

# *Manappuram Finance Limited*

**Investor Presentation**  
**February 2018**

Gold Loans



Microfinance



Housing Finance



Vehicle Finance



**MANAPPURAM**  
**FINANCE LIMITED**



**MANAPPURAM**  
**FINANCE LIMITED**

## Quarterly Update

Company Overview

Business Strategy

Key Technology Initiatives

Annexure



# Q3 FY18 RESULTS: CONSOLIDATED RESULT HIGHLIGHTS



**AUM**

**Rs 146,502 Mn**  
**(+ 6.8% QoQ)**

**Net Profit**

**Rs 1,733.4 Mn**  
**(8.1 % QoQ)**

**Networth**

**Rs 36,989 Mn**

**ROA 4.5%**

**ROE 19.1%**

**Capital Adequacy \***

**27.8%**

**Borrowing Cost \***

**8.6%**

**GNPA \***

**0.7%**

**BV / Share Rs 43.94**

**EPS Rs 8.23**

**Dividend / Share**

**FY17: Rs 2.00**

**Share of New  
Businesses**

**22.6%**

**Total Branches**

**4,185**

**No of Live Customers**

**3.6 mn**

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

\* Calculated on standalone basis

# Q3 FY18 RESULTS: CONSOLIDATED PROFIT & LOSS STATEMENT



Particulars (Rs Mn)	9M FY18	9M FY17	YOY	Q3 FY18	Q3 FY17	YOY %	Q2 FY18	QOQ %	FY17
<b>Closing AUM (Rs Bn)</b>	<b>147</b>	<b>146</b>	<i>0.7%</i>	<b>147</b>	<b>146</b>	<i>0.7%</i>	<b>137</b>	<i>6.8%</i>	<b>137</b>
<b>Income from Operations</b>	25,336.0	24,889.0	<i>1.8%</i>	8,728.2	9,005.1	<i>-3.1%</i>	8,300.3	<i>5.2%</i>	<b>33,876.9</b>
Finance expenses	7,595.5	8,782.9	<i>-13.5%</i>	2,574.9	3,174.2	<i>-18.9%</i>	2,457.6	<i>4.8%</i>	11,687.1
<b>Net interest income</b>	<b>17,740.5</b>	<b>16,106.1</b>	<i>10.1%</i>	<b>6,153.3</b>	<b>5,830.9</b>	<i>5.5%</i>	<b>5,842.8</b>	<i>5.3%</i>	<b>22,189.9</b>
Employee expenses	4,542.5	3,760.4	<i>20.8%</i>	1,594.4	1,252.0	<i>27.3%</i>	1,541.9	<i>3.4%</i>	5,025.8
Other operating expenses	4,537.3	3,208.4	<i>41.4%</i>	1,585.5	1,133.0	<i>39.9%</i>	1,519.8	<i>4.3%</i>	4,627.0
Pre provision profit	<b>8,660.6</b>	<b>9,137.3</b>	<i>-5.2%</i>	<b>2,973.4</b>	<b>3,445.9</b>	<i>-13.7%</i>	<b>2,781.1</b>	<i>6.9%</i>	<b>12,537.1</b>
Provisions/Bad debts	1,669.0	686.0	<i>143.3%</i>	401.8	351.7	<i>14.2%</i>	460.1	<i>-12.7%</i>	1,092.1
Other Income	419.2	145.2	<i>188.8%</i>	83.2	46.8	<i>77.7%</i>	97.7	<i>-14.8%</i>	212.2
<b>Profit before Tax</b>	<b>7,410.8</b>	<b>8,596.5</b>	<i>-13.8%</i>	<b>2,654.8</b>	<b>3,141.0</b>	<i>-15.5%</i>	<b>2,418.7</b>	<i>9.8%</i>	<b>11,657.2</b>
Tax	2,558.5	3,011.6	<i>-15.0%</i>	921.2	1,104.9	<i>-16.6%</i>	823.9	<i>11.8%</i>	4,072.3
PAT before Minority Interest	<b>4,852.3</b>	<b>5,584.9</b>	<i>-13.1%</i>	<b>1,733.6</b>	<b>2,036.1</b>	<i>-14.9%</i>	<b>1,594.8</b>	<i>8.7%</i>	<b>7,584.9</b>
Minority Interest	(34.9)	32.2	<i>-208.5%</i>	0.3	10.7	<i>-97.4%</i>	(8.9)	<i>-103.2%</i>	26.4
<b>PAT</b>	<b>4,887.2</b>	<b>5,552.7</b>	<i>-12.0%</i>	<b>1,733.4</b>	<b>2,025.4</b>	<i>-14.4%</i>	<b>1,603.7</b>	<i>8.1%</i>	<b>7,558.5</b>

# Q3 FY18 RESULTS: CONSOLIDATED BALANCE SHEET

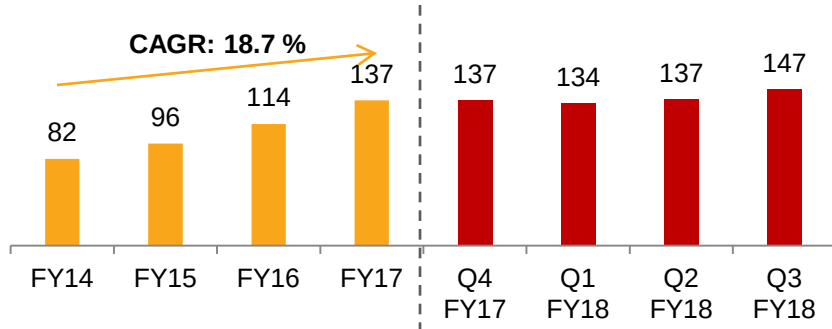


Particulars (Rs Mn)	Dec 2017	Dec 2016	YOY %	Sep 2017	QOQ %
Cash & Bank Balances	5,618.4	5,845.3	-3.9%	5,926.1	-5.2%
Investments	50.5	554.8	-90.9%	50.5	0.0%
Loans & Advances	146,026.3	145,546.2	0.3%	137,007.8	6.6%
Fixed Assets	1,726.6	1,844.0	-6.4%	1,787.7	-3.4%
Other Assets	6,466.2	7,183.0	-10.0%	5,683.6	13.8%
<b>Total Assets</b>	<b>159,888.1</b>	<b>160,973.3</b>	<b>-0.7%</b>	<b>150,455.8</b>	<b>6.3%</b>
Share Capital	1,683.9	1,683.2	0.0%	1,683.9	0.0%
Reserves & Surplus	35,305.2	30,422.4	16.0%	34,064.1	3.6%
Borrowings	115,097.5	122,110.1	-5.7%	107,527.4	7.0%
Other Liabilities & Provisions	7,544.8	6,513.4	15.8%	6,977.0	8.1%
Minority Interest	256.7	244.2	5.1%	203.3	26.3%
<b>Total Liabilities</b>	<b>159,888.1</b>	<b>160,973.3</b>	<b>-0.7%</b>	<b>150,455.8</b>	<b>6.3%</b>

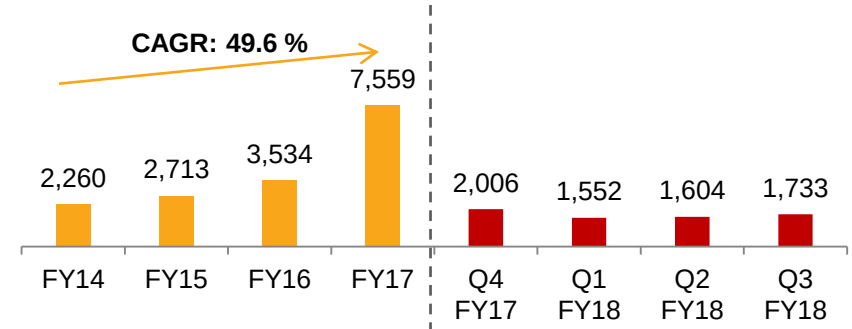
# Q3 FY18 RESULTS: CONSOLIDATED RESULT HIGHLIGHTS



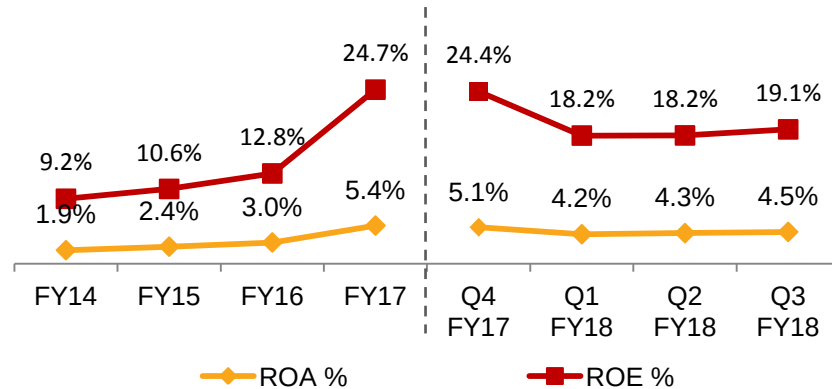
### CONSOLIDATED AUM (Rs Bn)



