



MANAPPURAM[®] FINANCE LIMITED



Make Life Easy

Ref: Sec/ SE/ 364 /17-18
01st August 2017

BSE Limited,
PhirozeJeejeebhoy Towers
Dalal Street
Mumbai- 400001

National Stock Exchange of India Limited
5th Floor, Exchange Plaza
Bandra (East),
Mumbai-400051

Dear Sir/Madam,

Sub : Brickwork rating upgraded Long term credit rating

We are glad to inform you that in furtherance to the Brickwork rating upgradation, Brickwork rating has also upgraded the long term rating to [BWR] AA (Outlook:Stable) (pronounced double AA) from [BWR] AA- (Outlook:Stable) (pronounced double A minus) for the Rs.54.70 crores in respect to NCD Programme of the company.

This is attributed to the Company's improved business risk profile following its shift to shorter-tenure loans, the stability in the gold loan business pursuant to the various regulatory steps over the past few years, as well as the company's comfortable capitalisation profile and the continuous involvement in technology. The rating continues to derive strength from the experienced & professional management of the Company, long track record and established brand of Manappuram in gold loan industry and adequate systems & processes in place.

The detailed Brick work rating rationale issued on 28th July 2017 is attached

Request you to take the same on record.

Thanking You

Your Faithfully

For Manappuram Finance Limited

Kapil Krishan
Chief Financial Officer
(Authorised Signatory)

India's First Listed and Highest Credit Rated Gold Loan Company

Corporate Office : (CIN-L65910KL1992PLC006623) IV/470A (old) W638A(New), Manappuram House, Valappad, Thrissur, Kerala - 680 567, India



Rating Rationale

Manappuram Finance Ltd.

28th July 2017

Brickwork Ratings revises Rating for the Non-Convertible Debentures Issue of Rs. 54.70 Crs of Manappuram Finance Ltd.

Particulars

Instrument	Amount (Rs. Crs)	Issue Date	Coupon	Maturity Date	ISIN Particulars	Rating*
NCD	40.00	31-Dec-12	12.55%	31-Dec-17	INE522D07438	BWR AA (Outlook: Stable) <i>Upgraded</i>
	11.60	9-Jan-13	12.40%	9-Jan-18	INE522D07461	
	0.10	20-Mar-13	12.40%	20-Mar-18	INE522D07545	
	3.00	20-Mar-13	13.25%	20-Mar-23	INE522D07552	
Total	54.70	(Rs Fifty Crores and Seventy Lakhs only.)				

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of the Company up to FY17, projected financials, publicly available information and information/clarifications provided by the Company's management.

The rating upgrade factors the considerable increase in size of the Company over the past two years in terms of AUM, Net Interest Income (NII) & branches, significant improvement in the earning indicators, declining cost of borrowings, diversified funding profile, comfortable capitalization & gearing level, comfortable liquidity position, Company's strategic initiatives to strengthen the core gold loan business while simultaneously diversifying into other synergistic areas and the continuous evolvement in technology. The rating continues to derive strength from the experienced & professional management of the Company, long track record and established brand of Manappuram in gold loan industry and adequate systems & processes in place. The rating is however, constrained by product concentration risk and inherent risks associated with Gold Loan Business.



Rating Outlook: Stable

BWR believes the **Manappuram Finance Ltd.**'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Manappuram Finance Limited, formerly Manappuram General Finance and Leasing Limited, is the Group's flagship Company and was established in 1992 in Thrissur (Kerala). It is a non-deposit taking NBFC and is mainly engaged in providing retail advances against Household Used Gold Jewellery. Manappuram is promoted by Mr. V P Nandakumar whose family has been involved in gold loans since 1949. Promoter & Promoter Group has a holding of 34.45% as of March 31, 2016. It is listed in NSE and BSE.

Mr. V P Nandakumar is the Managing Director and CEO of Manappuram Finance Limited. Mr. Jagdish Capoor is the Chairman and Independent/ Non-Executive Director on the Board of MFL. Besides him, the Board has five more Independent/ Non-Executive Directors and one Nominee Director who are eminent people with vast experience in financial sector. The company has a team of well-qualified and experienced professionals looking after credit, risk, marketing, audit and other support functions including Mr. Kapil Krishan, the Group CFO.

MFL is mainly engaged in providing Loan against gold and has diversified into other synergistic products like MFI loans, Commercial Vehicle loans, small size Housing loans through its subsidiaries. It has established pan-India presence, with a strong distribution network of 4,152 branches spread across 23 states and 4 union territories, with a live customer base of ~3.3 million as of March 31, 2017.

Company Financial Performance

The Company's Asset Under Management, at consolidated level, has increased from Rs. 11,433 Crs as of March 31, 2016 to Rs. 13,657 Crs as of March 31, 2017, a y-o-y growth of 19.45%. As of March 31, 2017, Gold loan, MFI loans, Housing loans and Commercial Vehicle loans constituted 81%, 13%, 2% and 2%, respectively in the consolidated AUM.

MFL's Gross NPA stood at 2.02% as of March 31, 2017 (0.97% as of March 31, 2016) and Net NPA stood at 1.71% (0.76%) recognized. The Provision Coverage ratio is at 16% as of March 31, 2017 (22%). Its capital adequacy in the form of CRAR stood at 26.12% as of March 31, 2017 which is well above the RBI's minimum stipulated requirement of 15%. Tier I CRAR was at 25.73%. MFL's Tangible Net Worth increased from Rs. 2,740 Crs as of March 31, 2016 to Rs. 3,347 Crs as of March 31, 2017 mainly on account of retention of profits for the year.



As of March 31, 2017, on a standalone basis, Company's borrowings aggregated Rs. 9,163.19 Crs constituting Bank borrowings of 50.82%, Commercial Papers of 25.21%, Debentures of 22.87%, Subordinated Bonds of 1.00% and other of 0.10%. The Company's cost of borrowing fell from 10.96% in FY16 to 10.00% in FY17. The Company has a comfortable liquidity profile as the tenure of its assets is well matched with the tenure of its liabilities.

In FY17, on a consolidated basis MFL has reported PAT of Rs 755.85 Crs (114% growth on Rs. 353.37 Crs PAT in FY16) on Net Interest Income (Total Income from Operations net of Interest Expenses) of Rs. 2218.99 Crs (57% growth on Rs 1412.84 Crs in FY16). Net Interest Margin (NIM) was at 16.62% in FY17 (13.94% in FY16), ROA was at 5.80% in FY17 (3.54%) and ROE was 24.25% in FY17 (12.32%).

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument	Current Rating (Year 2017)			Rating History			
		Type	Amount (Rs Crs)	Rating	15 Jul 2016	2015	30 Dec 2014	26 Aug 2014
1.	NCD	Long Term	54.70 (Reduced from 250)	BWR AA (Outlook: Stable)	BWR AA- (Outlook: Stable)	-	BWR AA- (Outlook: Stable)	BWR A+ (Outlook: Stable)
2.	NCD	Long Term	750.00	-	-	-	-	Withdrawn BWR A+ (Outlook: Stable)

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks & Financial Institutions](#)

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**For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons