Manappuram Finance Limited

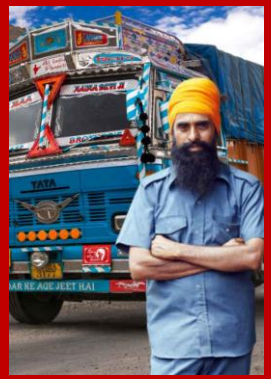
Investor Presentation
May 2017

Gold Loans

Microfinance

Housing Finance

Vehicle Finance



MANAPPURAM
FINANCE LIMITED

MANAPPURAM FINANCE LIMITED

Quarterly Update

Company Overview

Business Strategy

Key Technology Initiatives

Annexure

Q4 FY17 RESULTS:
CONSOLIDATED RESULT HIGHLIGHTS

MANAPPURAM FINANCE LIMITED

AUM
Rs 136,572 Mn
(+ 19.5 % YoY)

Net Profit
FY17: Rs 7,558.5 Mn
(+114 % YoY)

Networth
Rs 33,618 Mn

ROA 5.1%
ROE 22.3%

Capital Adequacy *
25.9%

Borrowing Cost *
9.7%

GNPA *
1.96%

BV / Share Rs 39.93
EPS Rs 9.53

Dividend / Share
FY17: Rs 2.00

Share of New Businesses
19.0%

Total Branches
4,152

Total Customers
3.3 mn

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

* Calculated on standalone basis

Q4 FY17 RESULTS:
CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (Rs Mn)	FY17	FY16	YOY %	Q4 FY17	Q4 FY16	YOY %	Q3 FY17	QOQ %
Closing AUM (Rs Bn)	**137**	**114**	*19.5%*	**137**	**114**	*19.5%*	**146**	*-6.2%*
Interest income	33,762.5	23,489.6	*43.7%*	8,958.8	6,503.2	*37.8%*	8,977.3	*-0.2%*
Other Operating Income	114.5	112.7	*1.6%*	29.2	21.5	*35.5%*	27.8	*4.8%*
Income from Operations	**33,876.9**	**23,602.3**	*43.5%*	**8,988.0**	**6,524.7**	*37.8%*	**9,005.1**	*-0.2%*
Finance expenses	11,687.1	9,473.9	*23.4%*	2,904.2	2,357.8	*23.2%*	3,174.2	*-8.5%*
Net interest income	**22,189.9**	**14,128.4**	*57.1%*	**6,083.8**	**4,166.9**	*46.0%*	**5,830.9**	*4.3%*
Employee expenses	5,025.8	4,300.9	*16.9%*	1,254.3	1,114.3	*12.6%*	1,303.3	*-3.8%*
Other operating expenses	4,627.0	4,030.4	*14.8%*	1,429.6	965.4	*48.1%*	1,081.8	*32.1%*
Pre provision profit	**12,537.1**	**5,797.1**	*116.3%*	**3,399.8**	**2,087.1**	*62.9%*	**3,445.9**	*-1.3%*
Provisions/Bad debts	1,092.1	423.4	*158.0%*	406.2	127.5	*218.5%*	351.7	*15.5%*
Other Income	212.2	110.0	*92.9%*	67.1	30.2	*122.4%*	46.8	*43.2%*
Profit before Tax	**11,657.2**	**5,483.8**	*112.6%*	**3,060.7**	**1,989.8**	*53.8%*	**3,141.0**	*-2.6%*
Tax	4,072.3	1,932.3	*110.8%*	1,060.7	684.0	*55.1%*	1,104.9	*-4.0%*
PAT before Minority Interest	**7,584.9**	**3,551.6**	*113.6%*	**2,000.0**	**1,305.8**	*53.2%*	**2,036.1**	*-1.8%*
Minority Interest	26.4	17.9	*47.6%*	(5.8)	(1.2)	*387.3%*	10.7	*-153.6%*
PAT	**7,558.5**	**3,533.7**	*113.9%*	**2,005.8**	**1,307.0**	*53.5%*	**2,025.4**	*-1.0%*

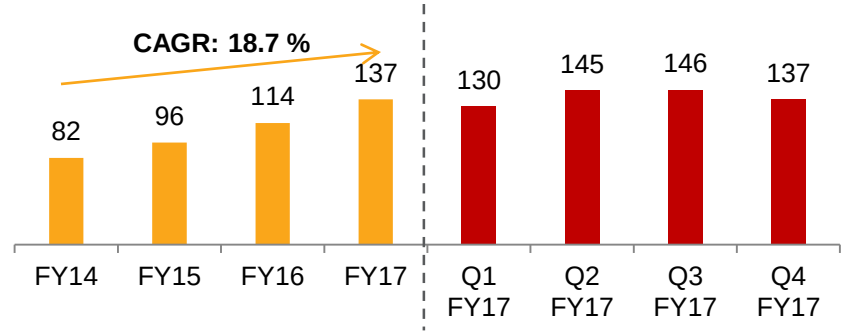
Q4 FY17 RESULTS: CONSOLIDATED BALANCE SHEET

Particulars (Rs Mn)	Mar 2017	Mar 2016	YOY %	Dec 2016	QOQ %
Cash & Bank Balances	5,137.5	6,044.8	*-15.0%*	5,845.3	*-12.1%*
Investments	50.5	490.6	*-89.7%*	554.8	*-90.9%*
Loans & Advances	138,543.6	113,853.0	*21.7%*	145,546.2	*-4.8%*
Fixed Assets	1,869.5	1,947.7	*-4.0%*	1,844.0	*1.4%*
Other Assets	5,821.1	6,055.5	*-3.9%*	7,183.0	*-19.0%*
Total Assets	**151,422.1**	**128,391.5**	***17.9%***	**160,973.3**	***-5.9%***
Share Capital	1,683.8	1,682.4	*0.1%*	1,683.2	*0.0%*
Reserves & Surplus	31,934.2	25,898.0	*23.3%*	30,422.4	*5.0%*
Borrowings	109,800.8	96,379.3	*13.9%*	122,110.1	*-10.1%*
Other Liabilities & Provisions	7,764.9	4,219.9	*84.0%*	6,513.4	*19.2%*
Minority Interest	238.4	212.0	*12.5%*	244.2	*-2.4%*
Total Liabilities	**151,422.1**	**128,391.5**	***17.9%***	**160,973.3**	***-5.9%***

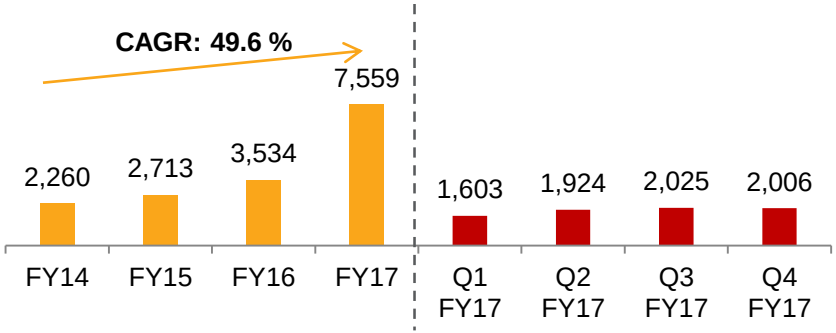
Q4 FY17 RESULTS: CONSOLIDATED RESULT HIGHLIGHTS

MANAPPURAM FINANCE LIMITED

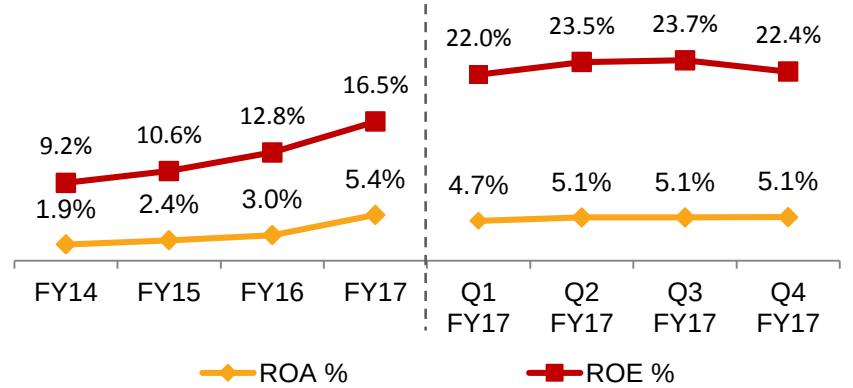
CONSOLIDATED AUM (Rs Bn)



