

February 14, 2012

**CARE REVISES THE RATINGS ASSIGNED TO NCD ISSUES OF  
MANAPPURAM FINANCE LTD AND PLACES THE RATING ON CREDIT WATCH**

**Ratings**

<b>Instrument</b>	<b>Amount (Rs. Crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Non-Convertible Debenture	500.00	CARE A+ (Single A Plus) (Under Credit Watch)	Revised from CARE AA- (Double A Minus)
Non-Convertible Debenture	750.00	CARE A+ (Single A Plus) (Under Credit Watch)	Revised from CARE AA- (Double A Minus)
Non-Convertible Debenture	300.00	CARE A+ (Single A Plus) (Under Credit Watch)	Revised from CARE AA- (Double A Minus)

CARE has revised the long term ratings of Manappuram Finance's non convertible debentures aggregating to Rs.1,550 crore from 'CARE AA-' [Double A Minus] to 'CARE A+' [Single A Plus]. Further, the ratings have been placed on Credit Watch.

The rating revision follows the Reserve Bank of India's (RBI) press release, issued on Feb 6, 2012, that stated that Manappuram Finance Limited (MAFIL) and Manappuram Agro Farms (MAGRO, a proprietorship firm of Mr. V P Nandakumar, the executive chairman and promoter of MAFIL), cannot accept public deposits. RBI further stated that any acceptance of deposits by MAFIL or MAGRO is punishable with imprisonment. RBI's letter raises concerns regarding non adherence to regulations, corporate governance and operational issues of MAFIL, as its branches were used to collect deposits by MAGRO.

MAFIL became a non deposit accepting company from March 22, 2011 and had deposits of Rs.1.24 crore as on March 31, 2011 (held in an escrow account of a nationalized bank). As on Feb 8, 2012, Rs.0.09 crore remain deposited in the escrow account of a nationalized bank with the balance amount repaid.

As per the discussions with the management, public deposits held outstanding in MAGRO as on Feb 10, 2012 were Rs.126.4 crore, which MAGRO intends to repay in a time bound manner.

CARE notes that on Feb 10, 2012, the Board of MAFIL constituted an independent committee of its members to review proposals on improving the processes and corporate governance of the company. The Board also appointed an independent legal counsel and accounting firm to assist the independent committee in the exercise.

CARE has put the ratings on credit watch and will closely monitor the efforts of MAFIL on addressing the regulatory and corporate governance issues highlighted in RBI's press release.

The ratings continue to factor in MAFIL's strong capitalization, healthy profitability and good asset quality supported by the highly liquid underlying security of gold. The resource profile is concentrated towards bank funding however, within the same it is well-diversified across banks.

The rating is however constrained by concentration in a single asset class and low seasoning of the portfolio due to substantial growth in the past few years. Rating is further constrained by concentration of business in southern India; however it is mitigated to some extent as within southern India the business is well-diversified.

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

### **Company Background**

Manappuram Finance Limited (MAFIL) is one of the largest gold loan companies in India (operating from Valapad, Kerala) with AUM of Rs.12,273 crore as of Dec 31, 2011. The company operates through 2,737 branches spread across 24 states / union territories of India (as of Dec 31, 2011). Gold loans account for more than 99% of its business. As per audited results for FY11 (refers to the period April 1 to March 31), the company reported net profit of Rs.283 crore on a total income of Rs.1,182 crore. In 9MFY12, the company reported a net profit of Rs.405 crore on a total income of Rs.1,852 crore.

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*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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