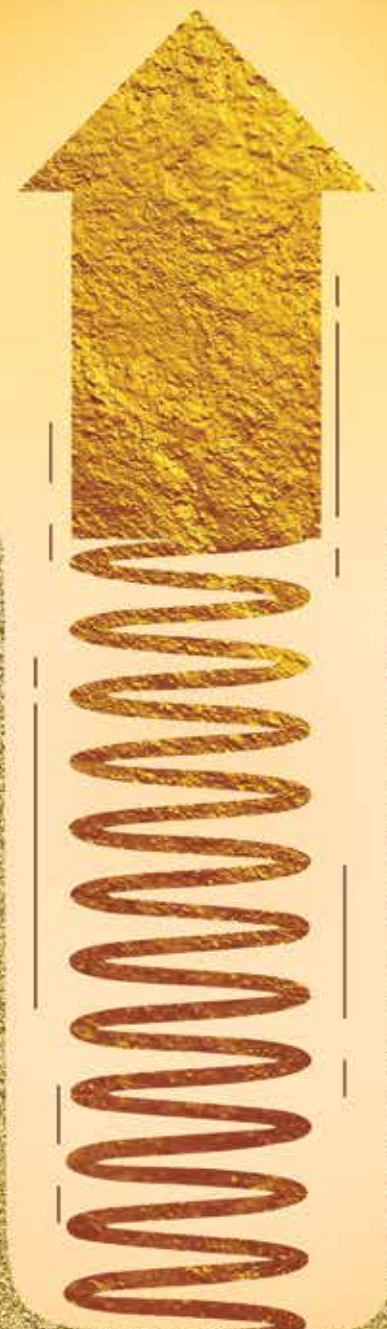


# RESILIENCE AT THE CORE



Annual Report 2019-20

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## Performance highlights: FY20

Assets Under Management (AUM)

₹ 252.25 billion

↑ 29.8%

Gold Loan Disbursements

₹ 1,689.09 billion

↑ 88.4%

Net Interest Income

₹ 36.33 billion

↑ 29.9%

Profit After Tax

₹ 14.80 billion

↑ 57.5%

Book Value Per Share

₹ 68.00

↑ 26.0%

↑ y-o-y growth



## Resilience at the core

Resilience for us is to stay focused on our long-term strategies for value creation, underpinned by our cherished vision, mission and values, despite weak macro demand scenario and the unprecedented health crisis adversely impacting lives, livelihoods and businesses.

FY20 saw us further strengthen our fundamentals, focus on business continuity, conform diligently to the guidelines of the regulator and the government and lend critical help and support to all our customers, business partners and the communities we work with.

Over the years, we have grown a fundamentally strong business on the strength of our diversified portfolio of services, aggressive digitalisation of processes to step up efficiency and nationwide presence. We believe, our strong liquidity buffer, low loan-to-value ratio, unwavering focus on cost rationalisation and optimal capital allocation will hold us in good stead in the coming years.

Our business resilience and performance during the year are the outcomes of our responsible business practices to create value that endures for the long term.

## Tribute to our founder Shri V.C. Padmanabhan



Shri V.C. Padmanabhan  
(1916-1986)

Shri V.C. Padmanabhan was committed to the cause of uplifting the economically weaker sections of the society, particularly farmers and fishermen in his community. He dedicated his life to provide them easy loans at affordable rates. In 1949, he laid the foundation for Manappuram and imbibed his values into the organisation. The Company has attained several milestones during its journey and has played a pivotal role in taking organised lending to underprivileged people.

Guided by Shri Padmanabhan's values, Manappuram has helped millions accomplish their financial aspirations. As we transition to a full-fledged non-banking financial company (NBFC), we will continue to live up to the expectations of our customers. Our core values of customer centricity, stakeholder integrity and quick adoption of top-notch technology for seamless operations will help us evolve to the next level.

We will always look up to Shri Padmanabhan and his values for all our endeavours.