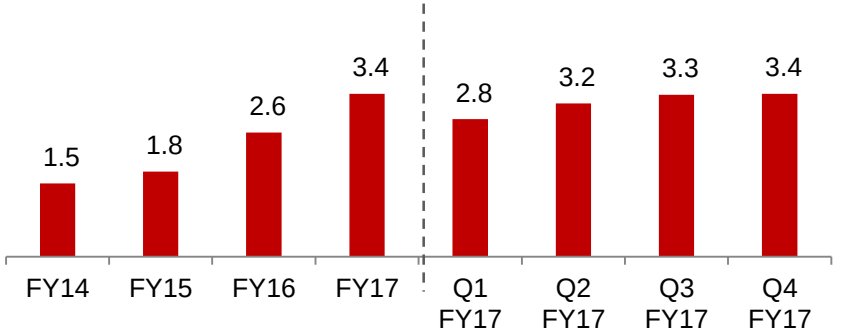
NET PROFIT (Rs Mn)



RETURN RATIOS %



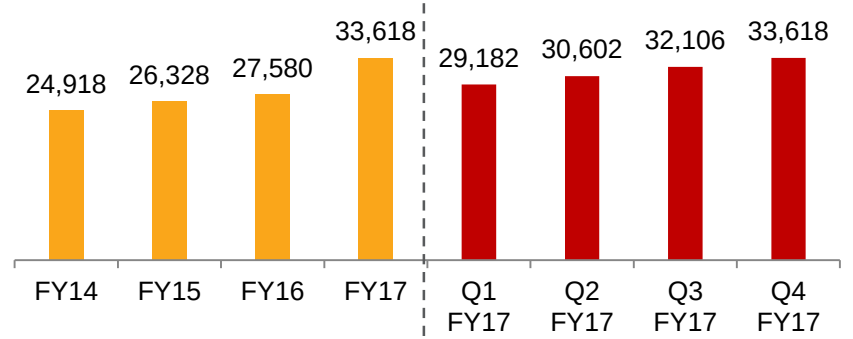
TOTAL CUSTOMER BASE (Mn)



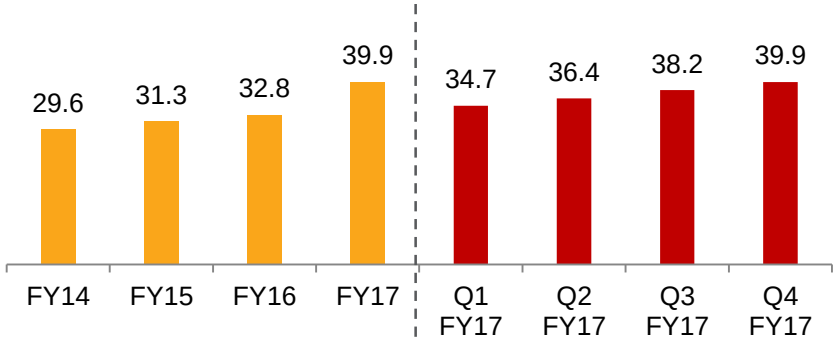
Q4 FY17 RESULTS: CONSOLIDATED RESULT HIGHLIGHTS

MANAPPURAM FINANCE LIMITED

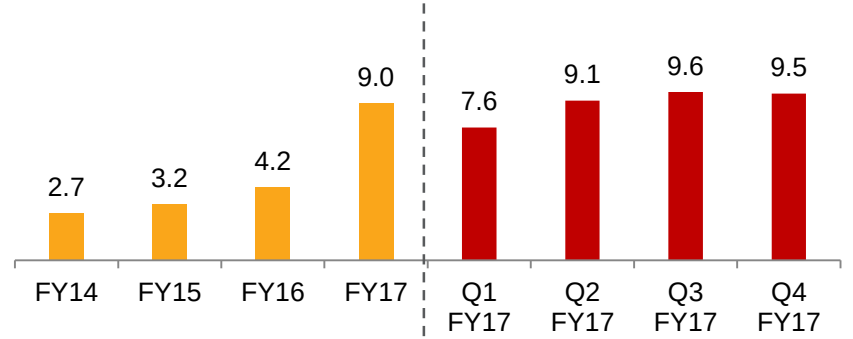
NETWORTH (Rs Mn)



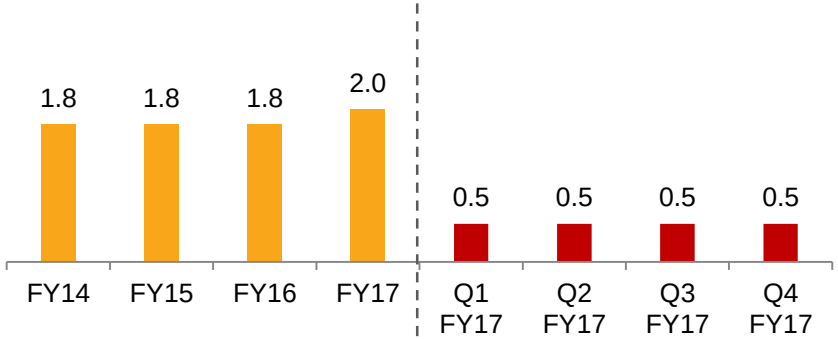
BOOK VALUE PER SHARE (Rs)



EARNINGS PER SHARE (Rs)



DIVIDEND PER SHARE (Rs)



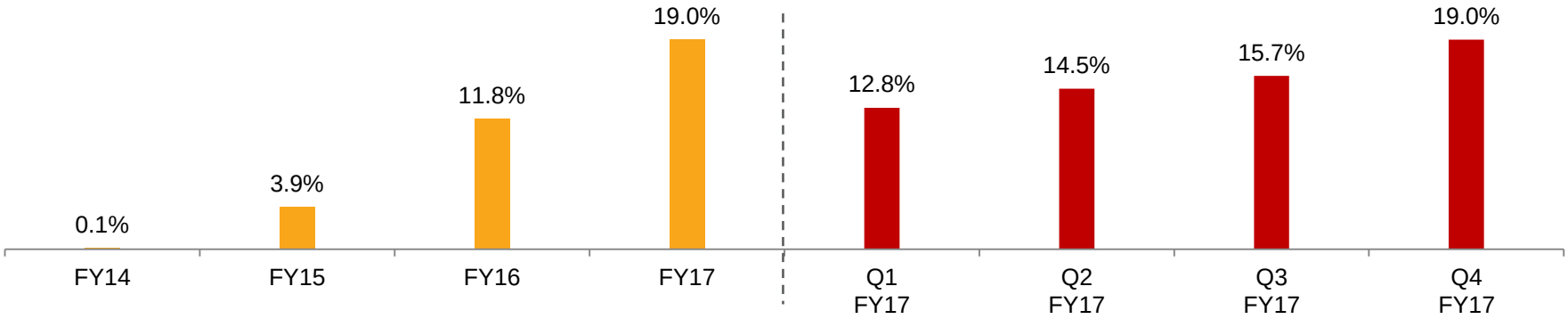
Q4 FY17 RESULTS: CONSOLIDATED AUM UPDATE

MANAPPURAM FINANCE LIMITED

CONSOLIDATED AUM (Rs Mn)

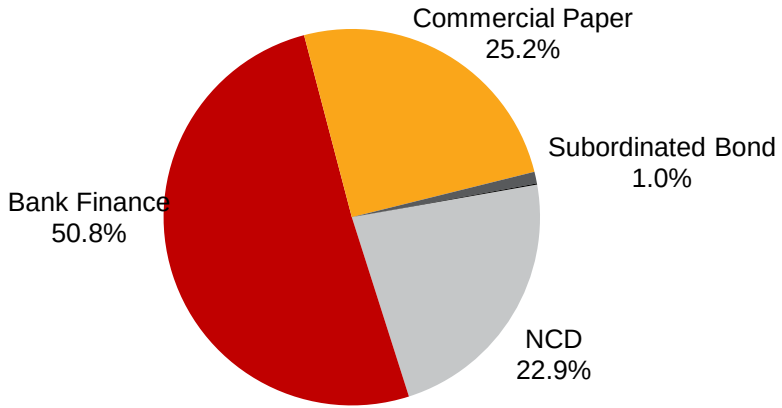
Particulars (Rs Mn)	FY14	FY15	FY16	FY17	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Gold Loans	81,552.4	92,244.8	100,806.0	111,245.3	113,451.0	123,827.0	122,672.0	111,245.3
Microfinance	0.0	3,220.0	9,988.0	17,959.4	12,368.0	15,705.0	16,504.0	17,959.4
Housing Finance	0.0	21.9	1,286.0	3,104.1	1,705.0	2,134.0	2,630.0	3,104.1
Vehicle Finance	0.0	153.7	1,297.7	3,058.3	1,684.0	2,126.0	2,505.0	3,058.3
Other Loans	78.3	295.0	952.0	1,204.8	932.0	1,109.0	1,233.0	1,204.8
Total	**81,630.7**	**95,935.4**	**114,329.7**	**136,572.0**	**130,140.0**	**144,901.0**	**145,544.0**	**136,572.0**

