

**Manappuram Finance Limited**  
 September 08, 2021

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	6,044.39	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	2,955.61	CARE A1+ (A One Plus)	Reaffirmed
<b>Total Bank Facilities</b>	<b>9,000.00</b> (Rs. Nine thousand crore only)		
Non-Convertible Debentures – IV	100.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures – V	948.54 (Reduced from 972.20)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures – VI	1,050.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures – VII	500.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures – VIII	100.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures – IX	250.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures - X	125.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
<b>Total Long-term Instruments</b>	<b>3,073.54</b> (Rs. Three thousand seventy three crore and fifty four lakh only)		
Commercial Paper	4,000.00	CARE A1+ (A One Plus)	Reaffirmed
<b>Total Short-term Instruments</b>	<b>4,000.00</b> (Rs. Four thousand crore only)		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

*The ratings assigned to the bank facilities and debt instruments of Manappuram Finance Limited (MAFIL) factor in long track record of operations and the established market position of MAFIL as one of the leading players in the gold loan industry in India, experienced promoters and management team, healthy profitability indicators, good asset quality, comfortable capitalisation levels, diversified resource profile and adequate risk management and management information systems in place.*

*The ratings are, however, constrained by product concentration on a single asset class, exposure to price of gold and geographical concentration of the loan portfolio. The ratings also take note of limited track record in the vehicle and corporate loan portfolio and increasing competition from banks in gold loan business.*

**Rating Sensitivities****Positive Factors: Factors that could, individually or collectively, lead to positive rating action/upgrade**

- Increase in the scale of operations with improvement in geographical and product diversification along with stable asset quality

**Negative Factors: Factors that could, individually or collectively, lead to negative rating action/downgrade**

- Weakening of asset quality parameters with gross non-performing asset (GNPA) of above 3% on

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

- sustained basis
- Weakening of capital adequacy levels with capital adequacy ratio (CAR) falling below 20% on sustained basis

### **Detailed description of the key rating drivers**

#### **Key Rating Strengths**

##### ***Long track record and established market position***

MAFIL has an established track record of operations for more than 25 years in the gold loan financing segment and has consequently established a strong brand image in the market. MAFIL is the second-largest gold loan non-banking finance company (NBFC) in India. The company's consistent efforts in advertising and branding strategy have increased its brand recall significantly amongst customers. As on March 31, 2021, MAFIL had 3,524 branches spread across India with assets under management (AUM) of Rs.20,573 crore.

##### ***Experienced promoters and management team***

The promoters have been in the gold loan business for more than six decades. The business was founded by Mr V. C. Padmanabhan in 1949 and in 1986, Mr V. P. Nandakumar took over the business. Later in 1992, MAFIL was incorporated to expand the group's presence in gold loan business by opening branches pan India with 3,524 branches as on March 31, 2021. The day-to-day operations are looked after by a team of professionals overseen by the Board which comprises majority of independent directors with extensive experience in the NBFC sector. Mr Jagdish Capoor (former Deputy Governor, RBI and former Chairman of HDFC Bank) who had joined the Board in July 2010, has been the Chairman since May 2012.

##### ***Healthy profitability***

Overall portfolio grew by 10% during FY21 (refers to the period April 01 to March 31) aided by relatively moderate growth majorly in the gold loan segment. Gold loan portfolio grew by 12% during FY21; on tonnage basis, gold holding (pledged) de-grew by 10% from 72.4 tonnes as on March 31, 2020 to 65.3 tonnes as on March 31, 2021. In June 30, 2021, the tonnage further dropped to 58.1 tonnes due to combination of (1) auctioning of loan accounts with aggregate tonnage of 4.5 tonnes (2) losing high ticket size customers to bank and (3) difficulty in adding new customers due to Covid-19 pandemic.

NIM has seen slight moderation from 13.99% in FY20 to 13.78% in FY21, mainly on the account of increase in the cost of borrowings from 9.01% in FY20 to 9.42% in FY21.