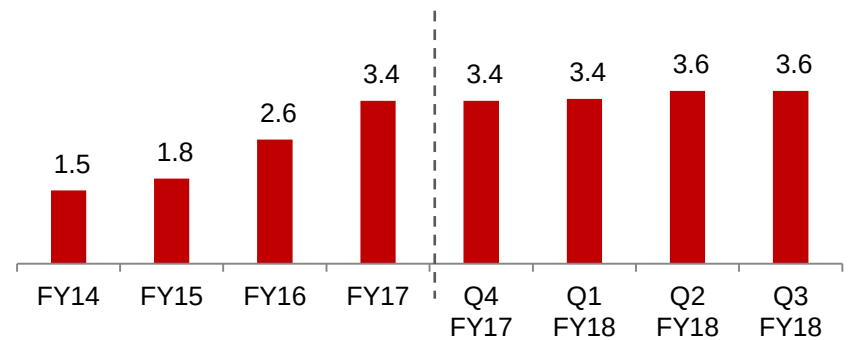
### NET PROFIT (Rs Mn)



### RETURN RATIOS %

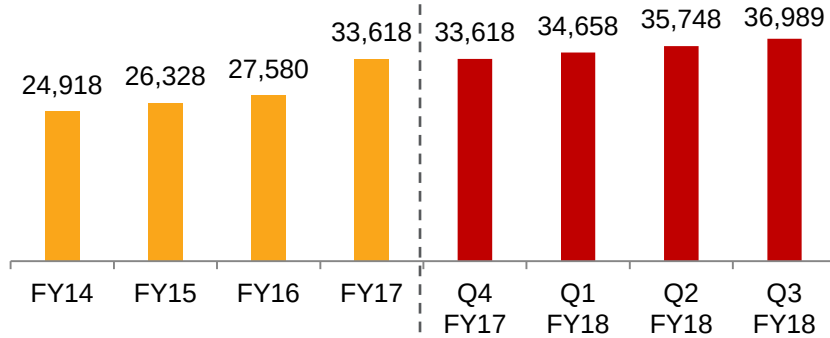


### TOTAL CUSTOMER BASE (Mn)

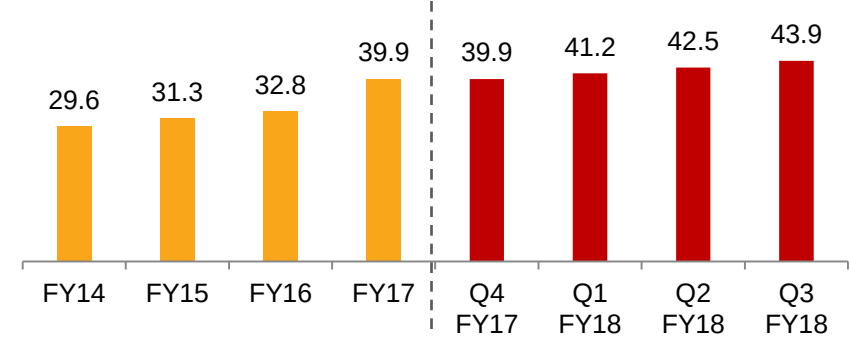


# Q3 FY18 RESULTS: CONSOLIDATED RESULT HIGHLIGHTS

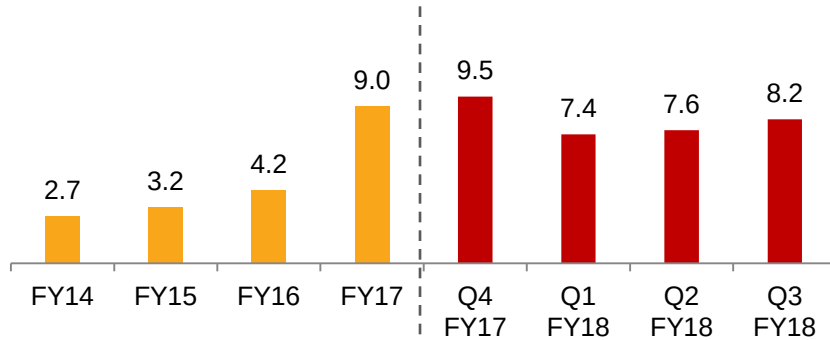
### NETWORTH (Rs Mn)



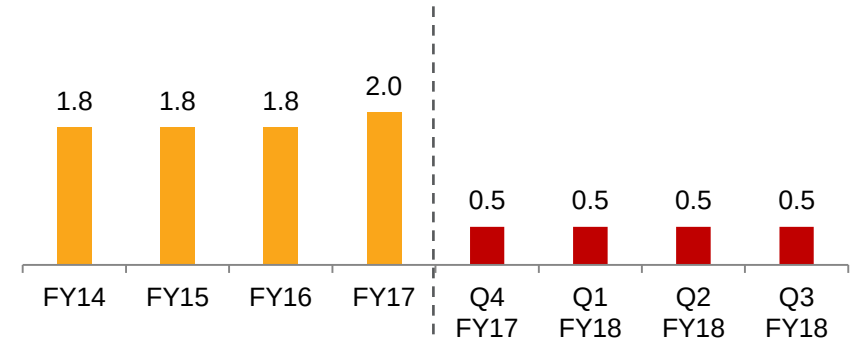
### BOOK VALUE PER SHARE (Rs)



### EARNINGS PER SHARE (Rs)



### DIVIDEND PER SHARE (Rs)



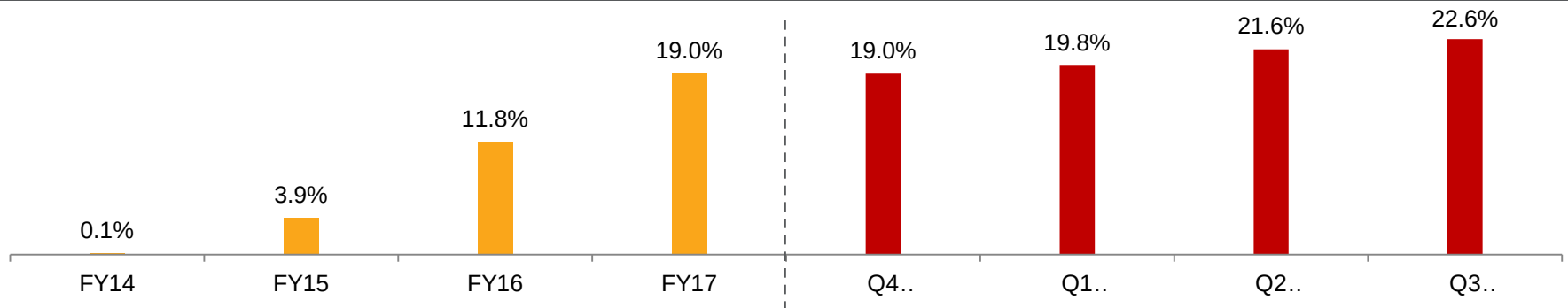
# Q3 FY18 RESULTS: CONSOLIDATED AUM UPDATE



## CONSOLIDATED AUM (Rs Mn)

Particulars (Rs Mn)	FY14	FY15	FY16	FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Gold Loans	81,552.4	92,244.8	100,806.0	111,245.3	111,245.3	107,273.1	107,609.1	113,270.8
Microfinance	0.0	3,220.0	9,988.0	17,959.4	17,959.4	18,271.2	19,645.8	21,116.5
Housing Finance	0.0	21.9	1,286.0	3,104.1	3,104.1	3,197.8	3,265.8	3,422.2
Vehicle Finance	0.0	153.7	1,297.7	3,058.3	3,058.3	3,437.4	4,190.9	4,998.1
Other Loans	78.3	295.0	952.0	1,204.8	1,204.8	1,619.0	2,520.5	3,694.8
<b>Total</b>	<b>81,630.7</b>	<b>95,935.4</b>	<b>114,329.7</b>	<b>136,572.0</b>	<b>136,572.0</b>	<b>133,798.4</b>	<b>137,232.2</b>	<b>146,502.4</b>