SHARE OF NEW BUSINESSES IN CONSOLIDATED AUM



Q4 FY17 RESULTS:
MANAPPURAM FINANCE: BORROWING PROFILE

BORROWING AS ON MARCH 31, 2017 = Rs 91,632 Mn



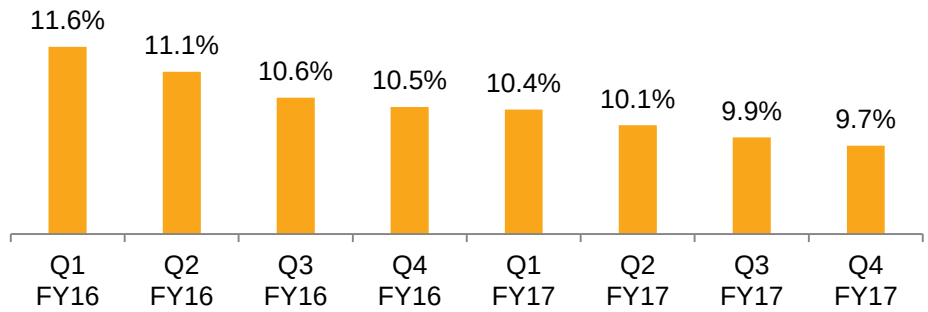
CREDIT RATING

Manappuram Finance:
Investment grade rating since 1995
Long Term: AA- (Stable) by CRISIL, ICRA, CARE
Short Term: A1+ by CRISIL, ICRA

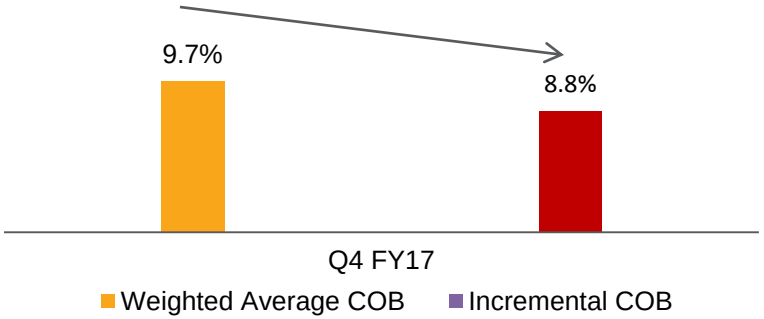
Asirvad Microfinance:
Long Term: A+ (Stable) by CRISIL, CARE
Short Term: A1+ by CRISIL

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

COST OF BORROWING %



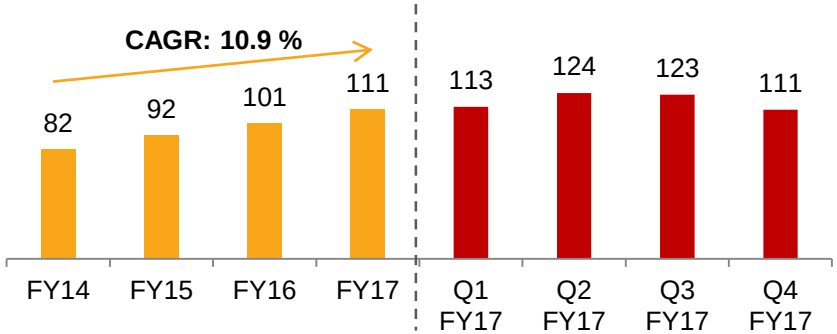
MARGINAL COST OF BORROWING



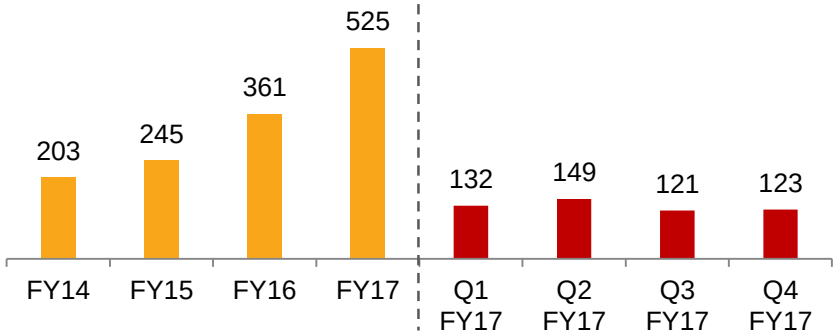
Q4 FY17 RESULTS:
MANAPPURAM FINANCE: RESULT ANALYSIS

MANAPPURAM FINANCE LIMITED

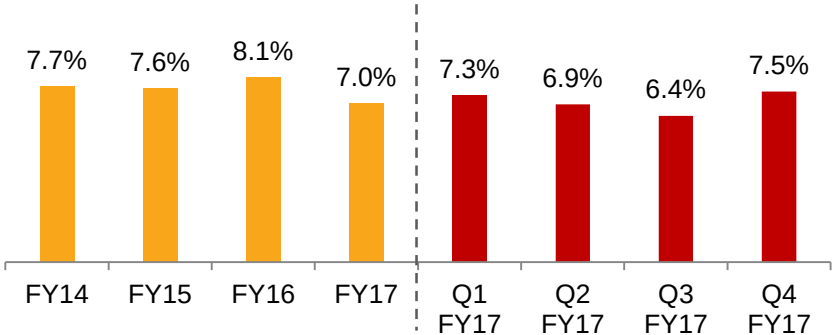
GOLD LOAN AUM (Rs Bn)



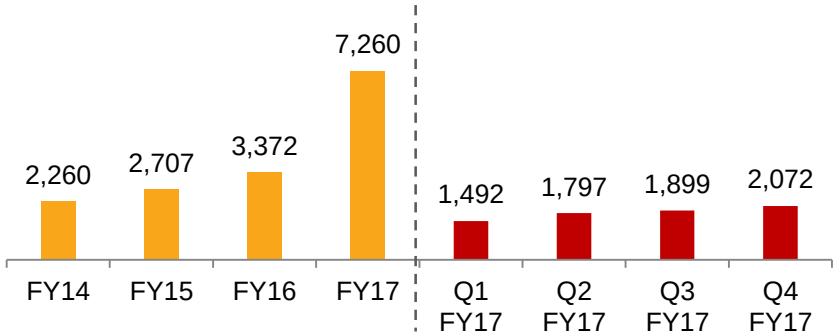
GOLD LOAN DISBURSEMENTS (Rs Bn)



OPEX TO AUM %



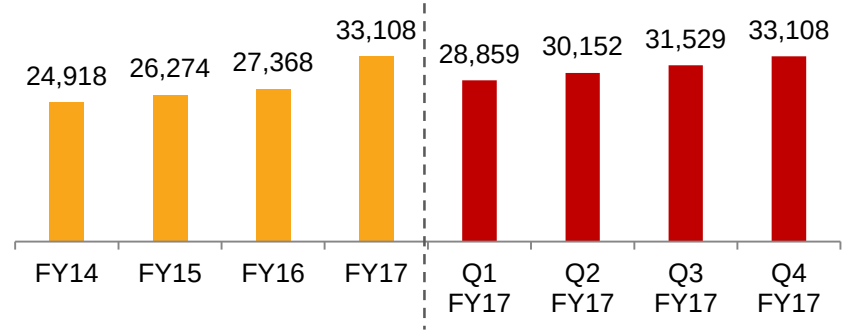
NET PROFIT (Rs Mn)