Operating expenses to average total assets decreased from 5.78% in FY20 to 4.33% in FY21 mainly with decrease in security expenses and the reduction in overall Opex due to the Covid-19 pandemic. PPOP increased from Rs.1,765 crore in FY20 to Rs.2,399 crore during FY21. With reduction in opex, return on total assets (ROTA) has increased from 5.94% in FY20 to 6.85% in FY21.

##### ***Good asset quality though witnessed moderation in FY21 on account of impact of COVID-19***

Due to shorter tenure, secured nature of the gold loans and timely auction, MAFIL was able to maintain asset quality of gold loan book at comfortable levels. MAFIL reported GNPA and NNPA of 1.92% and 1.54% as on March 31, 2021, as against GNPA and NNPA of 0.88% and 0.47% as on March 31, 2020. The company has auctioned off around 4.2 tonnes of gold during Q1FY22. However, the company suffered an interest loss of around Rs.160 crore in auction. GNPA and NNPA as on June 30, 2021, stood at 1.96% and 1.62%, respectively. Gold loan 90+dpd stood at 1.60% as on March 31, 2021, against 0.30% as on March 31, 2020. During FY21, the company has restructured loans amounting Rs.87.78 crore and Rs.65.73 crore in Q1FY22 (aggregating 0.86% of AUM as on June 30, 2021). The company has limited track record and low seasoning in vehicle finance segment and performance through different economic cycles is yet to be established in this segment.

##### ***Comfortable capitalization level***

The capitalization level continues to be comfortable aided by healthy internal accruals over the last few years. CAR and Tier 1 CAR as on March 31, 2021, stood at 29.02% and 28.74% as against 21.74% and 21.41% as on March 31, 2020. Overall gearing as on March 31, 2021 stood at 2.71 times as against 3.26 times as on March 31, 2020. CAR is likely to remain comfortable over the medium term.

##### ***Adequate risk management and management information systems in place***

MAFIL has put in place adequate risk management systems. Branch employees have been trained to appraise gold jewellery provided as security against loan by prospective borrowers. The company has implemented systems for ensuring the gold security and reducing the custodial risks, including highly secured vaults with dual control and insurance of gold. All the branches are monitored by surveillance cameras. The core gold loan

application software, which was developed in-house by MAFIL team, is used by the branches and is linked to the financial software. Furthermore, all the branches are inter-connected which helps the company to extract various reports for monitoring all the branches on a day-to-day basis. It is worthwhile to note that MAFIL has developed app-based (web and mobile) application for re-pledge and closure of gold loans. The presence of adequate Information Technology and MIS ensures smooth functioning of operations and helps the senior management in exercising effective control of its operations.

***Diversified resource profile; share of market borrowings increased in last two fiscals***

MAFIL has fairly diversified funding profile with access towards funding from banks and market instruments like NCDs and commercial paper. As on March 31, 2021, the company's funding profile consisted of bank borrowings at 42% of the total borrowings (PY: 56%) of overall funding mix, followed by NCDs at 37% (PY: 17%), external commercial borrowings (ECBs) at 14% (PY: 15%) and commercial paper at 6% (PY: 11%). During FY20 and FY21, there has been increase in the long-term borrowings in the form of NCDs and term loans from banks and reduction in short-term borrowings. Share of NCDs has increased from 12.41% as on March 31, 2019, to 17.38% as on March 31, 2020 and further to 37.36% as on March 31, 2021. Due to availability of excess liquidity, during FY21, the company has preclosed a few high cost loans. However, due to relatively high cost of ECB borrowings which was mobilised in January 2020, interest expenses to average assets increased from 9.01% in FY20 to 9.42% in FY21.

