising Gold Prices
- **Strong Competitive Positioning** - Better LTV, Lower interest rate compared to Moneylenders, Prompt Disbursement, Convenience of Place/time

### SUPPORTED BY RISING GOLD PRICES....



Company witnessed CAGR of ~95% in AUM over FY08 - FY12.

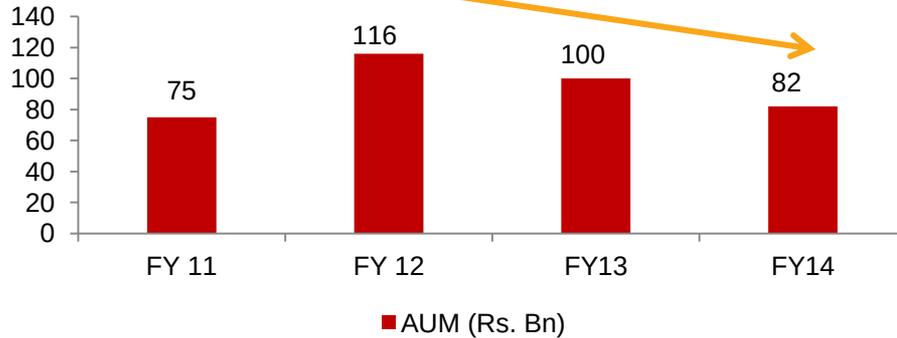
Branch Network grew by 7x over FY08 - FY12.

Strong Execution Capabilities and well defined systems and processes.

# UNDERSTANDING OUR EVOLUTION

## PHASE 2: FY12 - FY14

### REGULATORY OVERHANG IMPACT....



### ALONG WITH FALLING GOLD PRICES....



Source - Bloomberg

### Regulatory Changes by RBI-

- **Mar - 2012 : Removal of Priority Sector Lending Status**  
– led to Higher Borrowing Cost.
- **Mar - 2012 : Cap on LTV to not exceed more than 60%**
  - Weakened the Competitive positioning vis-à-vis Banks and Moneylenders.
  - Higher LTV Focused customers moved to Moneylenders whereas Interest Rate sensitive customers moved to Banks.
- Cap on Maximum Borrowing up to Rs. 2.5 Mn.

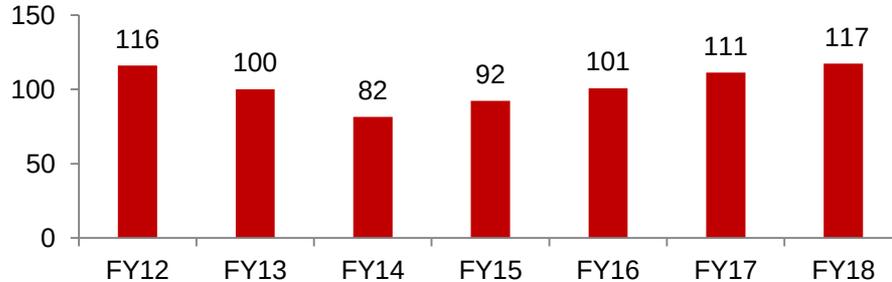
### Fall in Gold Prices –

- Peak LTV was 85% for FY12 and Long Tenure portfolio.
- Negative Operating Leverage resulted into fall in Return Ratios and Profitability.**

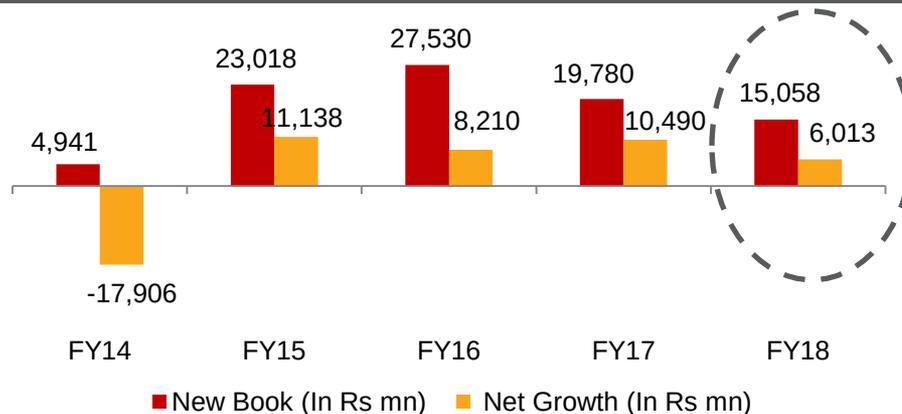
# UNDERSTANDING OUR EVOLUTION

## PHASE 3: FY15 ONWARDS

### ON A REVIVAL PATH.....



### WITNESSING THE GROWTH BACK...



Note - \* Net Growth = New Book - Auction

### Sept – 2013 : Regulatory Changes by RBI-

- Increased the loan-to-value (LTV) ratio for gold loans to 75 per cent -
  - Resulting into Level Playing Field for NBFCs vis-a-vis the commercial banks .