## Manappuram at a glance

# Fundamentals and fortitude at our core

Ever since we began our journey, we have always focused on strengthening our fundamentals, despite economic volatilities and industry cycles. Over the years, we continued to gain the trust of our customers and other stakeholders to grow our national footprint, and at the same time strengthen our digital capabilities. Today, we are the second largest gold loan company in India and have been instrumental in furthering the cause of financial inclusion. We have steadily evolved from a pureplay gold lending company to a more diversified financial services provider. Despite growing stress in the operating environment, we have performed resiliently and create value for our customers, investors and all other stakeholders.



### Vision

To become the preferred choice of financial services partner for India's aspiring classes, meeting the full range of their credit requirements, and helping India become a financially inclusive society where every citizen has ready access to formal channels of finance.



### Mission

Manappuram Finance Limited is dedicated to the mission of bringing convenience to people's lives, to make life easy. We offer secured and unsecured credit to meet their varied financial needs, from instant gold loans available 24x7 and accessible even at the doorstep, to microfinance, affordable home loans, vehicle finance and more.



### Values

#### Integrity

At Manappuram Finance we value our reputation for integrity in our dealings. We set great store by ethical values and transparency. We take pride in following the laws of the land in letter and spirit.

#### Unrelenting customer focus

We treat our customers with the utmost fairness. No matter what their economic status is, we offer everyone prompt and courteous service, with high levels of transparency.

#### Cutting-edge technology

Technology is central to our vision. We continue to invest heavily in technology to enhance customer experience and drive efficiency in operations. We believe in tech-led innovations to deliver seamless and responsive financial services of ever greater value to customers.

## Quick facts



## Awards and Recognition



## Operational highlights

# Sharper focus on business continuity

### Q1

- Signed a Memorandum of Understanding (MoU) with Autolite (India) Ltd. (AIL) for a consumer and dealer financing agreement for electric vehicles. AIL is a manufacturer of electric vehicles (two-and three-wheelers) with lithium ion battery packs and solar products
- Infused ₹ 2,640 million in Asirvad Microfinance through a rights issue. After this transaction, Manappuram will hold 93.33% stake in the microfinance entity
- Received funding worth \$35 million from the International Finance Corporation (IFC), a member company of the World Bank group. IFC may also provide advisory services to bring global best practices to our risk management systems and help us build capacity in MSME lending



### Q2



- Asirvad Microfinance achieved a milestone of reaching ₹ 10 billion of AUM in Tamil Nadu, offering micro-finance to over 4.5 lakh women members
- CRISIL upgraded the credit rating of our long-term debt instruments to 'CRISIL AA/Stable' (from CRISIL AA-/Positive) and reaffirmed its 'CRISIL A1+' rating on our commercial paper. Our subsidiaries also received an upgrade on long-term credit ratings. According to the rating rationale released by CRISIL, the upgrade factors in healthy asset quality, steady growth in the gold loan business, growing diversity in other asset classes and strong profitability and return on assets

### Q3

- Manappuram Home Finance Ltd. raised about ₹ 1,000 million via Non-Convertible Debentures (NCDs) with coupon rates between 9.75% and 10.65% depending upon the tenure. These NCDs were rated as 'AA-' by CARE Ratings, indicating that the instruments have high degree of safety regarding timely servicing of financial obligations and that they carry very low credit risk



### Q4

- Raised \$300 million via three-year bonds by way of senior secured fixed rate notes issuance for a three-year tenure. The issue was placed with a coupon of 5.90%



## Review of our businesses

# Undeterred by challenges



## 1) Gold loan business



- Continued to record strong growth and profitability
- Share of Online Gold Loans (OGL) in gold loan AUM up to 48% from 39% a year back
- Yields on gold loans remained stable
- Substantial reduction in security costs following the rollout of cellular vaults
- Expect to grow this business in line with industry growth



## 2) Asirvad microfinance

- Healthy growth in customer base, AUM and profitability, despite adversities
- Made additional provision of ₹ 550.26 million towards risks arising from the pandemic
- One of the lowest cost microfinance lenders in India
- Despite slight pressure in asset quality, gross NPA remains one of the lowest in the industry



## 3) Housing finance



- Rapid growth in AUM due to continued momentum in the affordable housing segment
- Improvement in average yield to 15.2% from 14.7% a year back
- One of the key beneficiaries from the Government of India's push for 'housing for all'
- Pressure on asset quality due to macroeconomic headwinds
- Grew footprint in three more states during the year





