



**A FUTURE WITH GOLD,
AND BEYOND GOLD**

2015—2016
24TH ANNUAL REPORT



A FUTURE WITH GOLD, AND BEYOND GOLD

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.

Having reached the pinnacles of the gold loans business, it was time for us to re-invent ourself as a multi faceted top-notch NBFC. Over the last two years, we took a bold decision to recompose our business that would de-risk our concentration from our gold loan book and give us new growth drivers to build upon. We decided to diversify our business and add new asset classes that were complementary to our mainstay gold loans business. Today, Manappuram Finance is re-constituted to engage in four key business segments – Gold Loans, Microfinance, Housing Loans and Commercial Vehicle (CV) Loans.

Having established our presence in these new areas in FY2015, we spent FY2016 focusing on developing our business ecosystems, building teams with domain specific experience and setting up the right marketing channels and product configurations. Today, we are systems-ready to grow each of our businesses aggressively, without compromising on asset quality. In the field of Microfinance, we have already made a robust entry through our subsidiary Asirvad Microfinance, which has grown extremely well in FY2016, with assets under management more than trebling.

Our confidence comes from the depth of our geographical reach, a top-notch product portfolio, best-in-class technology, rapidly expanding distribution network, motivated workforce and a highly capable management team. We look forward to leverage our brand equity and in-depth understanding of semi-urban and rural markets, to build further on our proven successes.



Mr. V. C. Padmanabhan
(1916-1986)

WITHOUT THE FOUNDATIONS OF STRONG VALUES, AN ORGANISATION CANNOT BECOME SUCCESSFUL.

Manappuram is the most apt example of how great companies find their beginnings with the simplest idea of helping people. When the Late Mr. V. C. Padmanabhan took his first steps in 1949 to provide financial solutions to solve the trials and tribulations of farmers and fishermen, he set in motion an intrinsic value system that became the bedrock of a great company in the making. This value system spoke of bringing convenience to the lives of the ordinary people of India, to “make life easy” for them. It also espoused Trust, Commitment and Transparency, in the way business was to be conducted. These values held true then, and continue to hold true now.

Progressively, lending against gold jewellery became a natural extension to the Company, as often, that would be the one key piece of locked wealth that people often possessed. With the dynamic stewardship of the business by the next generation promoter, Mr. V.P. Nandakumar, lending against gold jewellery has today become the hallmark business of the company. Fast forward to today, more than six decades later, Manappuram is India’s first listed and first credit rated gold loan company which has unlocked the value of this vast and idle asset base for thousands of low income group of people across India.

Today, the Company is in a midst of another transformational change, that of becoming top-notch multi-product NBFC. It is de-risking itself from being a single product NBFC, to becoming one with a diversified portfolio in Microfinance, Home Loans and Commercial Vehicle Loans. True to its original value system of helping people, each of these businesses are in sync with the lower segments of the income pyramid and aligned with the Government of India’s big push towards financial inclusion for the underbanked population.

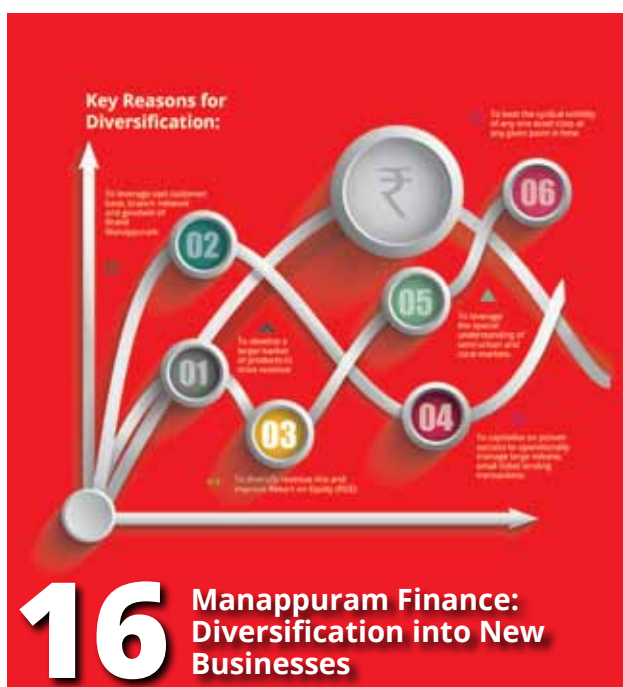
Contents

Message

- 4 MD & CEO's Letter to Shareholders

22 Management Discussion and Analysis

44 Board's Report



About Manappuram

- 8 Business Snapshot
- 10 Key Financial Indicators
- 12 Board of Directors
- 14 Brand Traction