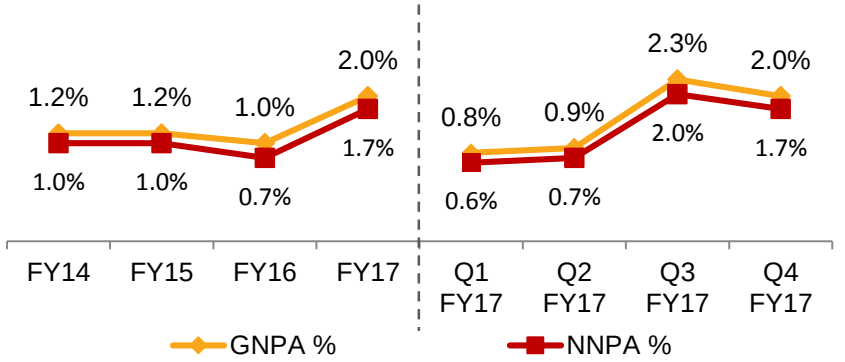
Q4 FY17 RESULTS:
MANAPPURAM FINANCE: RESULT ANALYSIS

MANAPPURAM FINANCE LIMITED

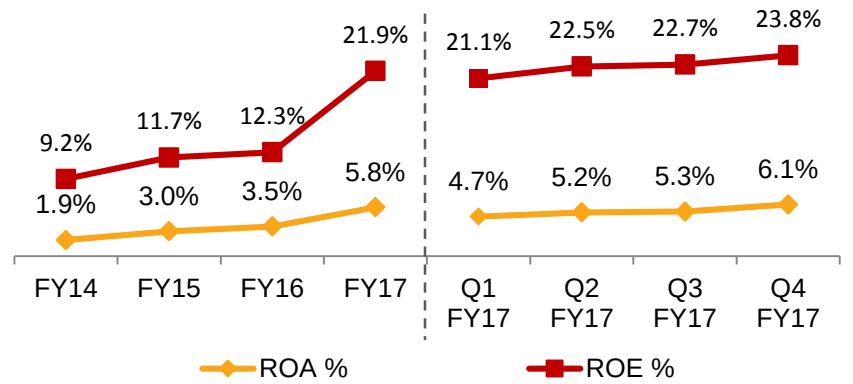
NETWORTH (Rs Mn)



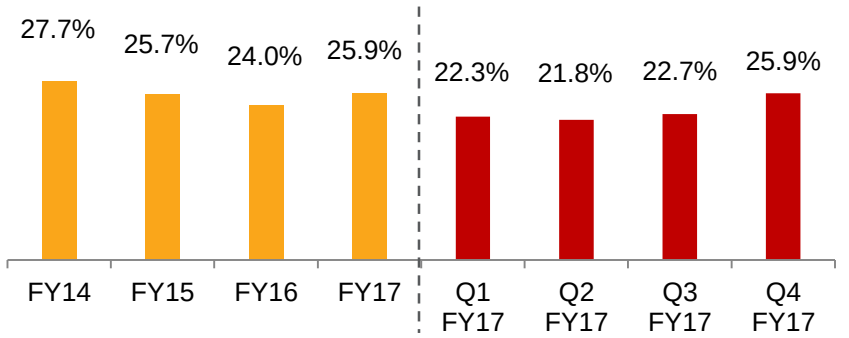
NPA ANALYSIS % *



RETURN RATIOS %



CAPITAL ADEQUACY RATIO %

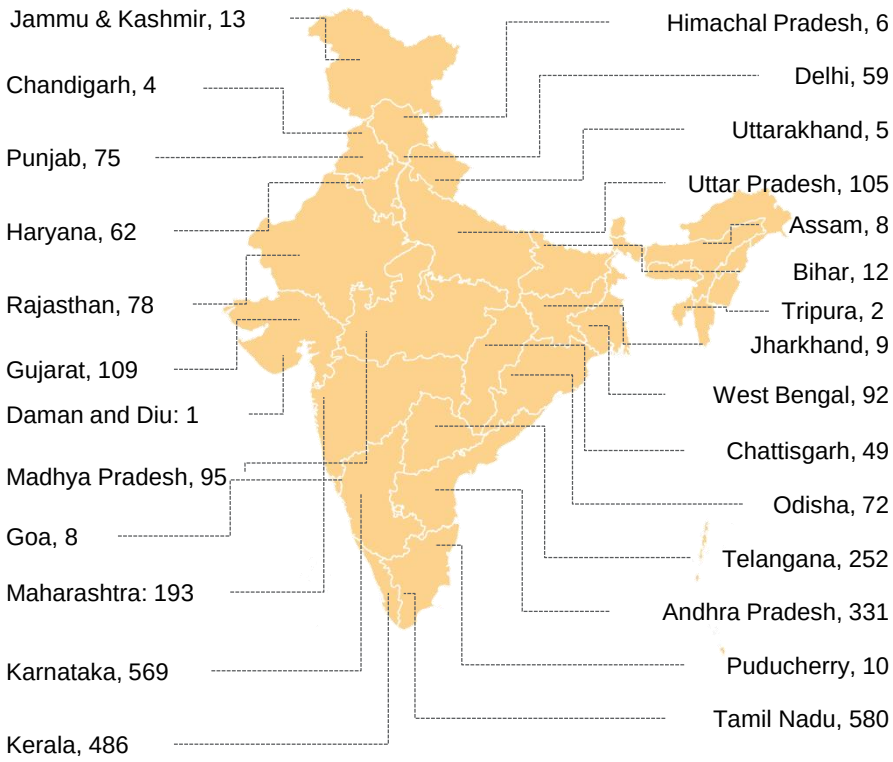


* NPA recognised at 90 Days

NPAs on account of theft, spurious collateral etc. are 0.09% of AUM

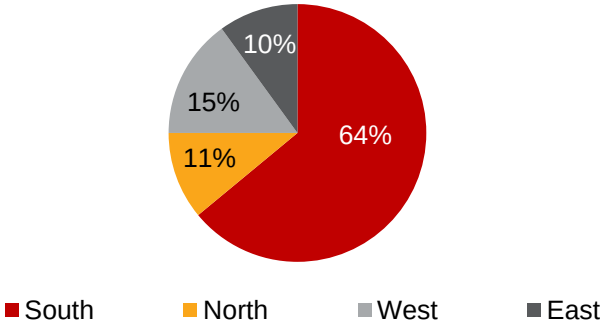
Q4 FY17 RESULTS:
MANAPPURAM FINANCE: GOLD AUM UPDATE

PAN INDIA PRESENCE

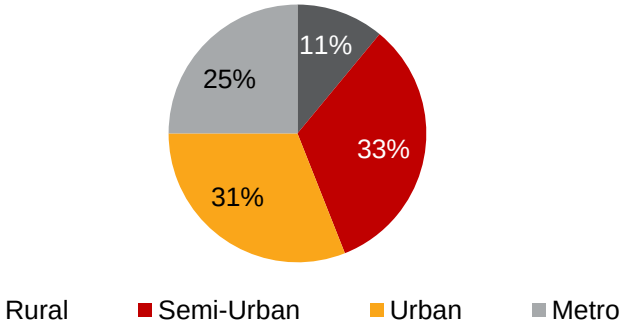


3,293 Branches as on Mar 2017

GOLD AUM - REGIONWISE BREAKUP



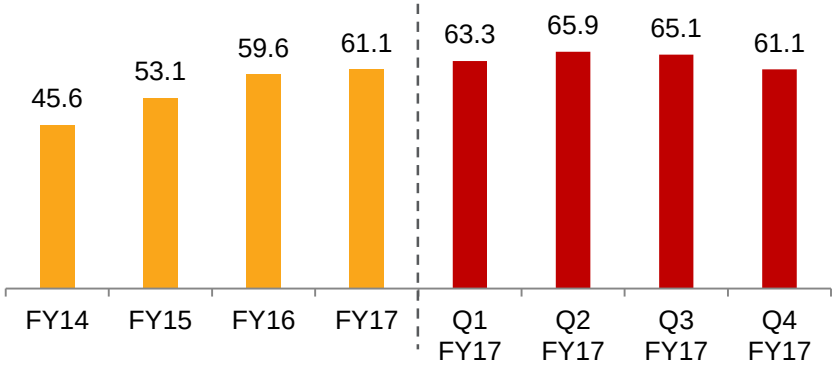
GOLD AUM – RURAL URBAN MIX



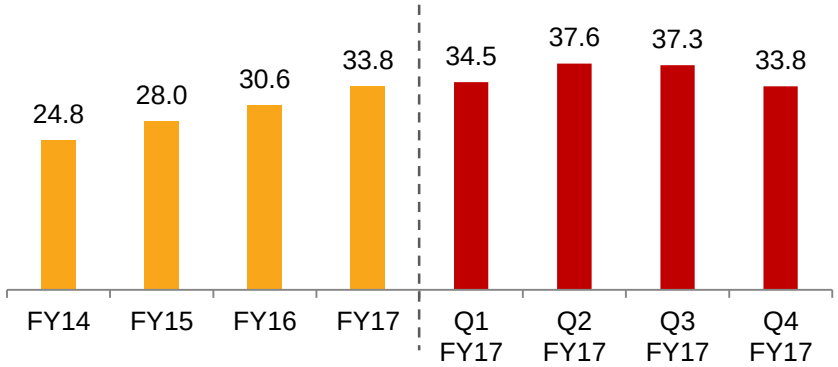
Q4 FY17 RESULTS:
MANAPPURAM FINANCE: GOLD AUM UPDATE

