

kanchan

इज्जत

इतनु

kanaka

हेल

इहोना

WEALTH of the wife.

PRIDE of the family.

GOLD was minted. It is still a tradition.

GOLD is stability. Gold is security.

GOLD is timeless. Gold is trust.

Precisely the
virtues we
honour at
Manappuram.

bangara

थान्गार

kundan

इतान

ponn



MANAPPURAM
FINANCE LIMITED

19TH ANNUAL REPORT
2010-11

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Forward-looking statements



In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

The tradition of gold

In ancient times, gold was minted into coins. In most Indian households, it is still customary to treat it as a fixed deposit. Across the ages, gold has emerged as the preferred currency for trading, for measuring value and, of course, as a metaphor of purity.

While a large part of India's population resides in villages, people in semi-urban and urban areas also turn to family gold to tide them through adversities. Its value can be unlocked fast and when the better times return, one can easily reclaim it. With steady increase in gold prices, it is now the most effortless form of asset-based borrowing.

As a touchstone for dependability and enduring trust, we at Manappuram have consistently respected its virtues in our business of lending against gold.

A Glimpse

The leadership of one visionary. The fulfilment of a myriad dreams. When Mr. V. C. Padmanabhan founded Manappuram in 1949 in the coastal Kerala village of Valapad, the firm was the first step towards meeting financial needs of the people in the area – mostly farmers and fisher folk – by way of quick access to monetary resources in times of need. This was a period when India was emerging from the ravages of colonialism and its banking services were underdeveloped. In 1992, Manappuram became a corporate entity in the name of Manappuram General Finance and Leasing Ltd. Since then, the Company has grown rapidly to become a major national presence, and one of the most popular options for swift and secure gold loan borrowings. Manappuram also offers other asset financing, foreign exchange, money changing and gold bullion. With its sophisticated technology platform that assures safe and secure transactions, the Company has risen through the ranks to become one of the largest asset-based NBFCs in India. To better align our brand identity with our ever-growing service platter, in June 2011, we changed our name to Manappuram Finance Limited.

**1949**

Mr. V. C. Padmanabhan founded Manappuram in the coastal village of Valapad

Vital Facts

1992

Manappuram Finance Limited (MFL) was established

21

States/Union territories where MFL has its footprints

2064+

Branch network

16,000+

Motivated workforce at MFL

1.2
million

Total customer base

₹ 75,492
million

Total Asset Under Management (AUM) as on March 31, 2011

₹ 180,559
million

Total gold loan disbursements during the year ended March 31, 2011

Kanagaraj D: Facilitating business mobility

For over 25 years, Kanagaraj toiled at a poultry farm on meagre wages. He often had to borrow money from friends and even pledged his family's gold in a nationalised bank. It was not a happy experience – the long wait and inadequate loan amounts.

It was at such a juncture that a friend first told him about Manappuram. He approached Manappuram for a gold loan to try his luck with entrepreneurship, setting up a small shop dealing in mobile phones. The higher loan to value (LTV) at Manappuram as compared to nationalised banks was a pleasant surprise. He therefore withdrew all his ornaments from the bank, and re-pledged them with Manappuram. The service standards were much better. He got his money within minutes. That was how last year (2010) Krishna Mobile Sales & Service came into existence at the Namakkal – Thuraiyur Main Road.

Gold Loans

Adaptability to borrower needs and the speed with which transactions are accomplished, are distinguishing features of the gold loan model. At Manappuram, we enhance these qualities through our varied offerings.

Our short-term gold loans can be borrowed for as little as 12% and interest rates gradually go up to 24%. Of course, the interest rate, and terms and conditions depend upon the amount borrowed.

FLEXIBILITY

Most people who approach us belong to the lower and middle classes. Keeping in mind the requirements of this very group, we ease out the pressure that an asset-based loan may otherwise put on the borrower. In a gold loan, there is no hard-and-fast EMI schedule to be adhered to. The borrower must only pay the periodic interest amount due, and his account continues to be in good standing.