## SHARE OF NEW BUSINESSES IN CONSOLIDATED AUM

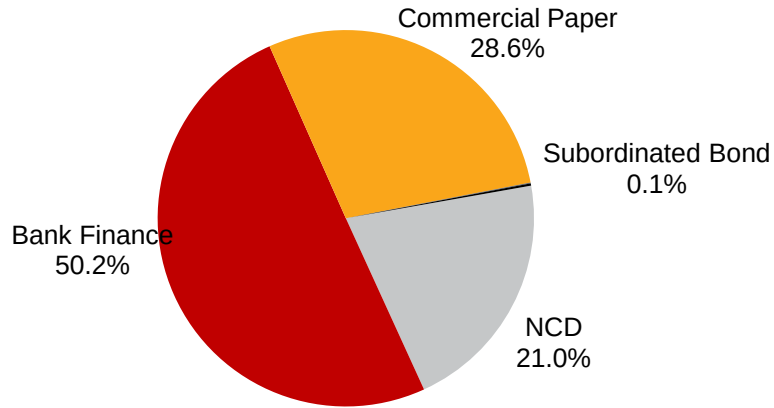




# Q3 FY18 RESULTS: MANAPPURAM FINANCE: BORROWING PROFILE



**BORROWING AS ON DEC, 2017 = Rs 94,292 Mn**



**CREDIT RATING**

**Manappuram Finance:**

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

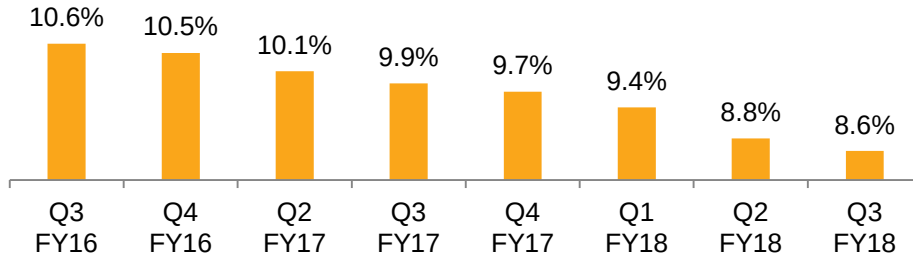
**Asirvad Microfinance:**

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

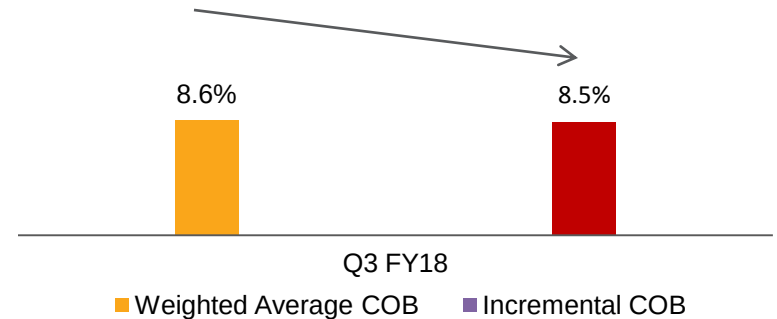
**Housing Finance:**

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

**COST OF BORROWING %**



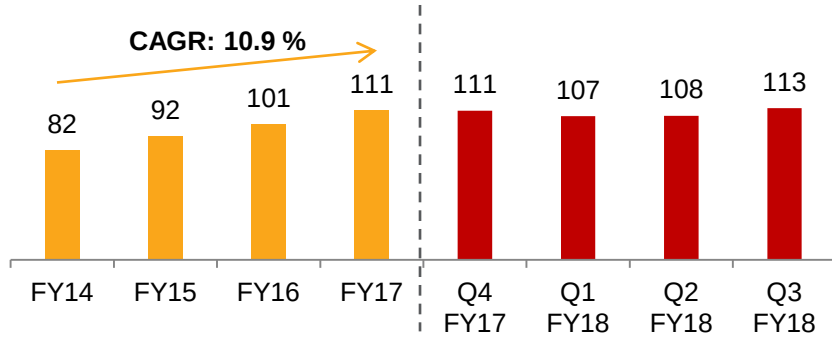
**MARGINAL COST OF BORROWING**



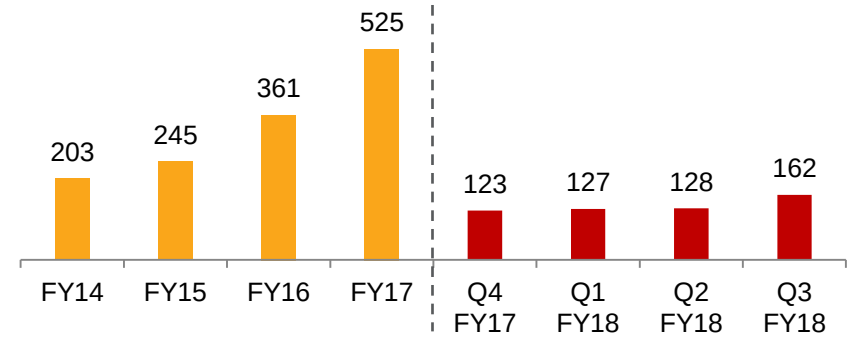
# Q3 FY18 RESULTS: MANAPPURAM FINANCE: RESULT ANALYSIS



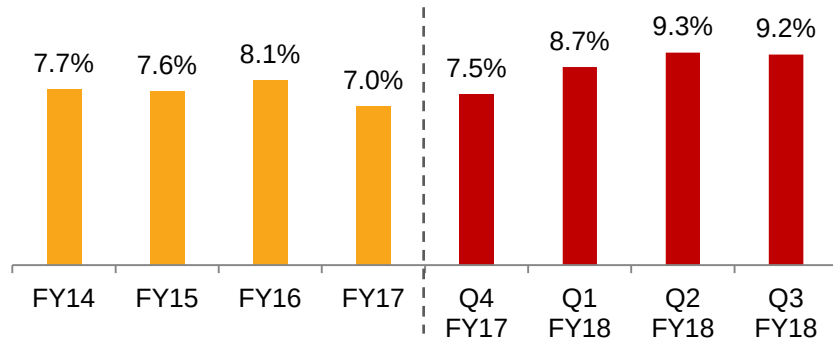
### GOLD LOAN AUM (Rs Bn)



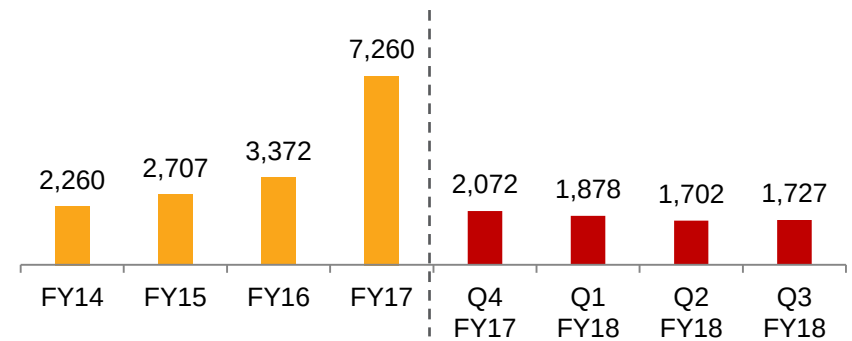
### GOLD LOAN DISBURSEMENTS (Rs Bn)



### OPEX TO AUM %



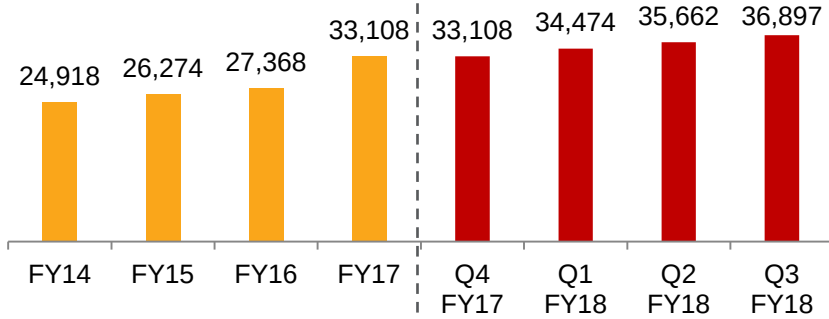
### NET PROFIT (Rs Mn)



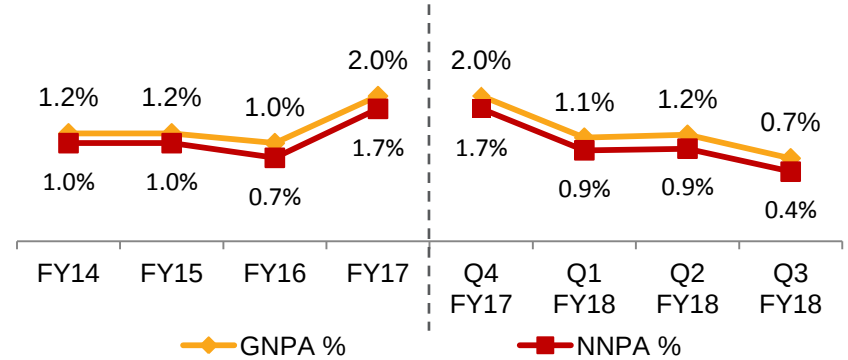
# Q3 FY18 RESULTS: MANAPPURAM FINANCE: RESULT ANALYSIS



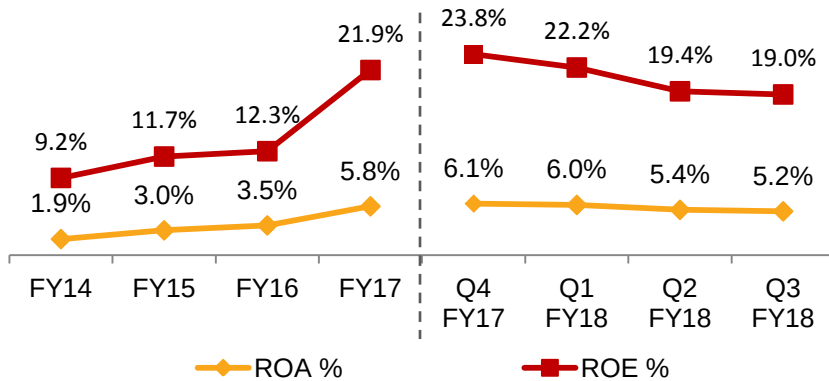
### NETWORTH (Rs Mn)