MANAPPURAM FINANCE LIMITED

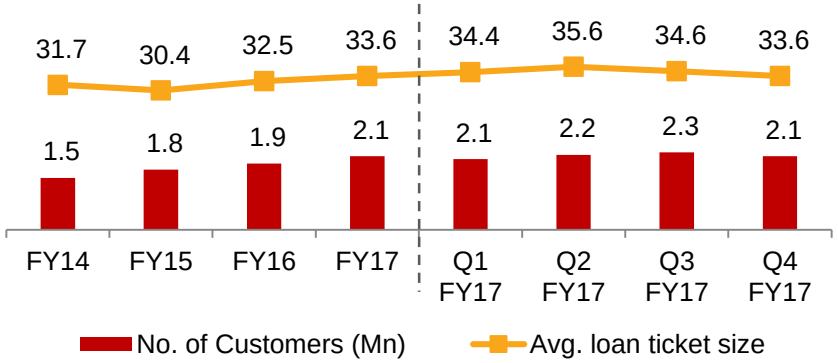
GOLD HOLDING (TONNES)



GOLD AUM PER BRANCH (Rs Mn)



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



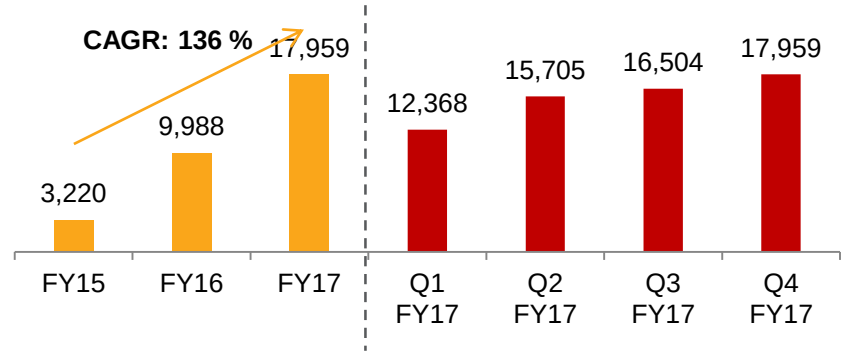
Q4 FY17 RESULTS:
ASIRVAD MICROFINANCE: KEY HIGHLIGHTS

Particulars (Rs Mn)	FY17	FY16	YOY %	Q4 FY17	Q4 FY16	YOY %	Q3 FY17	QOQ %
Closing AUM	17,959.4	9,988.2	79.8%	17,959.4	9,988.2	79.8%	16,503.9	8.8%
Interest income	3,059.20	1,261.40	142.5%	897.60	435.60	106.1%	899.70	-0.2%
Other Operating Income	369.00	189.30	94.9%	73.20	74.50	-1.7%	101.60	-28.0%
Income from Operations	**3,428.20**	**1,450.70**	**136.3%**	**970.80**	**510.10**	**90.3%**	**1,001.30**	**(0.03)**
Finance expenses	1,542.70	674.99	128.6%	455.10	241.88	88.2%	452.50	0.6%
Net interest income	**1,885.50**	**775.71**	**143.1%**	**515.70**	**268.22**	**92.3%**	**548.80**	**-6.0%**
Employee expenses	650.90	265.30	145.3%	183.50	85.31	115.1%	178.43	2.8%
Other operating expenses	395.30	159.70	147.5%	136.40	57.00	139.3%	108.60	25.6%
Pre provision profit	**839.30**	**350.72**	**139.3%**	**195.80**	**125.91**	**55.5%**	**261.77**	**-25.2%**
Provisions/Bad debts	522.20	98.20	431.8%	396.30	39.30	908.4%	68.72	476.7%
Other Income	206.00	110.13	87.0%	65.40	31.37	108.5%	48.47	34.9%
Profit before Tax	**523.10**	**362.65**	**44.2%**	**(135.10)**	**117.98**	**-214.5%**	**241.52**	**-155.9%**
Tax	179.70	123.12	46.0%	(60.50)	37.14	-262.9%	97.19	-162.2%
PAT	**343.40**	**239.53**	**43.4%**	**(74.60)**	**80.84**	**-192.3%**	**144.34**	**-151.7%**
Borrowings	15,927.00	7,674.20	*107.5%*	15,927.00	7,674.20	*107.5%*	14,387.10	*10.7%*
Networth	2,643.80	2,300.50	*14.9%*	2,643.80	2,300.50	*14.9%*	2,718.50	*-2.7%*

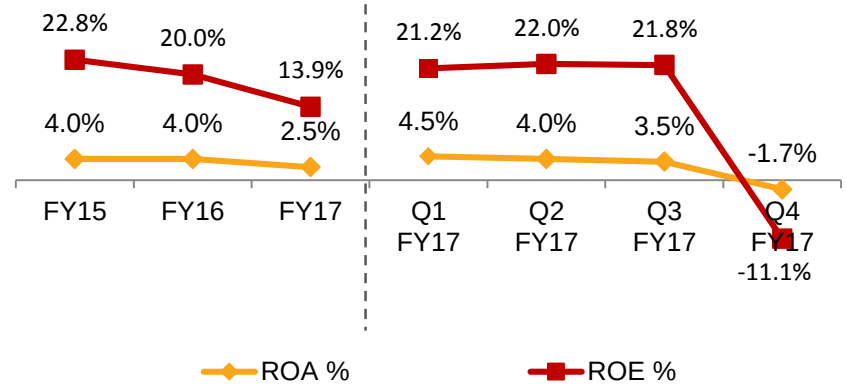
Q4 FY17 RESULTS:
ASIRVAD MICROFINANCE: RESULT ANALYSIS

MANAPPURAM FINANCE LIMITED

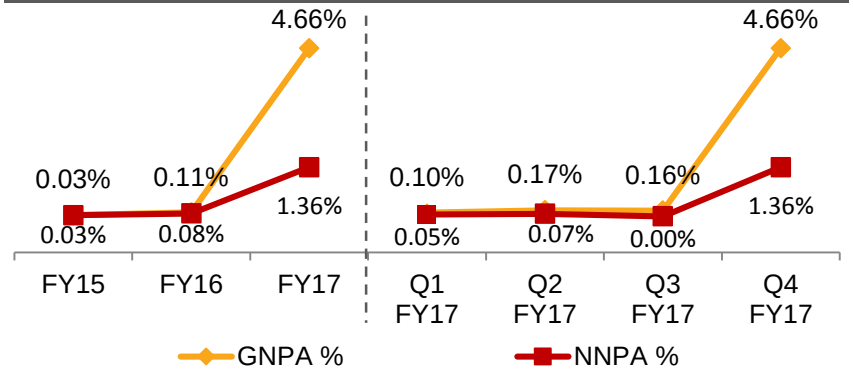
AUM (Rs Mn)