**Key Rating Weaknesses**

***Product concentration of gold loans notwithstanding increase in share of non-gold loan segments in the past four years***

As on March 31, 2021, gold loans constituted around 94% of the portfolio as against 90% as on March 31, 2020. As a part of diversification strategy, during FY15, MAFIL has ventured into vehicle finance and other segments. The vehicle finance portfolio stood at Rs.1,053 crore as on March 31, 2021 as against Rs.1,344 crore as on March 31, 2020, and vehicle finance portfolio stood at Rs.1,045 crore as on June 30, 2021.

The company also built corporate loan portfolio wherein it lends only to NBFCs which stood at Rs.184 crore as on March 31, 2021, against Rs.584 crore as on March 31, 2020. MAFIL performs due diligence on these companies on regular basis. In addition to in-house team, it also uses the service of well-established third party for due diligence.

MAFIL has presence in microfinance and housing finance segments through its subsidiaries, namely, Asirvad Microfinance Limited (AMFL; rated 'CARE A+; Stable') and Manappuram Home Finance Private Limited (MHFL; rated 'CARE AA-; Stable'). MHFL is a wholly-owned subsidiary of MAFIL, whereas MAFIL holds 94.79% in AMFL as on March 31, 2021. MAFIL has been infusing equity into the subsidiaries on need basis. As on March 31, 2021, AMFL and MHFL has AUM of Rs.5,663 crore and Rs.674 crore, respectively. On consolidated basis, non-gold loan business accounted for 30% of portfolio as on March 31, 2021 (PY: 33%).

***Geographical concentration***

MAFIL has pan-India presence with its 3,524 branches as on March 31, 2021. Over the past few years, the gold loans portfolio as a percentage of AUM in south India has been decreasing. As on March 31, 2021, southern states constituted around 60% of the total portfolio.

***Impact of Covid-19***

There were state-wise restriction on the operations of branches due to second wave of Covid-19 pandemic during Q1FY21. The state-wise lock downs did impact the business of the company in some of the regions and the disbursement and collections were lower in Q1FY22 compared with pre-Covid levels.

***Increasing competition from banks in gold loan business***

During FY21, as a one-time measure to help public/borrower at large, RBI has relaxed LTV norms for banks wherein banks were allowed to extend loans at LTV of 90% (till March 31, 2021) as against regular LTV norm of 75%. Furthermore, due to the unfavourable economic environment with limited credit growth opportunities, many of the banks have increased the focus on gold jewelry loan. As per sectoral deployment of credit (source: RBI), gold jewelry loan extended by banks has increased from Rs.33,450 crore in March 27, 2020 to Rs.59,590 crore in March 26, 2021 and further to Rs.62,221 crore in June 18, 2021. Same can be attributed to increase in the gold prices from Rs.4,330 per gram as on March 31, 2020 to Rs.5,141 per gram as on August 07, 2020 and higher LTV offered by banks. In respect of MAFIL, tonnage of gold holdings (underlying security) has declined from 72.4 tonnes as on March 31, 2020 to 65.3 tonnes as on March 31, 2021 and further to 58.1 tonnes in June

30, 2021. As stated earlier, steep drop in AUM and Tonnage of MAFIL were due to factors explained earlier in this report. Quantum of loans with ticket size above Rs.2 lakh has increased from Rs.1,191 crore as on March 31, 2018 to Rs.3,742 crore as on March 31, 2021. However, same declined to Rs.3,010 crore as on June 30, 2021. In view of limited credit growth opportunities faced by the bank and the ability to offer loans at much lesser interest rate, the ability of MAFIL to attract such customers is critical to its AUM growth and remains key monitorable.

**Liquidity: Adequate**

The liquidity profile of MAFIL remained adequate with no cumulative mismatch in any of the time brackets in ALM as on June 30, 2021, due to shorter tenure of loan and relatively longer tenure of the borrowings. The company had cash, bank balance and liquid investments of around Rs.2,104 crore as on June 30, 2021. As on July 31, 2021, the company has un-availed lines of credit of Rs.5,919 crore mainly in the form of CC and working capital demand loan (WC DL).