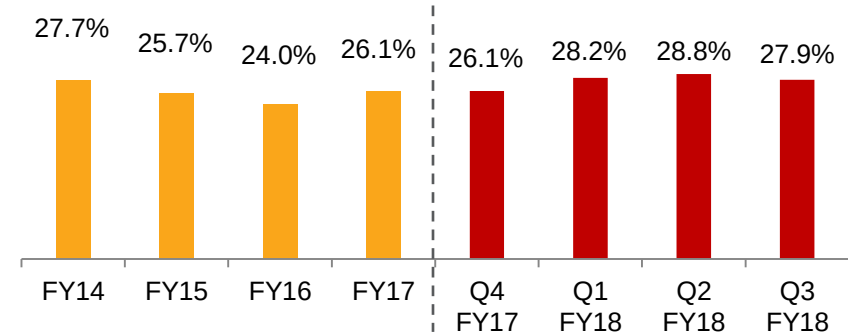
### NPA ANALYSIS % \*



### RETURN RATIOS %



### CAPITAL ADEQUACY RATIO %

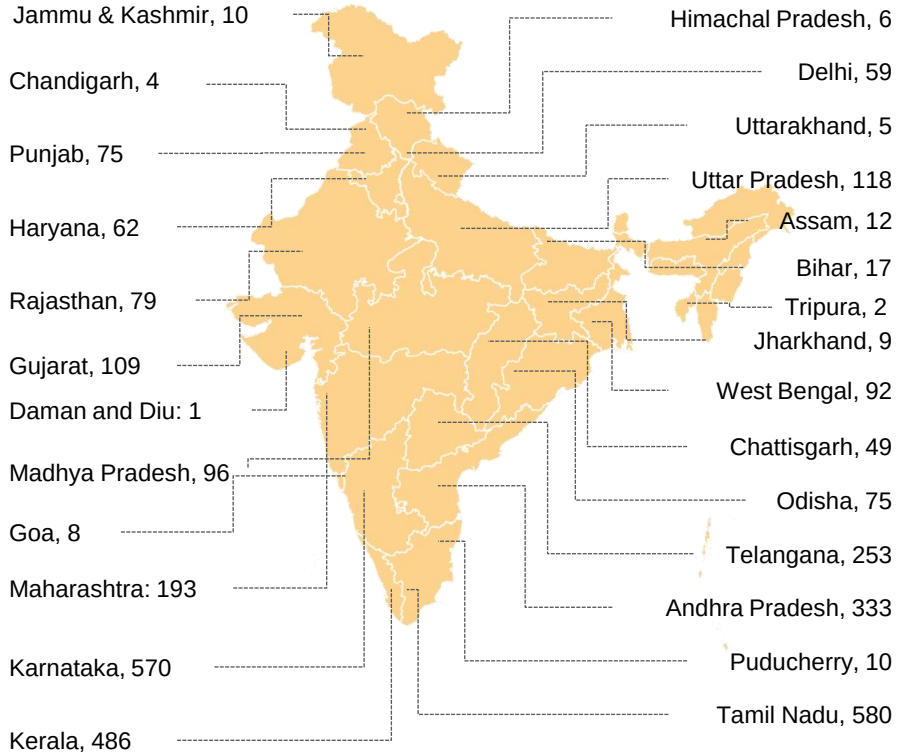


\* NPA recognised at 90 Days  
NPAs on account of theft, spurious collateral etc. are 0.09% of AUM

# Q3 FY18 RESULTS: MANAPPURAM FINANCE: GOLD AUM UPDATE

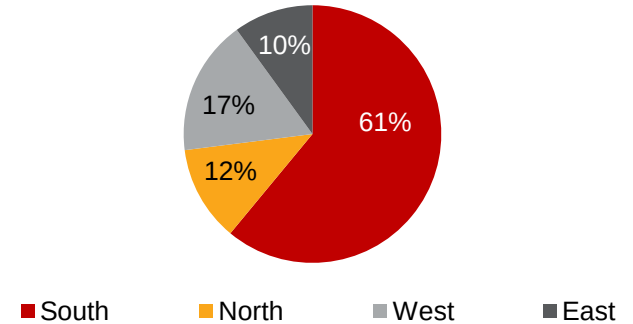


## PAN INDIA PRESENCE

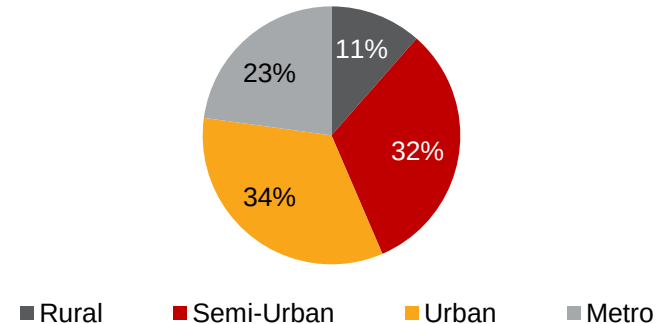


**3,318 Branches as on Dec 2017**

## GOLD AUM - REGIONWISE BREAKUP



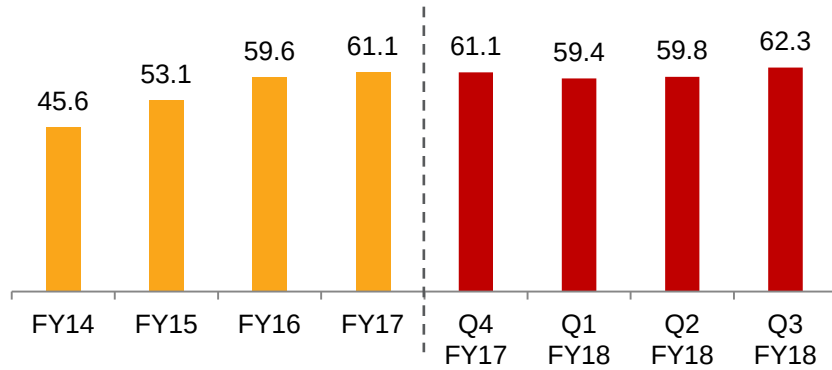
## GOLD AUM - RURAL URBAN MIX



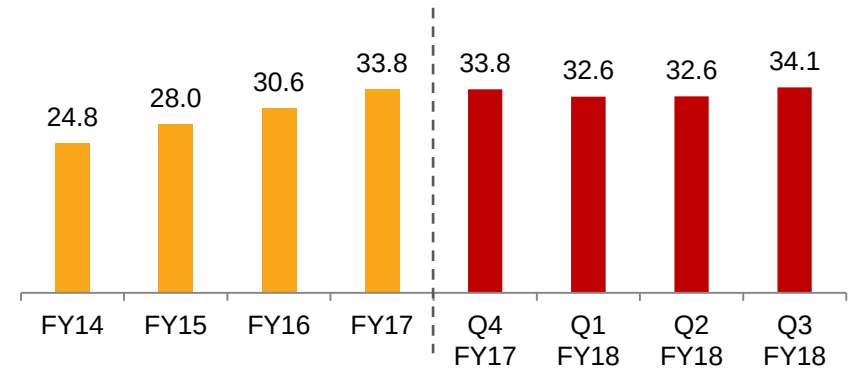
# Q3 FY18 RESULTS: MANAPPURAM FINANCE: GOLD AUM UPDATE



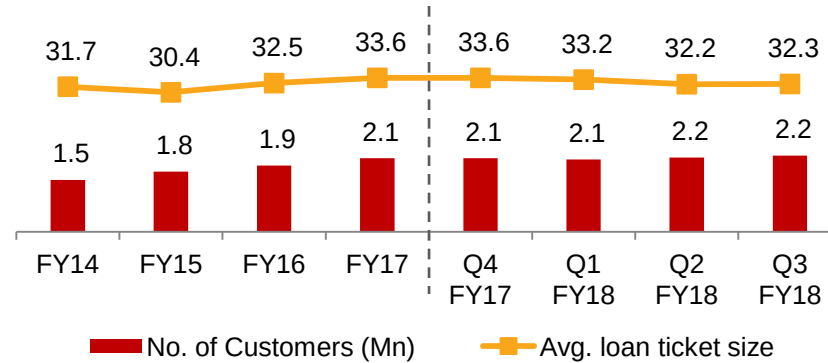
### GOLD HOLDING (TONNES)