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While in the normal course we limit the average per customer gold exposure to about 40 gm, there is provision for sanction of higher loan amounts. Such transactions are evaluated at length and must be approved by our risk management committee. They are not routinely carried out over the counter unlike the other transactions.

It is our experience that the bulk of repayments is received within the first four months of the loan period. As there are no pre-payment penalties, and because there is an anxiety associated with parting with one's precious assets, borrowers are generally prompt in repaying the loan.

HASSLE-FREE EXPERIENCE

Loans for short durations, freedom from tedious paperwork, no other procedural hassles, cash disbursements, easy repayment options, a sophisticated core banking technology platform, and a branch close by – all of these characteristics make gold loans a most favoured loan option. Add to this the respect given to the borrower's asset, the focus on service, and it makes Manappuram the most preferred gold loan company.

Ancillary products

Gold coins	<ul style="list-style-type: none"> Customised Gold Coins 24 and 22 Carat hallmarked gold coins
Swarnanidhi	<ul style="list-style-type: none"> Customised gold purchase schemes Duration of scheme ranges from 12 to 60 months
Gold Overdraft	<ul style="list-style-type: none"> Lockers to store jewellery offered free of charge Interest applicable if cash drawn against jewellery
Loans	<ul style="list-style-type: none"> Historical portfolio of vehicle loans and business and personal loans
Deposits	<ul style="list-style-type: none"> NCDs with maturities between 1 year – 5 years Bonds with 5-year and 10-year lock in
Money Transfer	
Foreign Exchange	