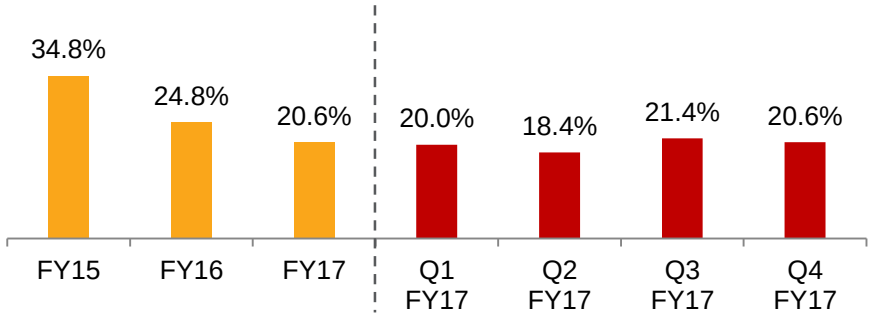
RETURN RATIOS %



NPA ANALYSIS % *



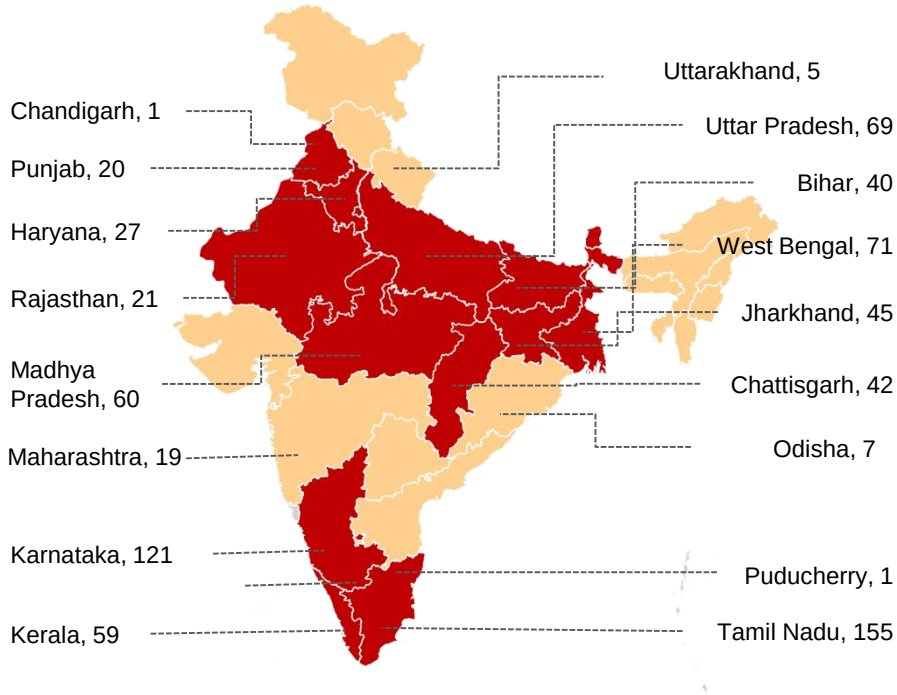
CAPITAL ADEQUACY RATIO %



* NPA recognised at 90 Days

Q4 FY17 RESULTS:
ASIRVAD MICROFINANCE: AUM UPDATE

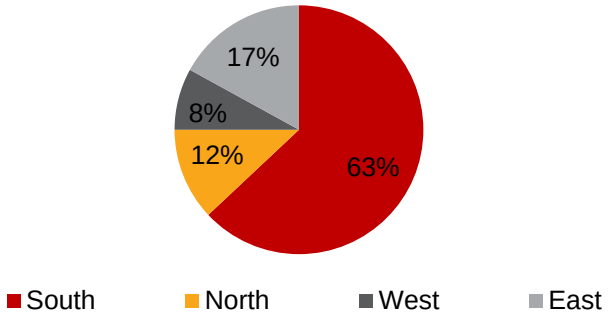
PAN INDIA PRESENCE



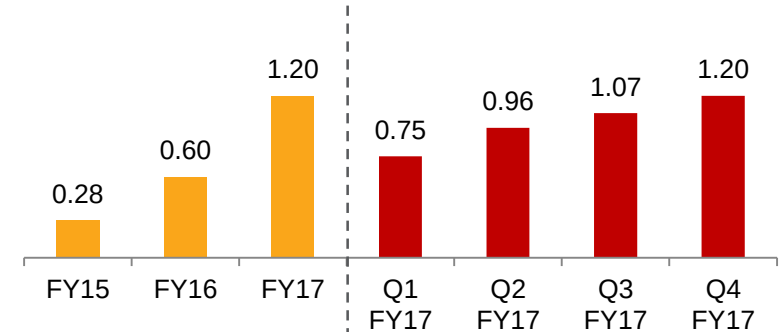
763 Branches

1.2 mn Customers

MFI AUM - REGIONWISE BREAKUP



CUSTOMER BASE (Mn)



Q4 FY17 RESULTS:
HOUSING FINANCE: BUSINESS UPDATE

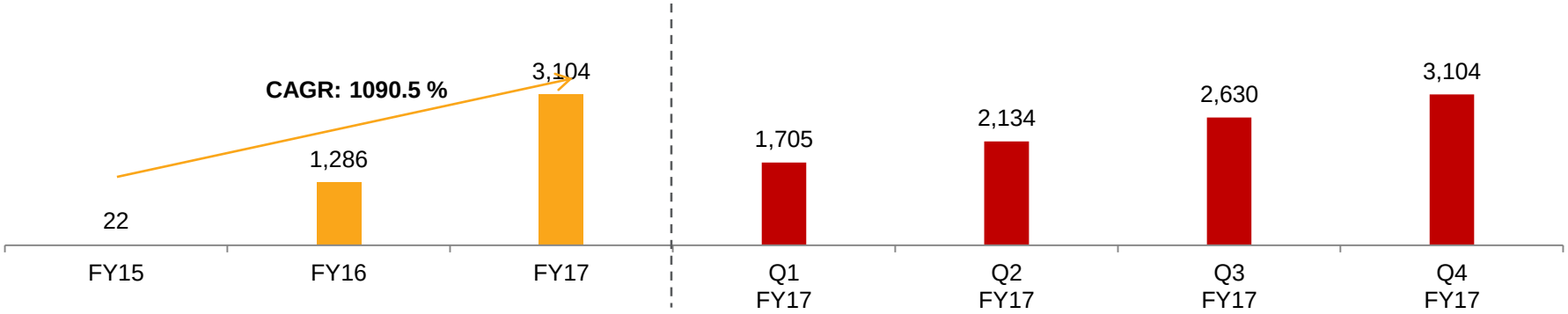
AFFORDABLE HOUSING

- 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) – Mar 2017	3,104
Branch Network	35
Number of States	6
Average Ticket Size (Rs mn)	0.9
Average Yield (%)	15.3%
GNPA %	1.45%

AUM (Rs Mn)



Q4 FY17 RESULTS:
VEHICLE FINANCE: BUSINESS UPDATE

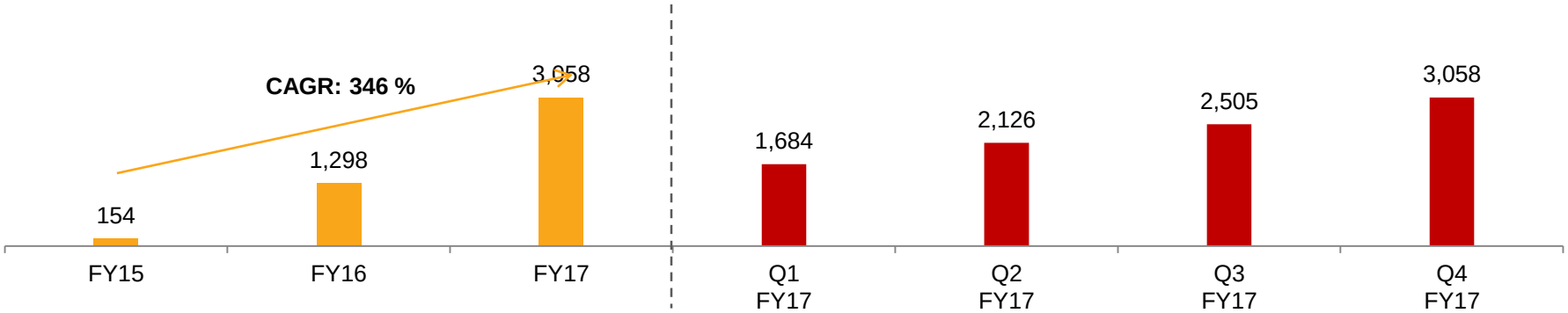
VEHICLE FINANCE

- 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) – Mar 2017	3,058
Branch Network	50
Number of States	10
Average Ticket Size (Rs mn)	0.70
Average Yield (%)	18.7%
GNPA %	1.5%

AUM (Rs Mn)



MANAPPURAM FINANCE LIMITED

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Company Overview

Business Strategy

Key Technology Initiatives

Annexure

COMPANY OVERVIEW: BRIEF PROFILE

MANAPPURAM FINANCE LIMITED

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 25.9%.
- 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 – 16.5 % in FY17.