### GOLD AUM PER BRANCH (Rs Mn)



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

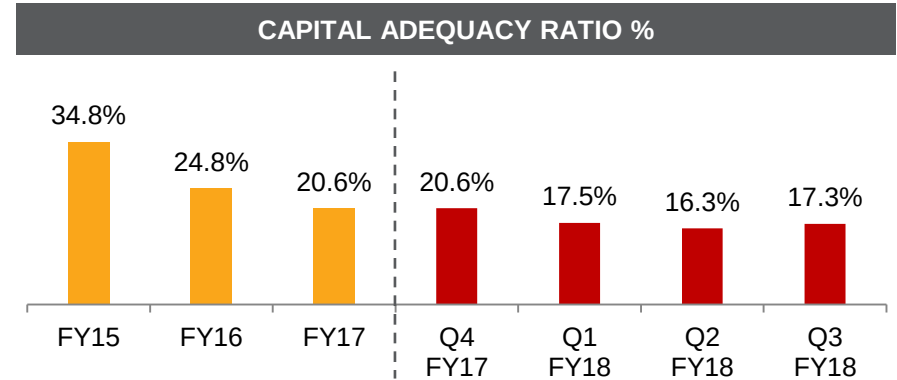
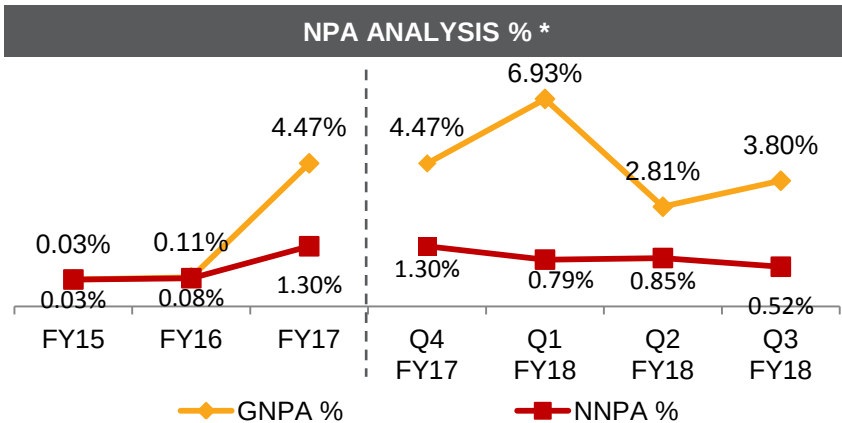
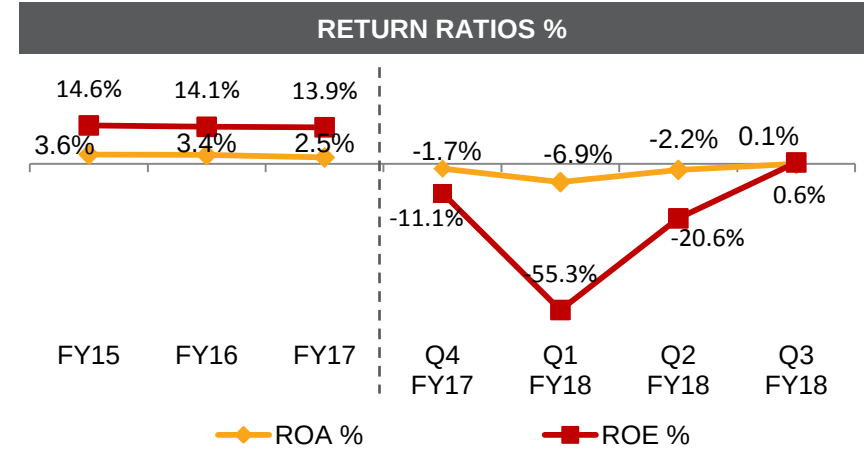
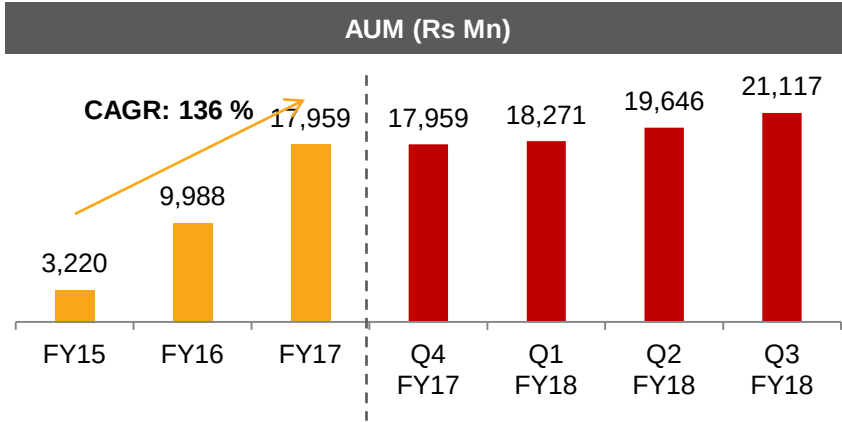


# Q3 FY18 RESULTS: ASIRVAD MICROFINANCE: KEY HIGHLIGHTS



Particulars (Rs Mn)	9M FY18	9M FY17	YOY%	Q3 FY18	Q3 FY17	YOY %	Q2 FY18	QOQ %	FY17
<b>Closing AUM</b>	21,116.5	16,503.9	27.9%	21,116.5	16,503.9	27.9%	19,645.8	7.5%	17,959.4
<b>Income from Operations</b>	<b>3,155.5</b>	<b>2,457.4</b>	<b>28.4%</b>	<b>1,159.0</b>	<b>1,001.2</b>	<b>15.8%</b>	<b>1,013.6</b>	<b>14.3%</b>	<b>3,428.2</b>
Finance expenses	1,572.7	1,087.6	44.6%	555.6	452.5	22.8%	519.0	7.0%	1,542.7
<b>Net interest income</b>	<b>1,582.8</b>	<b>1,369.8</b>	<b>15.6%</b>	<b>603.4</b>	<b>548.7</b>	<b>10.0%</b>	<b>494.6</b>	<b>22.0%</b>	<b>1,885.5</b>
Employee expenses	702.1	467.4	50.2%	235.7	178.4	32.1%	244.0	-3.4%	650.9
Other operating expenses	369.5	258.9	42.7%	131.6	108.5	21.3%	121.0	8.8%	395.3
<b>Pre provision profit</b>	<b>511.2</b>	<b>643.5</b>	<b>-20.6%</b>	<b>236.1</b>	<b>261.8</b>	<b>-9.8%</b>	<b>129.6</b>	<b>82.2%</b>	<b>839.2</b>
Provisions/Bad debts	1,413.7	125.9	1023.1%	310.4	68.7	351.7%	381.8	-18.7%	522.2
Other Income	203.4	140.6	44.6%	77.0	48.5	59.0%	77.0	0.0%	206.0
<b>Profit before Tax</b>	<b>(699.1)</b>	<b>658.3</b>	<b>-206.2%</b>	<b>2.8</b>	<b>241.6</b>	<b>-98.8%</b>	<b>(175.1)</b>	<b>101.6%</b>	<b>523.0</b>
Tax	(245.6)	240.3	-202.2%	(0.8)	97.2	-100.8%	(60.0)	-98.7%	179.8
<b>PAT</b>	<b>(453.5)</b>	<b>418.0</b>	<b>-208.5%</b>	<b>3.6</b>	<b>144.4</b>	<b>-97.5%</b>	<b>(115.2)</b>	<b>103.1%</b>	<b>343.3</b>
<b>Borrowings</b>	18,289.4	14,391.8	27.1%	18,289.4	14,391.8	27.1%	17,615.5	3.8%	15,927.00
<b>Networth</b>	2,743.1	2,718.5	0.9%	2,743.1	2,718.5	0.9%	2,186.8	25.4%	2,643.80