## 4) Vehicle and equipment microfinance



- Strong traction in AUM growth with slight upswing in average yields
- Healthy momentum in the two-wheeler finance business
- Started financing electric two-wheelers, three-wheelers and the pre-owned two-wheelers



## 5) Other businesses

### SME business

- Added new business exercising caution due to economic slowdown during the year
- AUM stood at ₹ 270.15 million versus ₹ 298.52 million in FY19

### Manappuram Comptech and Consultants

- Gross income grew 40.24% to ₹ 101.35 million as compared to ₹ 72.27 million in FY19
- Profit After Tax grew 5.36 times to ₹ 17.69 million versus ₹ 3.30 million in FY19
- Offers services in audit and taxation, along with core IT services to service varied market requirements, including application development for Digital Personal Loan, Loan Management Solutions, among others
- Developed fully android-based apps for EMI collection, Customer and Agent Collection and other purposes



### Insurance Broking

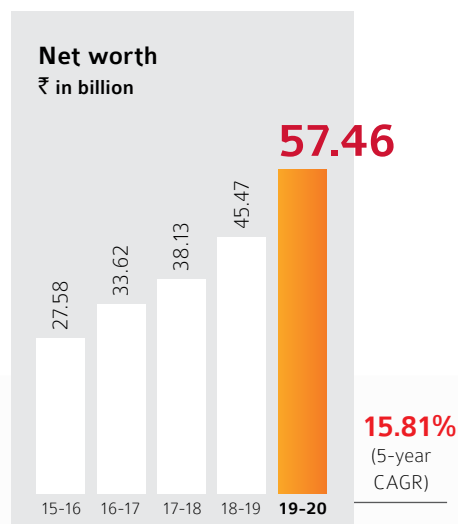
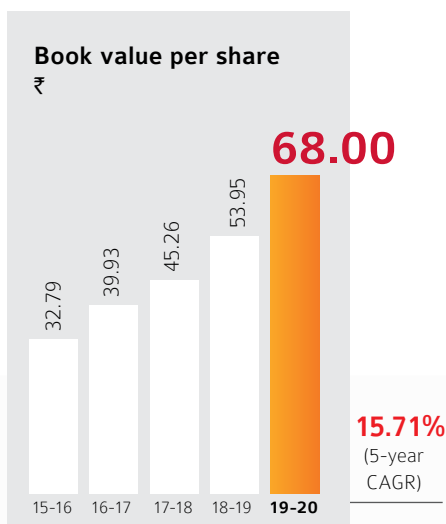
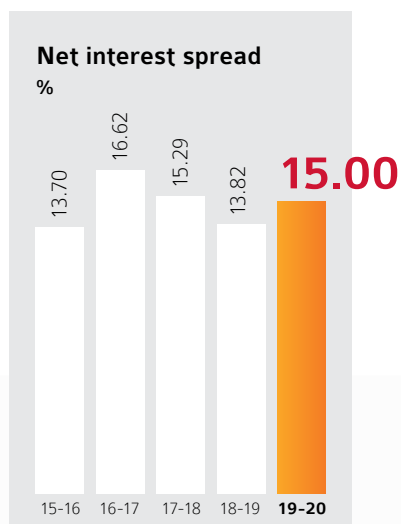
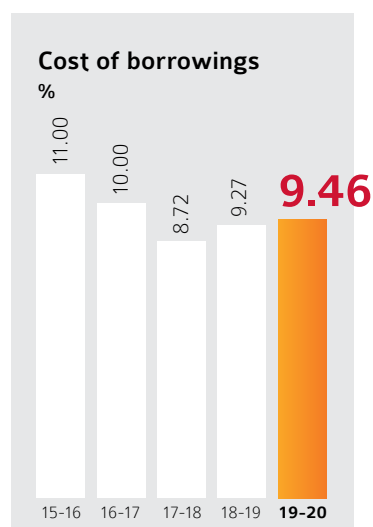
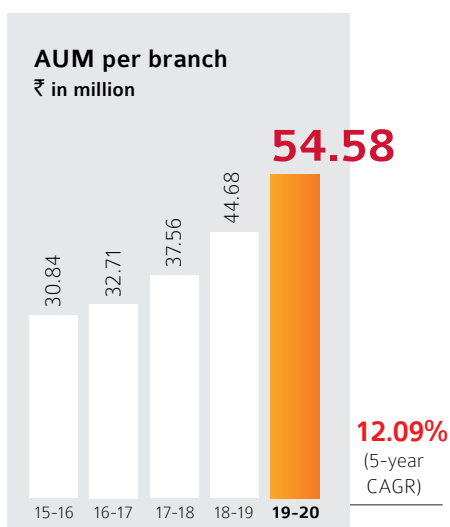
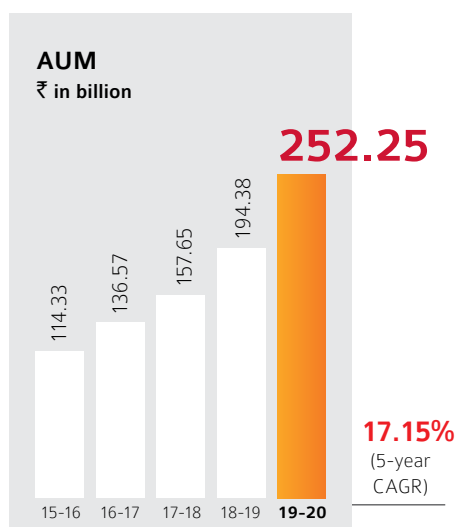
- Gross income grew 32.57% to ₹ 150.24 million as compared to ₹ 113.33 million in FY19
- Profit After Tax stood at ₹ 73.29 million versus ₹ 34.24 million in FY19, growing by 114.06%
- Covered 2.61 million customers during the year through products in health, personal accident and motor insurance segments
- Now provides its products at all branches of Manappuram Group across the country
- Improved 13 months persistency to 70% and settled 88% of claims reported