Features

- 16 Manappuram Finance: Diversification into New Businesses
- 18 Anytime, Anywhere Gold Loan
- 20 Being Technology Ready

96 Corporate Governance Report

Financials

- 122 Standalone Accounts
- 174 Consolidated Accounts
- 222 Corporate Information
- 223 Notice

MD & CEO's Letter to Shareholders

With the stable regulatory regime, and with gold prices holding firm, gold loan NBFCs are poised for healthy growth.



V.P. Nandakumar
MD & CEO

It is my pleasure to present to you our 24th Annual Report for the year ended March 31, 2016. I am happy to report that your company has recorded significant and all-round improvement in performance. As with our performance last year, there is good growth in gold volumes and profitability this year too. Our diversification strategy is beginning to deliver results, helping us report substantially better numbers. Importantly, with the economy likely to pick up based on expectations of good rainfall, we are now well placed for growth in the coming years too.

ECONOMIC OUTLOOK

Indian economy is on the path of steady recovery. After two years of drought-like situation agriculture output had suffered leading to depressed farm incomes and higher food inflation. However, this year the Met Department has predicted above normal monsoon across India. Good monsoon is likely to bring relief to India's agriculturists and boost rural income levels with positive impact on rural demand and consumption. Moreover, food inflation will be contained thereby curtailing the wider inflationary expectation.

The Reserve bank of India (RBI) has, accordingly, maintained its accommodative stance on monetary policy although further rate cuts have been held back against the backdrop

Going forward, Aadhar and Jan Dhan will hasten the shift of business in rural areas from the unorganised to the organised sector. Banks and NBFCs stand to benefit.

of resurgence in crude oil and other commodity prices and pending clarity on how the monsoon pans out. The RBI will shortly review the implementation of the Marginal Cost Lending Rate frameworks by banks to reduce the cost of borrowing and have the benefits of lowered policy rate passed on to customers. Further, at the policy making level, considerable progress has made over the last couple of years. The new Bankruptcy law, real estate and Aadhaar bills becoming law, further liberalisation in FDI norms and of the financial system, are some of the areas to make headway. The introduction of 'on-tap' licence for opening new banks is particularly welcome for the large NBFCs.

According to the data released recently by the Central Statistics Office (CSO), India's economy is gaining momentum, growing by 7.9 per cent in the March 2016 quarter to consolidate India's position as the fastest growing major economy with a five-year high growth rate of 7.6 per cent for the full fiscal year. With good monsoon and expected increase in corporate profitability due to lower input cost and increased domestic demand and with pick up in private and public investments, the economy's growth prospects are bright.

OUTLOOK FOR NON-BANKING FINANCIAL COMPANIES (NBFCs)

Non-banking financial companies (NBFCs) have been a success story in India. In terms of financial assets, NBFCs have recorded healthy growth—CAGR of 19 per cent over the past few years—and now account for 13 per cent of the total credit, which is further expected to reach nearly 18 per cent by 2018–19.

Over the years, the NBFC sector has evolved considerably in terms of its size, scale of operations, technological sophistication and also entered into the new areas of financial services and products. Although total number of NBFCs has come down from 51,929 in 1997 to 11,700 as of March 2016, aggregate assets of systemically important non-deposit taking NBFCs and deposit taking NBFCs have grown from Rs.70,000 crore at the end of March 1998 to Rs.15,00,000 crore at the end of December 2015. The share of NBFC assets as a percentage of scheduled commercial banks' assets has increased from 7 per cent in 1998 to 14.8 per cent in March 2015. India's financial inclusion drive continues to gather momentum. It is reported that more than 21 crore Jan Dhan accounts have been opened and deposits have crossed Rs 36,000 crore. More than a 100 crore Aadhar cards have been issued representing almost 80 percent coverage. Going

forward, Aadhar and Jan Dhan will hasten the shift of business in rural areas from the unorganised to the organised sector. Banks and NBFCs stand to benefit.