# Q3 FY18 RESULTS: ASIRVAD MICROFINANCE: RESULT ANALYSIS

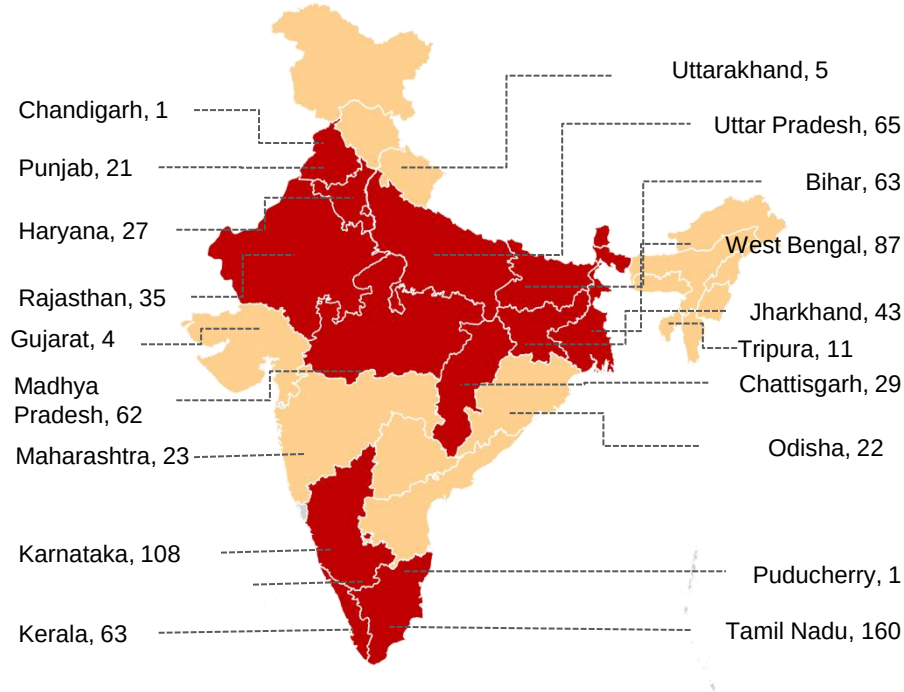


\* NPA recognised at 90 Days

# Q3 FY18 RESULTS: ASIRVAD MICROFINANCE: AUM UPDATE



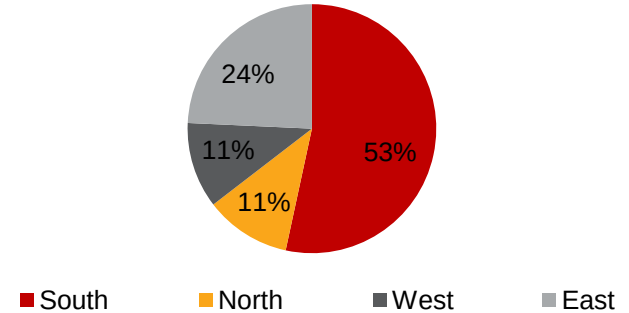
## PAN INDIA PRESENCE



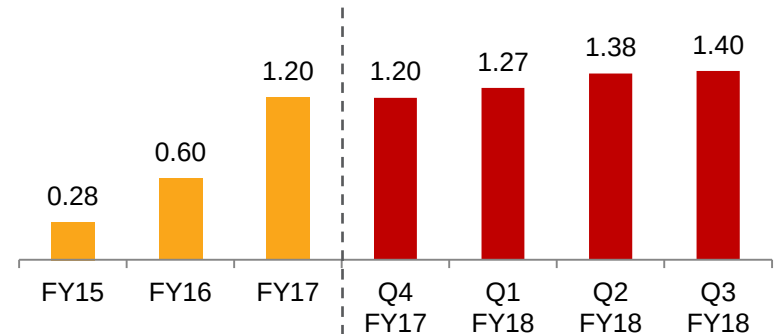
**830 Branches**

**1.4 mn Customers**

## MFI AUM - REGIONWISE BREAKUP



## CUSTOMER BASE (Mn)





# Q3 FY18 RESULTS: HOUSING FINANCE: BUSINESS UPDATE



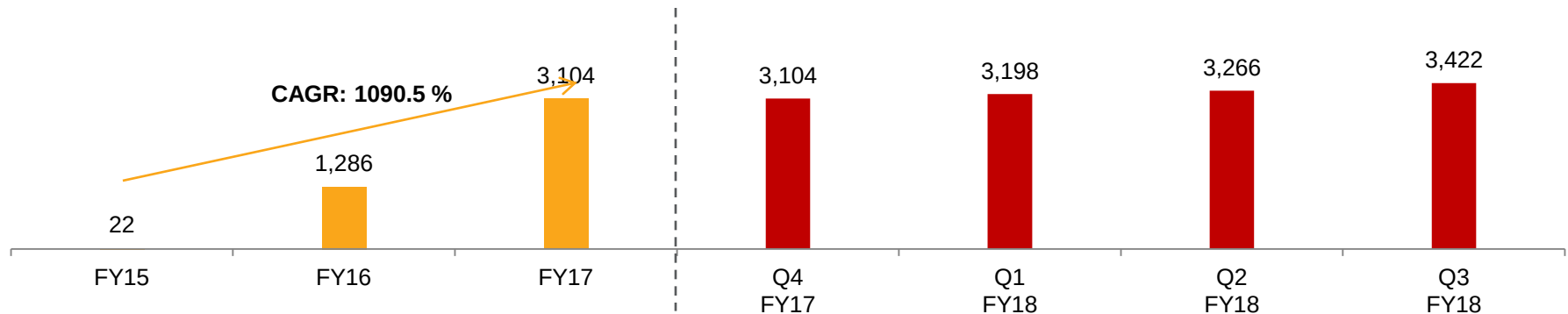
## AFFORDABLE HOUSING

- 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

## HOUSING FINANCE METRICS

AUM (Rs Mn) – Dec 2017	3,422
Branch Network	35
Number of States	6
Average Ticket Size (Rs mn)	0.9
Average Yield (%)	15.1%

## AUM (Rs Mn)



# Q3 FY18 RESULTS: VEHICLE FINANCE: BUSINESS UPDATE



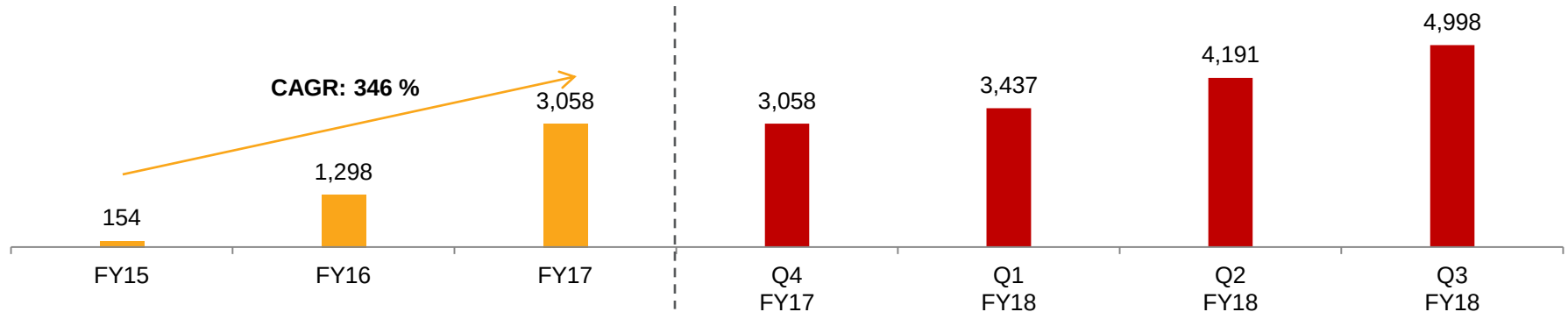
## VEHICLE FINANCE

- 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 FINANCE METRICS

AUM (Rs Mn) – Dec 2017	4,998
Branch Network	73
Number of States	17
Average Ticket Size (Rs mn)	0.71
Average Yield (%)	18.5%
GNPA %	3.5%

## AUM (Rs Mn)





**MANAPPURAM**  
**FINANCE LIMITED**



Quarterly Update

## Company Overview

Business Strategy

Key Technology Initiatives

Annexure

# 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 137 Bn as on Mar-2017
- Established pan-India presence

## FINANCIAL OVERVIEW

- Total AUM has grown from Rs 75.5 Bn in FY11 to Rs 137 Bn in FY17 at CAGR of 10%.
- Standalone Capital Adequacy Ratio in FY17 stood at 26.1%.
- Net Interest Income of Rs 22,189.9 Mn and PAT of Rs 7,558.5 Mn in FY17 grown at CAGR of 7 % and 5 % respectively over last 5 years.
- Return ratios: ROA – 5.4% in FY17, ROE – 24.7 % in FY17.

## 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



**Mr. Kapil Krishan**  
*Group Chief Financial Officer*

- 27 years experience with organizations such as CRISIL, HSBC, Standard Chartered, Hewitt Associates, India Infoline



**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. Avik Saha**  
*EVP- Data Analysis and Strategy*

- Over 20 years experience with organizations such as TCS, Wipro, Microsoft and Oracle consulting



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

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



# COMPANY OVERVIEW: CORPORATE GOVERNANCE – STRONG BOARD OF DIRECTORS



**Mr. Jagdish Capoor**  
**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.

**Dr. Shailesh J Mehta**  
**INDEPENDENT &**  
**NON-EXECUTIVE DIRECTOR**

- Bachelor of Technology 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

**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

# COMPANY OVERVIEW: CORPORATE GOVERNANCE – STRONG BOARD OF DIRECTORS



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

- 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.

**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**

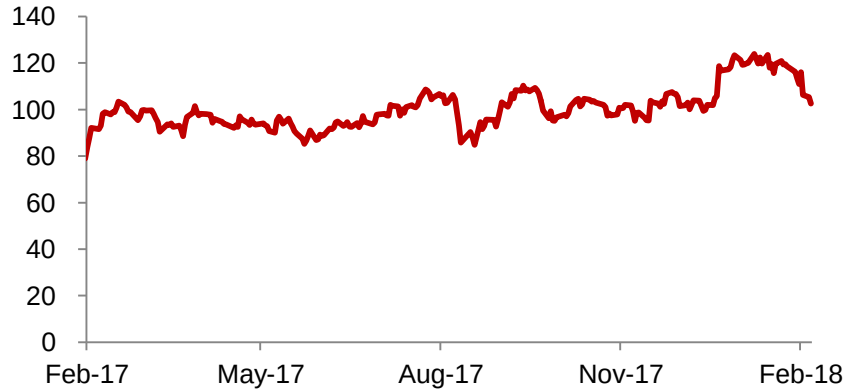
- He holds a Bachelor of Science from the Calicut University and a Bachelor degree in law from the Kerala University.
- He has over 32 years of work experience and is a civil lawyer enrolled with the Thrissur Bar Association.



# COMPANY OVERVIEW: SHAREHOLDING STRUCTURE



Share Price Performance



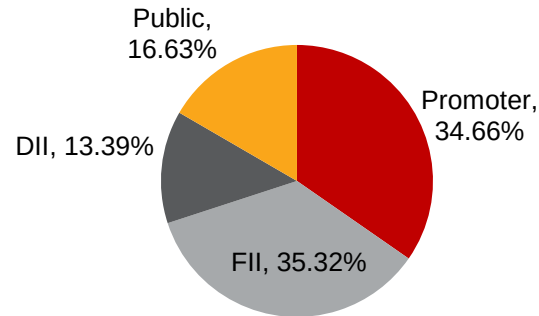
## MARKET DATA

AS ON 06.02.2018

Market Capitalization (Rs Mn)	86,095
Price (Rs)	102.53
No. of Shares Outstanding (Mn)	841.6
Face Value (Rs)	2.0
Avg. Trading Volume (Rs Mn)	638
Avg. Trading Volume (Mn shares)	6.2
52 Week High-Low (Rs)	126.4-82.1

Source – NSE

## % SHAREHOLDING – Dec 31, 2017



## KEY INSTITUTIONAL INVESTORS AT DEC 17

% HOLDING

Baring India Private Equity Fund	8.80%
Quinag Acquisition (FPI) Ltd	6.21%
WF Asian Reconnaissance Fund Ltd	4.14%
Barclays Merchant Bank Singapore Ltd	3.77%
DSP Blackrock Microcap Fund	2.22%
Mousseganesh Ltd	1.39%
Dolly Khanna	1.13%

Source – BSE



**MANAPPURAM**  
**FINANCE LIMITED**

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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.