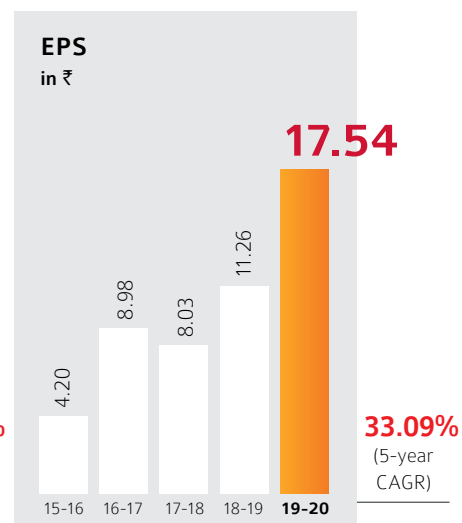
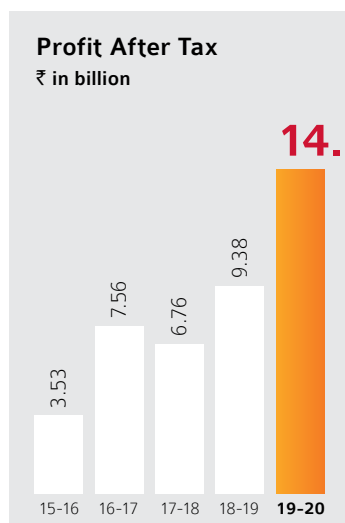
## Key performance indicators

# Resilient progress

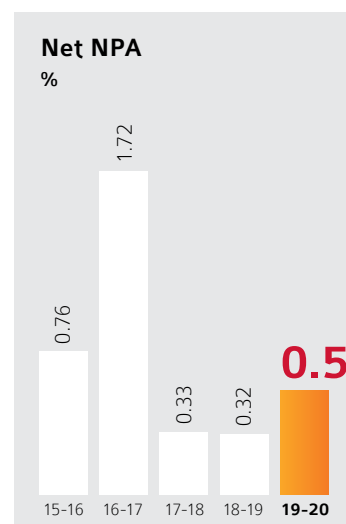
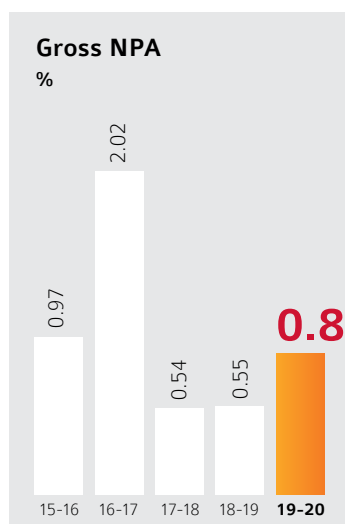
### KEY FINANCIAL METRICS (CONSOLIDATED)