### Jan-2014 : Reaching out to the Customers

- Through enhanced Marketing and Branch Activation Initiatives

### June – 2014 : De-Linking to Gold Prices –

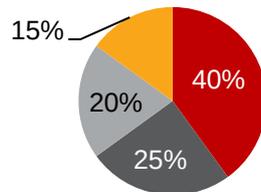
- Shift from Long Tenure products to short Tenure products (3 to 9 Months)
- Recalibrated loan to value (LTV) ratio to link it to the tenure of the loan.
  - Maximum permissible LTV of 75% to be available on loans of shorter tenure rather than one year.

**Positive Operating Leverage to kick in which would result into better Return Ratios and Profitability.**

India possesses over ~20,000 tonnes of gold worth more than US\$ 800 bn.  
Organized gold loan sector penetration is Just 3% !

- India is the largest consumer of gold jewellery in the world - Together with China, it makes up over half the global consumer demand for gold.

Region wise Share



■ South ■ West ■ East ■ North

- Southern India has been the largest market accounting for approximately 40% of the gold demand, followed by the western region at approximately 25% of India's annual gold demand.

- Further, Rural India is estimated to hold around 65% of total gold stock. For Rural India gold is the virtually the bank account of the people - As historically gold has been an good hedge against inflation & since it is fairly liquid, a lot of savings are in the form of gold.

# INDUSTRY OVERVIEW: KEY DRIVERS FOR GOLD LOAN MARKET



## ADVANTAGE CONSUMER

- Idle gold can be monetized for productive purposes.
- Prompt Disbursement - Faster turnaround time.
- Minimal Documentation - No major documentation requirement.
- Flexible repayment options available.

## ADVANTAGE LENDER

- Collateral / Security is with the lender – No requirement to reposes.
- No Liquidity Issues – Gold is one of the most liquid asset class.
- No Asset Liability Mismatch – Loan assets are for 3 to 6 months whereas liabilities are for 1 year and above.
- One of the lowest NPA segment

**LEADING TO A WIN-WIN SITUATION FOR ALL STAKEHOLDERS**

# INDUSTRY OVERVIEW: COMPETITIVE ADVANTAGE - GOLD LOAN NBFC'S



Parameter	Gold loan NBFC's	Banks	Moneylenders
<b>LTV</b>	Up to 75%	Lower LTV than NBFC's	Higher than 75%
<b>Processing Fees</b>	No / Minimal Processing Fees	Processing charges are much higher compared to NBFC's	No Processing Fees
<b>Interest Charges</b>	~18% to 26% p.a	~12% to 15% p.a	Usually in the range of 36% to 60% p.a.
<b>Penetration</b>	Highly Penetrated	Not highly penetrated. Selective Branches	Highly Penetrated
<b>Mode of Disbursal</b>	Cash/Cheque (Disbursals More than Rs. 0.1 mn in Cheque)	Cheque	Cash
<b>Working Hours</b>	Open Beyond Banking Hours	Typical Banking Hours	Open Beyond Banking Hours
<b>Regulated</b>	Regulated by RBI	Regulated by RBI	Not Regulated
<b>Fixed Office place for conducting transactions</b>	Proper Branch with dedicated staff for gold loans	Proper Branch	No fixed place for conducting business
<b>Customer Service</b>	High – Gold Loan is a Core Focus	Non Core	Core Focus
<b>Documentation Requirement</b>	Minimal Documentation, ID Proof	Entire KYC Compliance	Minimal Documentation
<b>Repayment Structure / Flexibility</b>	Flexible Re-Payment Options. Borrowers can pay both the Interest and Principal at the closure. No Pre-Payment Charges.	EMI compulsorily consists of interest and principal. Pre-Payment Penalty is Charged.	-
<b>Turnaround Time</b>	10 minutes	1-2 hours	10 minutes

**NBFC's RETAIN NICHE POSITIONING**



**Mrs. Bindu A. L**

**Executive Vice President – Finance & Accounts**

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