# Currently the company is giving only 3 months loan in view of the rise in gold prices

\* 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

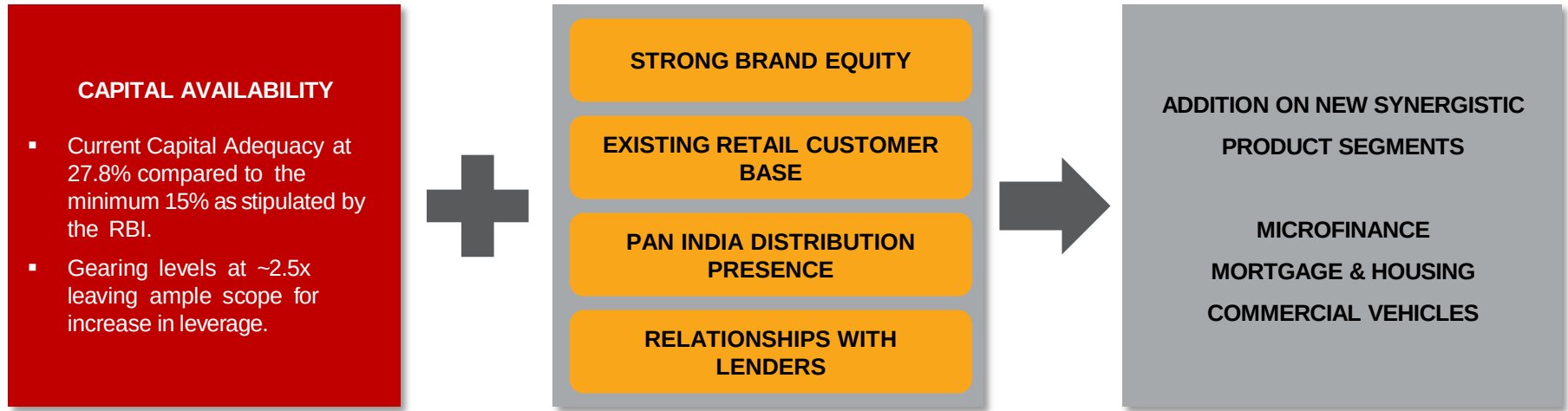
Increased incentives and branch activations

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).



**MANAPPURAM**  
**FINANCE LIMITED**



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# KEY TECHNOLOGY INITIATIVES:

## EXPLORING NEW AGE GOLD LOAN BASED FINTECH BUSINESS OPPORTUNITIES



**MANAPPURAM**  
FINANCE LIMITED

### **INNOVATE (STRATEGIC)**

Out of the box innovative projects to make us ready and relevant to face future challenges / changes.

E.g. - OGL,SGL, Mobility platforms, OGL Credit eWallet, Net Lockers etc.

### **DIFFERENTIATE (TACTICAL)**

Business differentiators like Online Payment Portals, eKYC, Mobility Solutions, Digital Wallets, Gold loan disbursement solutions, Video Conferencing, IP Phones, MPLS, MPS

### **RUN (OPERATE)**

IT platform support through IBM, .Net module coding, spares and procurement, AMCs, PC refresh, Vendor Management etc.



# KEY TECHNOLOGY INITIATIVES: EXPLORING NEW AGE GOLD LOAN BASED FINTECH BUSINESS OPPORTUNITIES



## GOLD LOANS - IT/FINTECH BUSINESS STRATEGY

### B2C Self Service Platforms:

- Online gold Loan and e-commerce based credit ecosystem, and SGL (SMS based Gold Loan) facility for customers who find it difficult to access internet.

### B2E Enterprise Mobility Platforms:

- "Branch on Mobile (BoM) concept" which enables on-field gold loan transactions beyond the brick and mortar branches by employees / agents / franchisees

### High-tech IoT based network enabled Keyless Gold Storage Technologies:

### OGL Credit eWallet (OCW):

- This may open up opportunity for vertical integration with merchant outlets and help promote the concept of Online Gold Loans at the point of service consumption by the customers

### Branch Gold Loan Payment Portal:

- This may open up opportunity for vertical integration with payment channels like IMT, Paytm, Banks pre-paid Cards, EKYC – based Savings Bank Accounts

### Internal Credit Rating platform:

- This will enable us to develop our own credit scores of the potential customers based on Gold Loan related data

### WEB APPLICATION

- Web platform based
- Successfully executed 2,131,702 transactions valued Rs 15,674 trillion

### MOBILE APPLICATION

- Mobile APP based
- Successfully executed 615,036 transactions valued Rs 4359 trillion

### SMS BASED APPLICATION



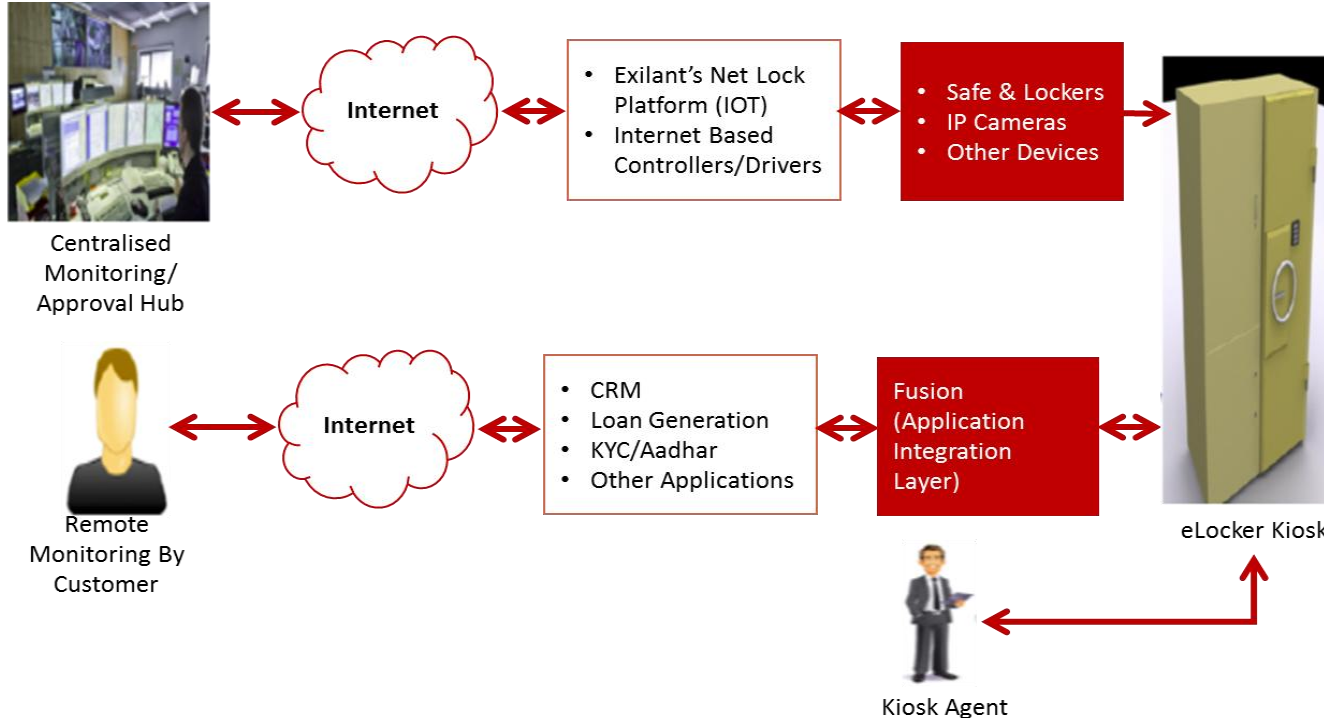
The screenshot displays the 'PAYMENT DETAILS' screen of the Manappuram Finance Limited mobile application. At the top, the loan account number is 0000001233744644557. Below this, there are three tabs: 'Interest Payment' (selected), 'Full Payment', and 'Part Payment'. A table shows the following details:

Category	Amount
Interest Amount	Rs. 528
Interest Rebate	Rs. 33
<b>Total</b>	<b>Rs. 968</b>

Below the table, there is a 'Pay U' dropdown menu, radio buttons for 'Debit Card' (selected) and 'Netbanking', and a 'Bank Charges' section showing 'Rs. 1'. The 'Amount to be Paid' is 'Rs. 969'. At the bottom, there is a checked box for 'I agree to Terms & Conditions' and two buttons: 'BACK' and 'CONFIRM'.