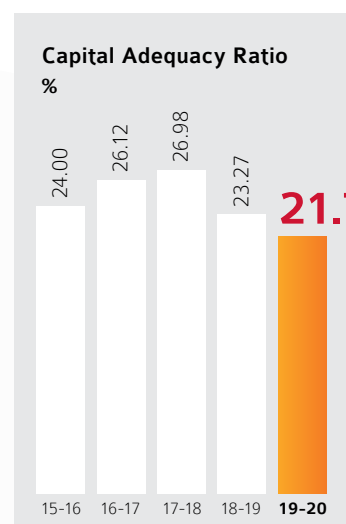
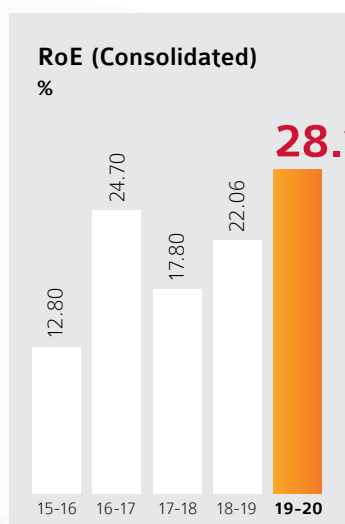




## ASSET QUALITY METRICS



## KEY RATIOS



## MD & CEO's message

# Resilient performance amid challenges



*Dear Shareowners,*

I am delighted to share with you our 28th Annual Report for the financial year ending March 31, 2020. The trust of our customers and the dedication of our employees helped us achieve extraordinary results. Our consolidated AUM grew by 30% to ₹ 252 billion, and net profit improved by 56% to ₹ 14,803 million. The gold loan business continues to grow even as our new business verticals grow faster. Non-gold verticals now contribute 33% of our consolidated AUM.

The gold loan market is expected to reach ₹ 4,617 billion by 2022 at a five-year compounded annual growth rate (FY18 to FY22) of 13.4% according to a recent KPMG report. The report highlights the fact that gold loan companies need to increasingly address the risk of gold price volatility by offering more variants of shorter tenure loan products of 3-6 months. Incidentally, short-term gold loan products were first introduced by your Company in 2014.

During the last few weeks of the FY20, we started to see the impact of COVID-19. An unprecedented nationwide lockdown was imposed in India. Our senior management and IT team mobilised with speed, offering a digital platform to our customers, and enabling work from home for our employees. Our focus has been, and remains, the safety of our employees, the delivery of uninterrupted service to our customers, and the financial wellbeing of the Company.

### Resilient to economic downturns

As COVID-19 continues to spread and wreak havoc, the global economy has run into serious headwinds. Stock market indices around the world plunged, regaining some ground only recently after central banks had announced vigorous stimulus measures.

Most major economies are now expected to head into a recession this year. In India, the BSE Sensex and NIFTY lost more than a third of its value at one time. As a crisis of confidence gripped

the markets, banks and Non-Banking Financial Company (NBFCs) suffered even greater erosion in their share prices. However, even at the height of the gloom, we remained confident about the fundamental strength of our business model with gold loans at its core. Our confidence was based on our experience dealing with periods of economic stress.

During an economic crisis, the wider financial services sector (banks and non-banks) is always put to severe stress

and their lending activity slows down as the appetite for risk and disbursing new loans declines. With few other options available, gold loans become the natural fallback for borrowers who are denied access to their regular channels. Further, the tendency among governments and central banks to respond to such crises by infusing liquidity and fiscal stimulus drives international gold prices higher. Given this natural impetus towards higher gold prices, it becomes an additional boost for the gold loans business.