OUTLOOK FOR GOLD AND GOLD LOANS

From a peak of around \$1900 per troy ounce in September 2011, gold prices had come down to \$ 1,084 per troy ounce by November 2015. Further, the uncertain regulatory environment that prevailed between 2012 – 2014 had a negative impact on the specialised gold loan NBFCs who lost ground to banks and the unorganised market. The market share of specialised gold loan NBFCs came down to 31 per cent in FY13 from a high of 36.5 per cent in FY12, which declined further to 27.6 per cent in FY14.

In hindsight, these setbacks were perhaps a blessing in disguise as it compelled NBFCs to reconsider their strategies and rework business plans. Across the industry, the loan to value (LTV) ratio was brought down to the RBI stipulated norm of 75 percent, thereby de-risking the business. Further, there was focus on regular, monthly collection of interest so as to preserve lending margins against the backdrop of volatile gold prices. Others went beyond. Your company, for instance, introduced short tenure gold loans and also pursued aggressive diversification into areas like promising new areas

In percentage terms, new businesses now contribute ~12 percent of our total AUM. Importantly, based on these trends, we are well on track to having new businesses contribute 25 percent of total AUM by FY2018.

like home and commercial vehicle loans, SME lending and microfinance as part of risk mitigation. Gold Loan NBFCs have now regained some of the lost ground as they clawed back to a market share of 29.4 per cent in FY15. Today, with the stable regulatory regime, and with gold prices holding firm, gold loan NBFCs are poised for healthy growth.

Speaking of gold prices, in recent months, the declining trend appears to have reversed and, in the first four months of calendar 2016, gold price has posted 20 percent gains. International gold prices now trade in the range between \$1200 and \$1300 per troy ounce. The recovery is attributed to weakness in the global economy given the slowdown in China and the difficulty faced by the US Federal Reserve in pushing through interest rate hikes. We expect gold price to be relatively stable in the current year, trading between levels of \$ 1200 to \$ 1400 per troy ounce.

PERFORMANCE OF NEW BUSINESSES

In February 2015, we acquired Asirvad Microfinance Pvt. Ltd. with AUM a little short of Rs.300 crore. Today, just a year after it became our subsidiary, the company's AUM has tripled to Rs.1,000 crore. I believe our acquisition of Asirvad is worthy of analysis by India's premier management institutions as a case study.

Prior to our takeover, this was a microfinance company struggling against odds to grow. It had a quality

management sincerely committed to the cause of microfinance but it was also burdened by high interest costs. After the takeover, Asirvad was able to leverage our creditworthiness. It got expanded access to bank finance at significantly lower cost than before, giving it comfortable cushion to meet competition head on, and to expand to new geographies like Madhya Pradesh, Chhatisgarh, Punjab, Haryana, Chandigarh, Jharkhand, Bihar, West Bengal and UP. Today, India's microfinance industry is doing well, and we expect Asirvad to maintain growth at a rapid pace in the coming years as well.

Our other new businesses — Commercial vehicle loans, housing finance and SME loans — have also reported accelerated growth. Importantly, they are all fully seeded and have attained a measure of stability. Commercial vehicle loans and mortgage based finance (housing loans and loans against property) have contributed about Rs. 300 crore to the total business as compared to about Rs. 45 crore in the preceding fiscal year. In percentage terms, new businesses now contribute 12 percent of our total AUM. Importantly, based on these trends, we are well on track to having new businesses contribute 25 percent of total AUM by FY2018.

A MILESTONE - 20 YEARS OF LISTING ON THE BSE

Last year was an important milestone for us because we completed 20 years of listing on the BSE. We celebrated the occasion with a function at the BSE on



Celebrating a Milestone - 20 years of listing on the BSE marked by ringing the closing bell, BSE, Mumbai, Nov 6, 2015

November 6, 2015 where I and my wife, Sushama (we had jointly promoted Manappuram Finance in 1992), rang the symbolic closing bell in the presence of Mr. Ashishkumar Chauhan, MD & CEO of BSE.