HIGH CORPORATE GOVERGANCE STANDARDS

- Consistent dividends to shareholders.
- Reputed auditors such as KPMG as internal auditors and SR Batliboi & Associates 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 Governer 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

MANAPPURAM FINANCE LIMITED

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 Vaidhyanathan
Managing Director – MFI

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

Mr. K Senthil Kumar
Head – Commercial Vehicle

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

Mr. Aloke Ghosal
CEO – Housing Finance

- Over 25` years experience with organizations such as Muthoot Housing Fin, IDBI Home Fin, Tata Home Fin etc.

Mr. Mohan Vizhakat
Group Chief Technology officer

- Associated with the Indian Government and leading companies of India and Middle East in Information Technology

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

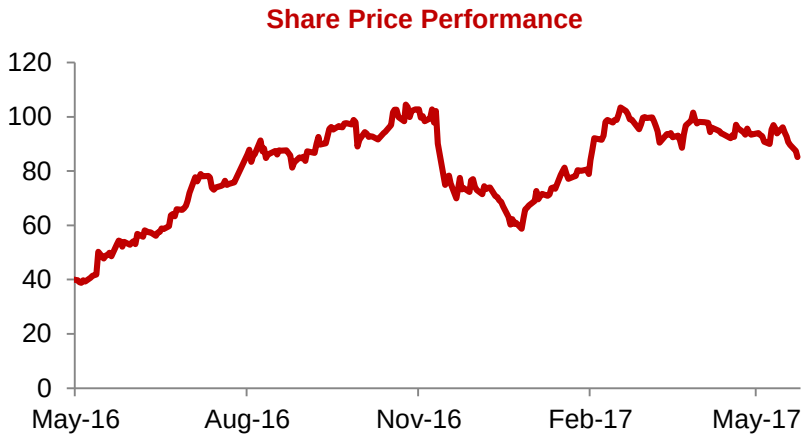
COMPANY OVERVIEW:
CORPORATE GOVERNANCE – STRONG BOARD OF DIRECTORS

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.
Mr. 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. Manomohanan **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.

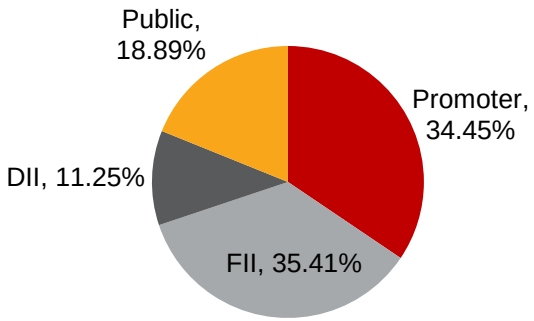
COMPANY OVERVIEW: SHAREHOLDING STRUCTURE



MARKET DATA	AS ON 24.05.2017
Market Capitalization (Rs Mn)	73,497.84
Price (Rs)	87.30
No. of Shares Outstanding (Mn)	841.9
Face Value (Rs)	2.0
Avg. Trading Volume (Rs Mn)	499.60
Avg. Trading Volume (Mn shares)	6.13
52 Week High-Low (Rs)	106.90- 51.30

Source – BSE, NSE

% SHAREHOLDING – MARCH 31, 2017



KEY INSTITUTIONAL INVESTORS AT MAR 17	% HOLDING
Baring India Private Equity Fund	8.79%
WF Asian Reconnaissance Fund Ltd	3.99%
Barclays Merchant Bank Singapore Ltd	3.77%
DSP Blackrock Microcap Fund	3.03%
Ashish Dhawan	1.49%
Mousseganesh Ltd	1.39%
L&T Mutual Fund Trustee Ltd	1.20%
Morgan Stanley Mauritius Company Ltd	1.24%
Dolly Khanna	1.21%

Source – BSE

MANAPPURAM FINANCE LIMITED

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BUSINESS STRATEGY: KEY HIGHLIGHTS

MANAPPURAM FINANCE LIMITED

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%		**If the Customer does not pay or close the Loan, then there is likely loss of interest for 2 months during Auction**
Gold Loan	**75**		
Interest Rate	24%		
Interest Cost*	**21**		
Total Principal + Interest*	**96**		

- 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**	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.
Gold value	100	100	100	100	
LTV #	**75%**	**70%**	**65%**	**60%**	
Gold Loan	**75**	**70**	**65**	**60**	
Interest Rate	24%	24%	24%	24%	
Interest cost *	**7.5**	**11.2**	**14.3**	**16.8**	
Total Principal + Interest *	**82.5**	**81.2**	**79.3**	**76.8**	

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

MANAPPURAM FINANCE LIMITED

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

CAPITAL AVAILABILITY

- Current Capital Adequacy at 25.9% compared to the minimum 15% as stipulated by the RBI.
- Gearing levels at ~2.7x leaving ample scope for increase in leverage.

+

STRONG BRAND EQUITY

EXISTING RETAIL CUSTOMER BASE

PAN INDIA DISTRIBUTION PRESENCE

RELATIONSHIPS WITH LENDERS

→

ADDITION ON NEW SYNERGISTIC PRODUCT SEGMENTS

MICROFINANCE

MORTGAGE & HOUSING

COMMERCIAL VEHICLES

RATIONALE FOR STARTEGY 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

MANAPPURAM FINANCE LIMITED

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

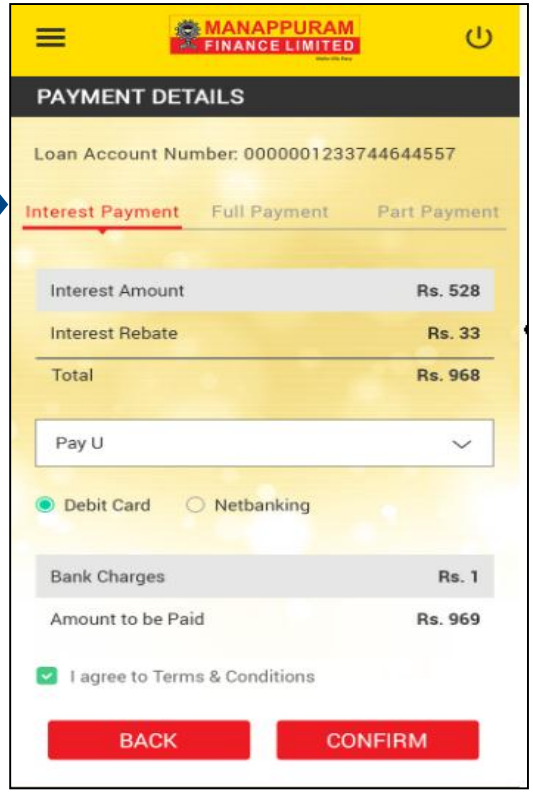
WEB APPLICATION

- 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

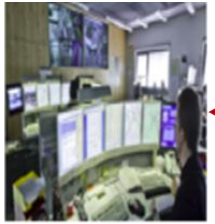
SMS BASED APPLICATION



KEY TECHNOLOGY INITIATIVES:
TECHOLOGICAL INNOVATIONS TO ENHANCE VALUE PROPOSITION

MANAPPURAM FINANCE LIMITED

CENTRALIZED IOT BASED KEYLESS ELOCKERS



Centralised Monitoring/ Approval Hub

Internet

- Exilant's Net Lock Platform (IOT)
- Internet Based Controllers/Drivers

- Safe & Lockers
- IP Cameras
- Other Devices

eLocker Kiosk

Remote Monitoring By Customer

Internet

- CRM
- Loan Generation
- KYC/Aadhar
- Other Applications

Fusion (Application Integration Layer)