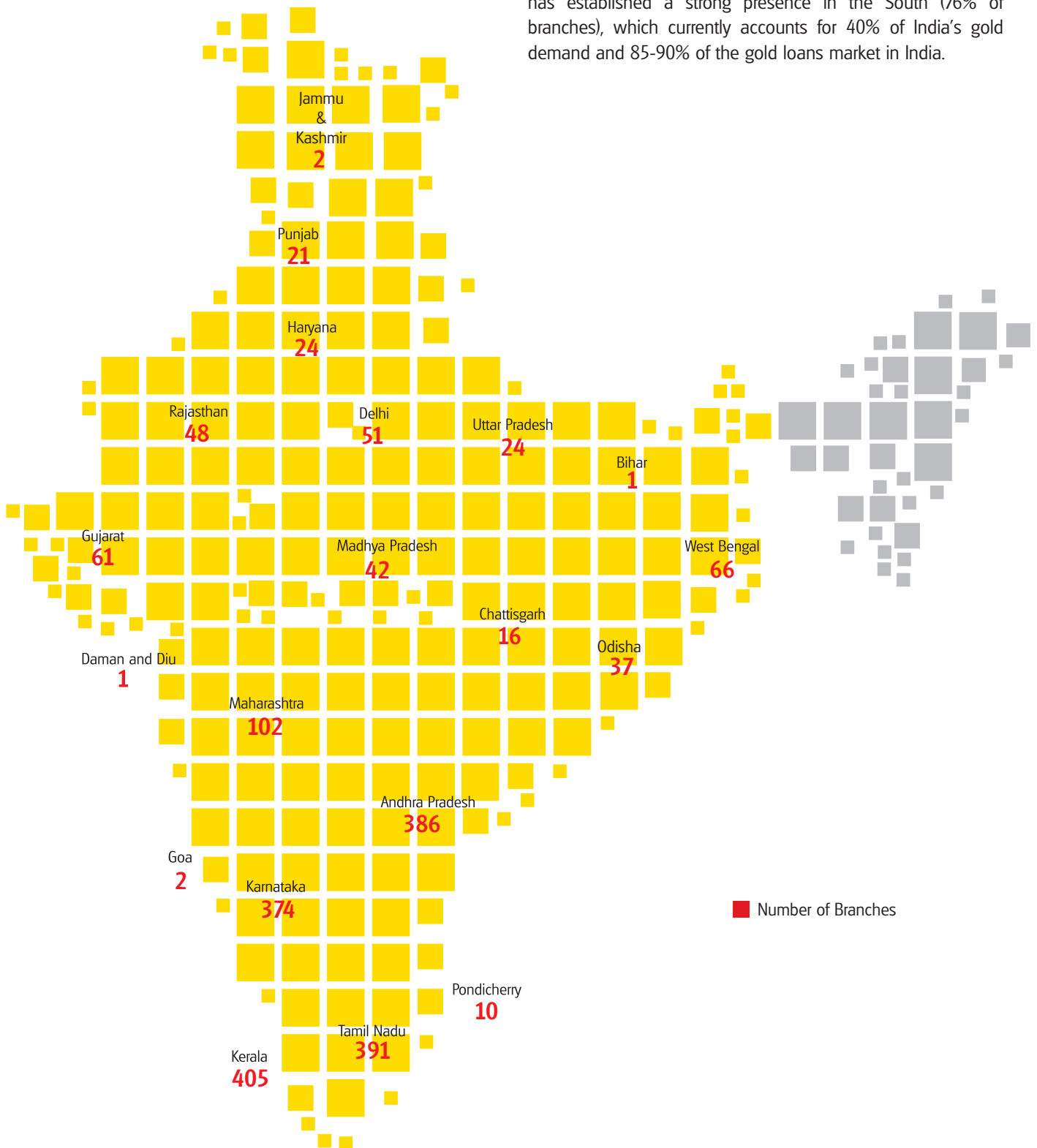
Komala C: A nursery blooms

Komala's family owns close to an acre of agricultural property at Ekarool, near Balussery. Farming interested her and opening a vegetable garden and nursery was a dream she nurtured fondly. It was around this time that she happened to be at the Balussery Branch of Manappuram Finance to avail a gold loan. The loan was soon repaid. But, the hassle-free experience and prompt service made a lasting impact. The lower rates of interests were also a relief.

Shortly afterwards, she returned to Manappuram for a gold loan that would plant the seeds of a dream come true. A few saplings of mango, nutmeg and some flowers were among her first purchases. Her business began to thrive because she cultivates her plants organically, without use of chemical fertilisers or pesticides. She now earns close to ₹10,000 each month and has managed to repay most of the loan borrowed from Manappuram.

Geographic spread

Headquartered at a coastal village in scenic Kerala, Manappuram has established a strong presence in the South (76% of branches), which currently accounts for 40% of India's gold demand and 85-90% of the gold loans market in India.



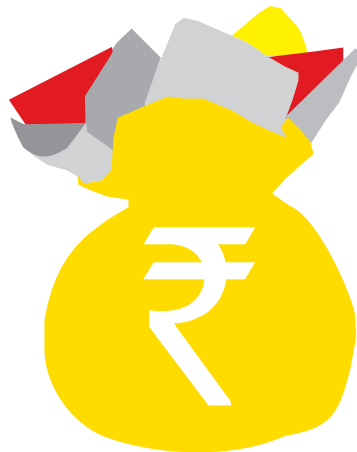
Creditworthiness



High credit ratings (credit rating history of 15 years)

- CP/STD: A1+ (ICRA) and P1+ (Crisil)
- LT NCD: CARE AA-
- Working Capital as per Basel II: LA+ (ICRA)
- Brickwork (AA-) (for NCDs)

Fund Sources



- Credit lines from 35 banks (SBI, ICICI, PNB, HDFC, Axis, Kotak, Barclays and DBS among others)
- Commercial papers from short term money markets
- Retail non-convertible debentures and bonds

Paka Dillip Dora: Tractor driver turns tractor owner

Paka Dillip Dora drove a tractor in village Erendra in the Ganjam District of Odisha. While his father is a marginal farmer, Dillip worked on daily wages for a landlord in a neighbouring village. He has a brother working as a mechanic in Dubai who occasionally sends home money. The family contemplated buying more agricultural land with these savings, when a civil construction project commenced in the area. There was good demand for tractors to excavate soil. Dillip shelved the idea of acquiring more land and thought of buying a second-hand tractor instead.