**Analytical approach:** Standalone

**Applicable Criteria:**

[Criteria on assigning Outlook and Credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[CARE's Rating Methodology for Non-Banking Finance Companies \(NBFCs\)](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

**About the Company**

Manappuram Finance Limited (MAFIL) is an NBFC registered with RBI as non-deposit accepting loan company, headquartered in Valapad, Kerala. MAFIL is promoted by Mr V.P. Nandakumar in 1992 and as on March 31, 2021, the promoters' stake in MAFIL stood at 34.99%. The company is listed in BSE and NSE. Other major stake holders of MAFIL are Quinag Acquisition (Fpi) Ltd (9.90%), DSP Investment Managers Pvt Ltd (5.83%), Fidelity Investment Trust Fidelity Series Emerging Markets Opportunities Fund (3.69%) and the rest is held by FIIs and Public.

The company offers loan against used jewellery/ gold ornaments and it constitutes around 93% of AUM as on June 30, 2021. During FY15, the company has ventured into vehicle financing and it constitutes 5% of AUM as on June 30, 2021. Rest of the AUM includes corporate NBFC loans and it stood at 1% as on June 30, 2021. The company has AUM of Rs.20,573 crore as on March 31, 2021, and has AUM of Rs.18,035 crore as on June 30, 2021.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total income	4,352	5,194
PAT	1,230	1,698
Interest coverage (times)	2.21	2.32
Total Assets	23,851	25,745
Net NPA (%)	0.47	1.54
ROTA (%)	5.94	6.85

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Complexity level of various instruments rated for this company:** Annexure-3

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	June 2023	1769.39	CARE AA; Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	-	2955.61	CARE A1+
Fund-based - LT-Cash Credit	-	-	-	-	4275.00	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AH1	November 29, 2018	9.60%	November 29, 2021	27.44	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AI9	November 29, 2018	10.00%	November 29, 2023	57.42	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AK5	November 29, 2018	10.00%	November 29, 2021	21.75	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AL3	November 29, 2018	10.40%	November 29, 2023	30.00	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AN9	November 29, 2018	Zero Coupon	November 29, 2021	19.39	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AO7	November 29, 2018	Zero Coupon	November 29, 2023	14.80	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AP4	November 29, 2018	Zero Coupon	November 29, 2025	39.77	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AU4	March 06, 2019	9.35%	March 06, 2022	15.31	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AV2	March 06, 2019	9.75%	March 06, 2024	28.50	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AW0	March 06, 2019	9.75%	March 06, 2022	16.60	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AX8	March 06, 2019	10.15%	March 06, 2024	20.54	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AY6	March 06, 2019	Zero Coupon	March 06, 2022	17.47	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07AZ3	March 06, 2019	Zero Coupon	March 06, 2024	8.99	CARE AA; Stable
Debentures-Non Convertible Debentures-V	INE522D07BA4	March 06, 2019	Zero Coupon	May 05, 2026	20.48	CARE AA; Stable
Debentures-Non Convertible Debentures-	-	-	-	-	610.08	CARE AA; Stable

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
V (Proposed)						
Debentures-Non Convertible Debentures-V	INE522D07AJ7	-	-	-	-	-
Debentures-Non Convertible Debentures-V	INE522D07AM1	-	-	-	-	-
Debentures-Non Convertible Debentures IV & VI	INE522D07BF3	February 14, 2020	9.25%	February 14, 2023	425.00	CARE AA; Stable
Debentures-Non Convertible Debentures - VI	INE522D07BG1	February 14, 2020	9.25%	February 14, 2022	725.00	CARE AA; Stable
Debentures-Non Convertible Debentures-VII	INE522D07BI7	May 08, 2020	9.00%	May 08, 2023	100.00	CARE AA; Stable
Debentures-Non Convertible Debentures VII & VIII	INE522D07BJ5	June 01, 2020	9.10%	June 01, 2023	500.00	CARE AA; Stable
Debentures-Non Convertible Debentures - IX	INE522D07BK3	June 12, 2020	8.75%	December 12, 2021	250.00	CARE AA; Stable
Debentures-Non Convertible Debentures - X	INE522D07BN7	July 09, 2020	9.50%	July 09, 2030	125.00	CARE AA; Stable
Commercial Paper	-	-	-	7 days to 1 year	4000.00	CARE A1+