At the function, it was noted that Manappuram has been a leading wealth creator for investors. Over the course of 20 years, the company has delivered annualized return of 24.6% to investors of its 1995 IPO as compared to 11% delivered by the Sensex. In other words, shareholder wealth since listing in 1995 has gone up 92 times (not counting the uninterrupted dividends). Further, CAGR growth in AUM over the 20 years works out to a staggering 68% while PAT grew at a CAGR of 49%.

ONLINE GOLD LOAN (OGL)

Having invested in an extensive network of 3,300 branches across India for delivering gold loans, your company is now preparing itself for a future where brick and mortar branches will increasingly play a supplementary part in a digital world, in line with trends in the evolution of the BFSI sector. In September 2015, your company became the first player to launch its Online Gold Loan (OGL) where customers with access to an internet enabled device can avail a gold loan anytime, from anywhere in the world. The loan proceeds are instantaneously transferred to his bank account. Later, when the loan is repaid, the gold will continue to remain with the Manappuram branch for instant sanction of future loans whenever the need arises. The concept is now

proposed to be extended further with launch of a co-branded debit card that would enable customers without access to bank accounts to withdraw the money from an ATM anywhere. Incidentally, our tagline is "make life easy."

PERFORMANCE OF THE COMPANY

Manappuram Finance has reported outstanding results for the fiscal year 2015-16. Consolidated net profit increased by 30.2 percent to Rs.353.36 crore in March 31, 2016, as compared to Rs 271.31 crore in FY 2014-15. Total Income from Operations also reported a growth of 18.8 per cent to Rs 2,360.23 crore, as compared to Rs.1,986.42 crore during same period last year. The number of live gold loan customers surged to 19.32 lacs at the close of FY 2015-16, against 17.47 lacs the year before. Total gold holdings increased to 59.61 tonnes during FY2015-16 as compared to 53.13 tonnes a year ago. It is a fact worth noting that the quantum of gold we hold as security has increased consistently over each quarter, for the last two years, and this indicates the depth of recovery in the market.

CORPORATE SOCIAL RESPONSIBILITY

At Manappuram, we have been active in the CSR sphere well before such spending became mandatory. In 2009, we set up the Manappuram Foundation as the implementing agency for managing grassroots programmes primarily focused on healthcare and education. A detailed

account of the various initiatives of the Foundation has been given elsewhere in this report. However, I would like to make a special mention of the Foundation's initiatives in education, where a lot of ground has been covered in the area of skill development of the student community. The Manappuram Academy of Professional Education (MAPE), the Manappuram Academy of Entrance Coaching (MAEC) and the Manappuram Academy of Computer Education (MACE), set up under the aegis of the Foundation, are worthy initiatives catering to students from poor backgrounds belonging to the coastal belt of Thrissur district.

THANK YOU

I am grateful to all our shareholders and all other stakeholders for their support to the company through its days of challenge and setbacks. We are thankful to the Reserve Bank of India for maintaining stability in a potentially volatile environment. I now seek your continued support so that we can sustain the performance and realise our vision of becoming a dynamic, diversified NBFC setting the pace for growth in the financial services sector. I believe together we can go farther and achieve more.

With best wishes,

V.P. Nandakumar
MD & CEO

Business Snapshot

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



Gold Loans

MFL's flagship business makes it India's first listed and highest credit rated gold loan company in India. It focuses on giving loans to people against their deposit of gold based jewelry and coins. It has unlocked the value of this vast asset base for thousands of people across India.

₹ 100,806 mn
AUM as on
31st March 2016

01



Microfinance

Asirvad Microfinance Limited, a subsidiary of MFL, focuses on organized groups of committed women and providing them innovative financial services in a sustainable manner with a view to alleviate poverty through viable income generation activities.

₹ 9,988 mn
AUM as on
31st March 2016



Housing Finance

Manappuram Home Finance Pvt. Ltd. (MAHOFIN), is your Company's dedicated subsidiary to cater to the affordable housing space, mainly in tier-2, tier-3 and outskirts of metropolitan cities with focus on the self-employed segment

₹ 1,286 mn
AUM as on
31st March 2016

04



CV Finance

Dedicated strategic business unit focussing on financing commercial vehicles to the underserved category of customers largely from the unorganised sector and lacking access to the formal banking system.

₹ 1,298 mn
AUM as on
31st March 2016

03