A deal with a prospective seller was made, and an advance amount of ₹ 20,000 was paid to seal the agreement. The agreement stipulated that the balance amount should be paid on or before January 10, 2011, failing which the amount would be forfeited.

As the due date approached, Dillip was unable to raise the balance amount in full despite his best efforts. He was now resigned to losing the advance amount he had paid.

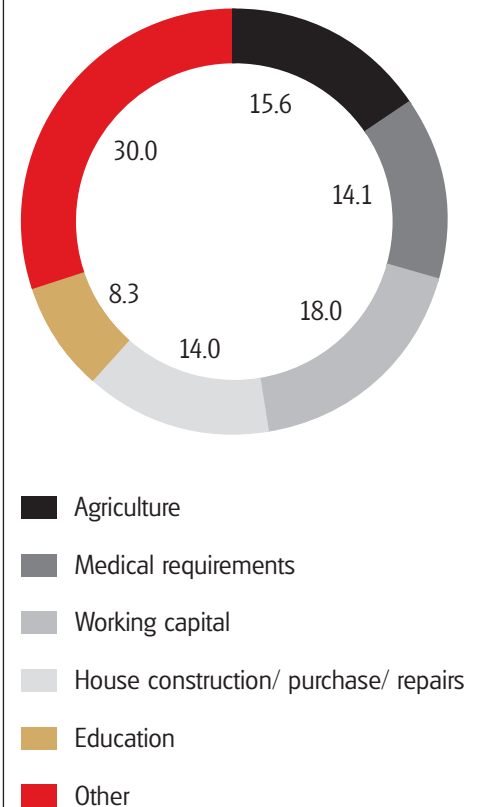
It was at such a moment of despair that he chanced upon a TV ad for Manappuram Gold Loans at his employer's residence. He rushed to the nearest branch of Manappuram at Berhampur with all the gold at his home. He was pleasantly surprised when the branch officials told him he was eligible for a loan of ₹ 56,000. The amount exceeded his expectation and was more than adequate to meet the shortfall. Today, the proud tractor-owner earns about a thousand rupees a day.

Our Firsts...



- ★ First NBFC from the State of Kerala to be registered with Reserve Bank of India, fully complying with RBI directives.
- ★ First NBFC from Kerala to be rated by ICRA (in 1995), a credit rating agency approved by the Reserve Bank of India and the rating awarded to its Public Deposit Programme was 'MA-', indicating adequate safety for deposits.
- ★ First NBFC to go for a Public Issue from Thrissur
- ★ First NBFC from Kerala to have received Adequate Safety rating for its Secured Non-convertible Redeemable Debenture issue for ₹ 50 million.
- ★ First NBFC from Kerala receiving AD (Authorised Dealer) – II category licence from RBI for its Forex operations
- ★ First NBFC from Kerala to come out with a Bonus issue of 1:1 (in 2007)
- ★ First NBFC from Kerala to receive Foreign Direct Investment (FDI)
- ★ First NBFC from Kerala to obtain Broker's License from IRDA (Insurance Regulatory and Development Authority)
- ★ First NBFC in Kerala to receive a Short-term rating of A1+ by ICRA. This is the highest Short Term Rating awarded by ICRA to any Corporate in India.

Typical customer requirements (%)



V. Rajani: Young widow turns bread-winner

V Rajani is a young widow from Palakkad who runs a small business supplying cooked food to pushcart vendors around the city bus-stand area. It was the death of her husband two years ago and the pressure to earn a livelihood to support her family, which forced her to start out on her own.

When she began, she had no background in business and she had no idea how to go about a bank loan. Like most Indian women, she possessed some gold jewellery, with which she approached Manappuram's Palakkad Town branch for a gold loan.

Rajani now makes up to ₹ 1200 a day from her business. Over the past two years, she has saved enough to buy a small plot of land and now looks forward to building a small house on it.

Striking gold with numbers