# KEY TECHNOLOGY INITIATIVES: TECHNOLOGICAL INNOVATIONS TO ENHANCE VALUE PROPOSITION

## CENTRALIZED IOT BASED KEYLESS ELOCKERS



## TIE-UP WITH E-COMMERCE PLATFORMS



**FOCUS ON BRAND POSITIONING, IMPROVED COLLECTION,  
EFFECTIVE LEAD GENERATION, SUPERIOR CUSTOMER EXPERIENCE, OPEX COST REDUCTION**

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



## MAJOR BUSINESS DIFFERENTIATORS COMPLETED RECENTLY

### TIE-UP WITH PAYTM, M-PESA, M-RUPEE, ITZCASH

Brand positioning,  
Collection,  
Lead Generation, Customer  
Experience,  
Opex. Reduction

### I-REFER MOBILE APPLICATION

Digital Platform for Customer  
Acquisition

### AUTOMATIC IMPS / NEFT / RTGS GOLD LOAN PAYMENT SYSTEM

Removal of manual  
intervention and enabling  
24X7 payments - - Tie up  
with ICICI Bank, Kotak  
Mahindra Bank, Axis bank,  
SBI & Yes bank

### BC TIE-UP WITH YES BANK FOR DOMESTIC MONEY TRANSFER

Scope for fee based income  
through BC arrangement  
with Yes Bank

### ONLINE INWARD PAYMENT SYSTEM TIE UP WITH "PAYU"

Enables the customers to  
make online Gold Loan  
payments through PGs ( Pay  
U, Bill Desk, HFDC), Wallets  
( Paytm, Mrupee, mpesa)

### MONEY TRANSFER PLATFORM - USING PPI LICENSE

Enables domestic money  
transfer facility using MAFIL  
PPI license

### INVENTORY MODULE - IMPLEMENTATION

Reduced TAT for Re-pledge  
process / OGL conversion &  
reduction in Sticker and Gold  
packing cost

### COMPLIANCE RATING & COMPLIANCE PORTAL

Enables rating of branches  
and development of a Portal  
for compliance related  
functions

### PRE -PAID CARDS ISSUE FOR MONEY TRANSFER (CASH OUT)

Issuance of co branded pre  
paid debit cards that enable  
cash out facility within  
Domestic Money Transfer

### OPTIMIZED INTEREST ACCRUAL SYSTEM

Developed an error free  
Interest accrual system for  
MIS reporting

MANAPPURAM FINANCE FELICITATED AS WINNER OF "KMA NASSCOM IT INNOVATIONS AWARD 2014" IN 2015



**MANAPPURAM**  
**FINANCE LIMITED**



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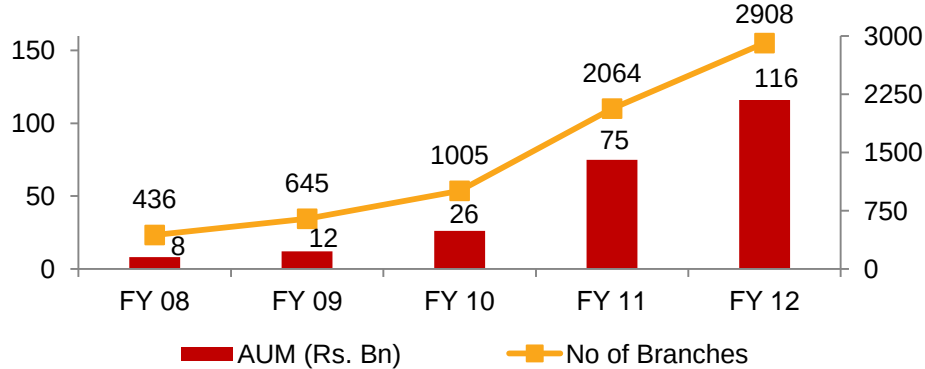


# UNDERSTANDING OUR EVOLUTION

## PHASE 1: FY08 - FY12

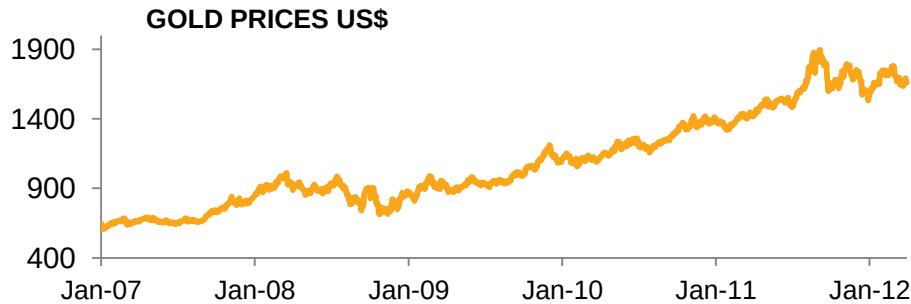


### STRONG GROWTH WITNESSED....



- 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.

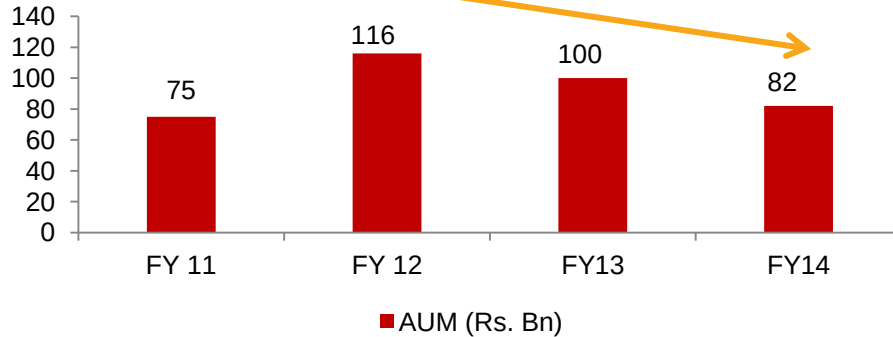
Branch Network grew by 7x over FY08 - FY12.

Strong Execution Capabilities and well defined systems and processes.

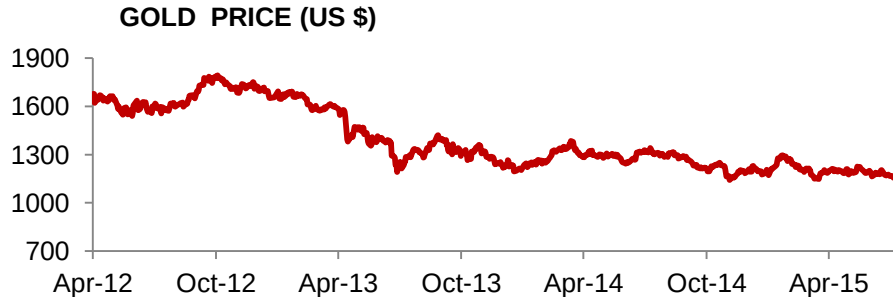
# UNDERSTANDING OUR EVOLUTION

## 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.

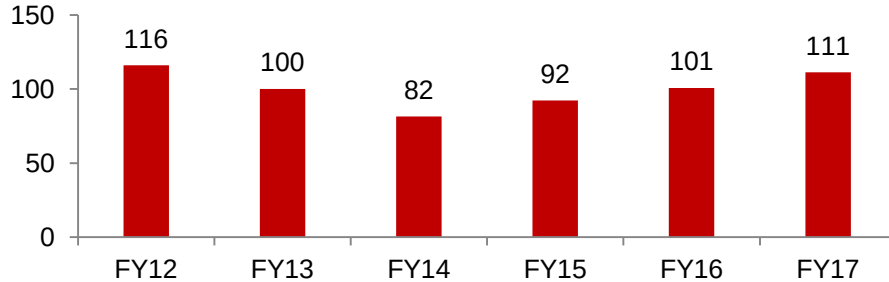
### Fall in Gold Prices –

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

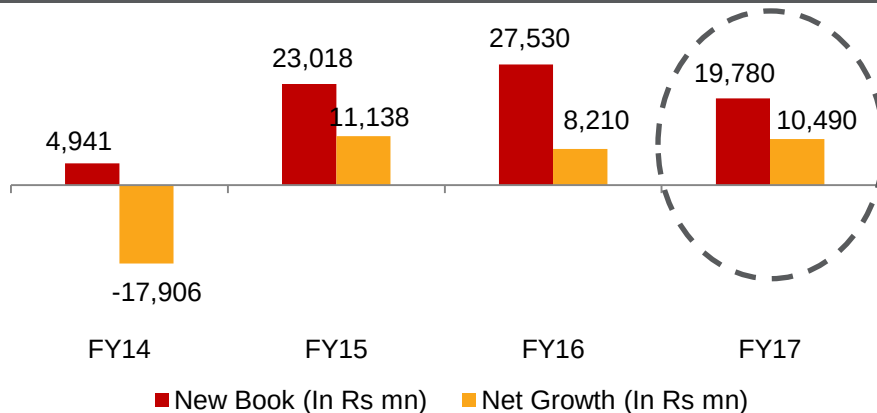
# UNDERSTANDING OUR EVOLUTION

## 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 –

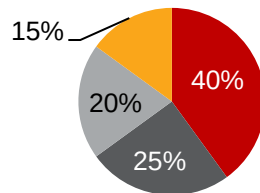
- Shift from Long Tenure products to short Tenure products (3 to 9 Months)
- Recalibrated loan to value (LTV) ratio to link it to the tenure of the loan.
  - Maximum permissible LTV of 75% to be available on loans of shorter tenure rather than one year.

**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 24% 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**



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