Kiosk Agent

TIE-UP WITH E-COMMERCE PLATFORMS

mRUPEE Your money on mobile

ItzCash possibilities unlimited

paytm

vodafone m-pesa

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

MANAPPURAM FINANCE LIMITED

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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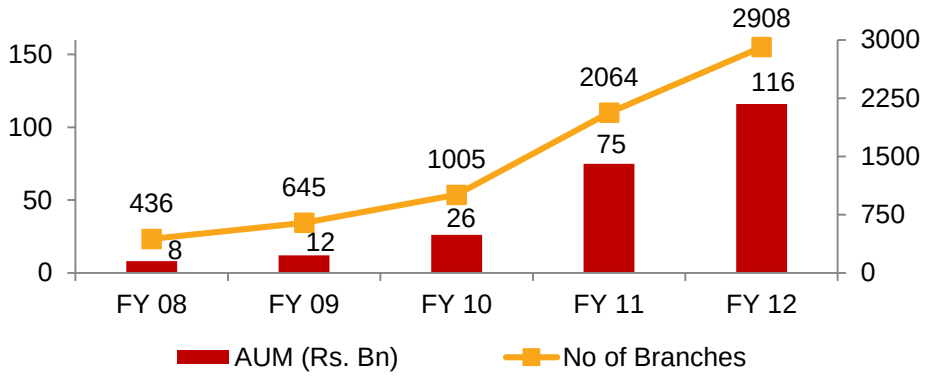
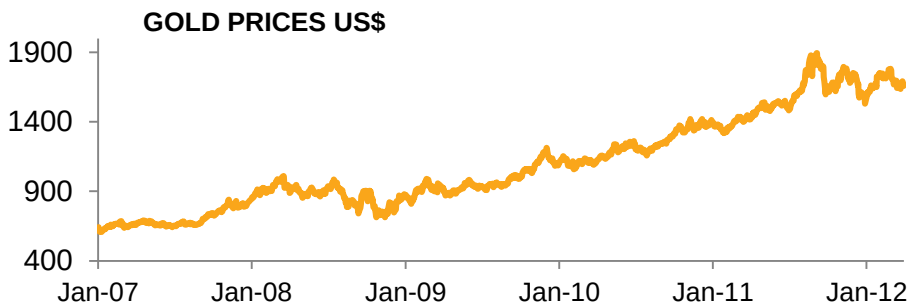
UNDERSTANDING OUR EVOLUTION
PHASE 1: FY08 - FY12

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.

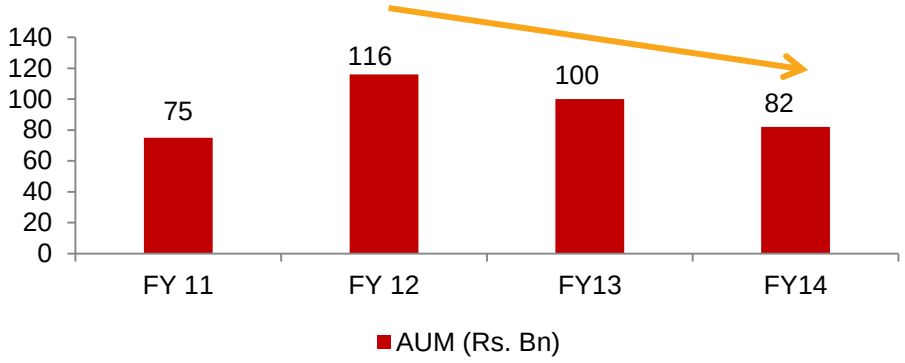
Branch Network grew by 7x over FY08 - FY12.

Strong Execution Capabilities and well defined systems and processes.

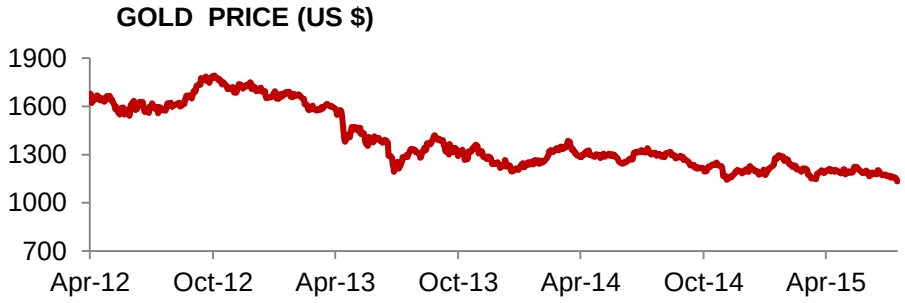
Source - Bloomberg

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 –

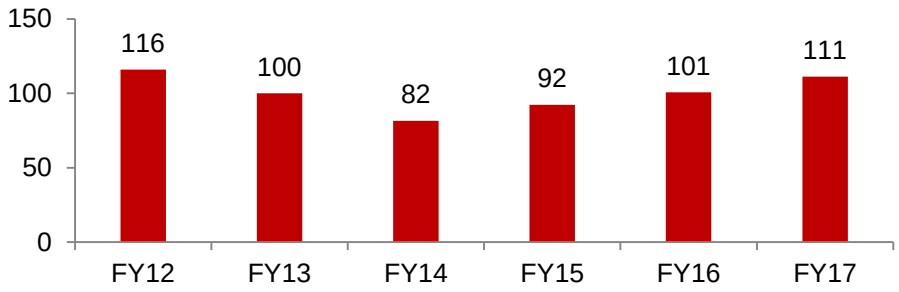
- Peak LTV was 85% for FY12 and Long Tenure portfolio.

Negative Operating Leverage resulted into fall in Return Ratios and Profitability.

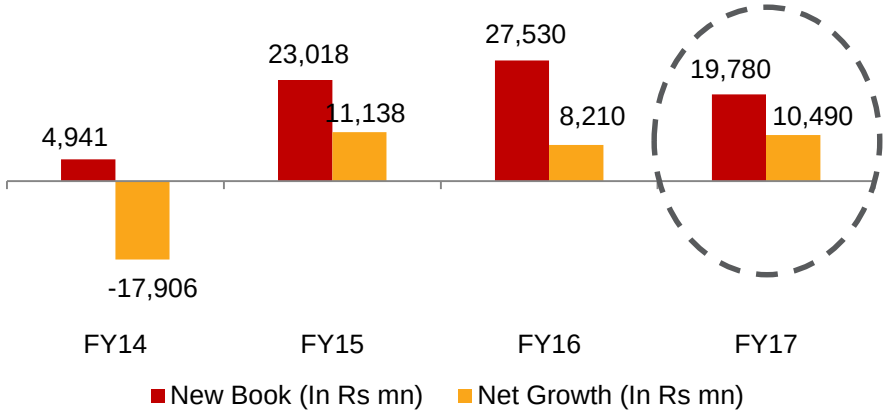
UNDERSTANDING OUR EVOLUTION
PHASE 3: FY15 ONWARDS

MANAPPURAM FINANCE LIMITED

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.

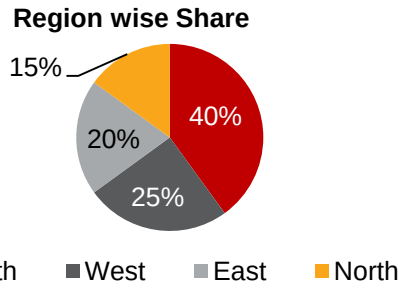
Positive Operating Leverage to kick in which would result into better Return Ratios and Profitability.

INDUSTRY OVERVIEW: INDIA GOLD MARKET

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.



- 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.

Source – WGC – World Gold Council, ICRA

INDUSTRY OVERVIEW:
KEY DRIVERS FOR GOLD LOAN MARKET

MANAPPURAM FINANCE LIMITED

ADVANTAGE CONSUMER	ADVANTAGE LENDER
▪ Idle gold can be monetized for productive purposes. ▪ Prompt Disbursement - Faster turnaround time. ▪ Minimal Documentation - No major documentation requirement. ▪ Flexible repayment options available.	▪ 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
LTV	Up to 75%	Lower LTV than NBFC's	Higher than 75%
Processing Fees	No / Minimal Processing Fees	Processing charges are much higher compared to NBFC's	No Processing Fees
Interest Charges	~18% to 24% p.a	~12% to 15% p.a	Usually in the range of 36% to 60% p.a.
Penetration	Highly Penetrated	Not highly penetrated. Selective Branches	Highly Penetrated
Mode of Disbursal	Cash/Cheque (Disbursals More than Rs. 0.1 mn in Cheque)	Cheque	Cash
Working Hours	Open Beyond Banking Hours	Typical Banking Hours	Open Beyond Banking Hours
Regulated	Regulated by RBI	Regulated by RBI	Not Regulated
Fixed Office place for conducting transactions	Proper Branch with dedicated staff for gold loans	Proper Branch	No fixed place for conducting business
Customer Service	High – Gold Loan is a Core Focus	Non Core	Core Focus
Documentation Requirement	Minimal Documentation, ID Proof	Entire KYC Compliance	Minimal Documentation
Repayment Structure / Flexibility	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.	-
Turnaround Time	10 minutes	1-2 hours	10 minutes

NBFC's RETAIN NICHE POSITIONING

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