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (05-Jul-19)	1)CARE AA; Stable (06-Jul-18)
2.	Fund-based - LT-Term Loan	LT	1769.39	CARE AA; Stable	-	1)CARE AA; Stable (09-Sep-20) 2)CARE AA; Stable (28-Apr-20)	1)CARE AA; Stable (10-Sep-19) 2)CARE AA; Stable (05-Jul-19) 3)CARE AA; Stable (19-Jun-19)	1)CARE AA; Stable (06-Jul-18)
3.	Fund-based - ST-	ST	2955.61	CARE	-	1)CARE	1)CARE A1+	1)CARE A1+

	Working Capital Demand loan			A1+		A1+ (09-Sep-20) 2)CARE A1+ (28-Apr-20)	(10-Sep-19) 2)CARE A1+ (05-Jul-19) 3)CARE A1+ (19-Jun-19)	(06-Jul-18)
4.	Fund-based - LT-Cash Credit	LT	4275.00	CARE AA; Stable	-	1)CARE AA; Stable (09-Sep-20) 2)CARE AA; Stable (28-Apr-20)	1)CARE AA; Stable (10-Sep-19) 2)CARE AA; Stable (05-Jul-19) 3)CARE AA; Stable (19-Jun-19)	1)CARE AA; Stable (06-Jul-18)
5.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (05-Jul-19)	1)CARE AA; Stable (06-Jul-18)
6.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (05-Jul-19)	1)CARE AA; Stable (06-Jul-18)
7.	Commercial Paper-Commercial Paper (Standalone)	ST	4000.00	CARE A1+	-	1)CARE A1+ (09-Sep-20)	1)CARE A1+ (10-Sep-19) 2)CARE A1+ (05-Jul-19)	1)CARE A1+ (06-Jul-18)
8.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA; Stable	-	1)CARE AA; Stable (09-Sep-20) 2)CARE AA; Stable (13-Aug-20)	1)CARE AA; Stable (05-Jul-19)	1)CARE AA; Stable (06-Jul-18)
9.	Debentures-Non Convertible Debentures	LT	948.54	CARE AA; Stable	-	1)CARE AA; Stable (09-Sep-20) 2)CARE AA; Stable (13-Aug-20)	1)CARE AA; Stable (05-Jul-19)	1)CARE AA; Stable (21-Aug-18)
10.	Debentures-Non Convertible Debentures	LT	1050.00	CARE AA; Stable	-	1)CARE AA; Stable (09-Sep-20)	1)CARE AA; Stable (11-Feb-20)	-

11.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA; Stable	-	1)CARE AA; Stable (09-Sep-20) 2)CARE AA; Stable (30-Apr-20)	-	-
12.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA; Stable	-	1)CARE AA; Stable (09-Sep-20) 2)CARE AA; Stable (28-May-20)	-	-
13.	Debentures-Non Convertible Debentures	LT	250.00	CARE AA; Stable	-	1)CARE AA; Stable (09-Sep-20) 2)CARE AA; Stable (10-Jun-20)	-	-
14.	Debentures-Non Convertible Debentures	LT	125.00	CARE AA; Stable	-	1)CARE AA; Stable (09-Sep-20) 2)CARE AA; Stable (08-Jul-20)	-	-

**Annexure 3: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Commercial Paper-Commercial Paper (Standalone)	Simple
2.	Debentures-Non Convertible Debentures	Simple
3.	Fund-based - LT-Cash Credit	Simple
4.	Fund-based - LT-Term Loan	Simple
5.	Fund-based - ST-Working Capital Demand loan	Simple

**Note on complexity levels of the rated instrument:** CARE Ratings 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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