





A.K. Stockmart Pvt. Ltd.



**Public Issue of Secured, Redeemable, Non-
Convertible Debentures
Of
MANAPPURAM FINANCE LIMITED
January 28, 2019 -February 27, 2019**





MANAPPURAM FINANCE LIMITED

INVESTMENT RATIONALE

- The issue offers yields ranging from 9.74% to 10.19% depending up on the Category of Investor and the option applied for.
- Credit Rating of "CARE AA/Stable" for an amount of up to Rs 1,000 Crore, by CARE Ratings Limited and "BWR AA+/Stable" for an amount of up to Rs 1,000 Crore, by Brickwork Ratings India Private Limited.
- The NCDs are proposed to be listed on BSE Limited ("BSE"). For the purposes of the Issue, BSE shall be the Designated Stock Exchange.

COMPANY PROFILE

- **Manappuram Finance Limited** (MFL) is one of the major NBFC players in the gold finance business in India. MFL provides loans against the pledge of household and/or used gold jewellery and provide short-term personal and business gold loans ("Gold Loans") primarily to retail customers.
- MFL was incorporated as Manappuram General Finance and Leasing Limited on July 15, 1992, Kerala, under the Companies Act, 1956 as a public limited company. The name of the company was changed to Manappuram Finance Limited pursuant to a fresh certificate of incorporation dated June 22, 2011.
- MFL have decades of established history in the money lending business, mainly in small-scale money lending against household and/or used gold jewellery. It has been in the gold loan financing business since 1999. Historically, the company has also provided other related services, including asset finance, money transfer and foreign exchange, sales of gold coins and business and personal lending.
- MFL's lending functions are supported by an in-house, custom developed information technology platform that allows them to, among other things, record relevant customer details, approve and disburse the loan. The technology platform also handles internal audit, risk monitoring and management of the relevant loan and pledged gold related information.
- MFL's Gold Loan customers are largely individuals from rural, semi-urban areas and metro cities, including, Mumbai, Delhi, Chennai and Bengaluru, who typically require funds for social obligations, emergencies, agriculture-related activities, small scale business operations or consumption purposes.
- The other business verticals of the company include Vehicle and Equipment Finance Business, Payments business, SME business and fee based services including forex and money transfer. Further, MFL has also expanded into other business verticals such as microfinance business through its Subsidiary AML, housing finance business through its subsidiary MHFL and insurance broking through its Subsidiary MAIBRO.
- In the Fiscal Years 2014, 2015, 2016, 2017 and 2018 and the six month period ended September 30, 2018, the total consolidated revenue was Rs. 2,111.83 crore, Rs.1,993.43 crore, Rs. 2,373.83 crore, Rs. 3,408.92 crore, Rs. 3,476.56 crore and Rs. 1974.70 crore, respectively, and the consolidated profit for the year for same periods was Rs. 225.98 crore, Rs. 271.32 crore, Rs. 353.37 crore, Rs. 755.85 crore, Rs. 670.89 crore and Rs. 423.99 crore, respectively.
- In the Fiscal Years 2014, 2015, 2016, 2017 and 2018 and the six month period ended September 30, 2018, interest income from the Gold Loan business constituted 97.00%, 97.00%, 91.00%, 86.00%, 79.90% and 76.31%, respectively, of the total revenue.
- As of March 31, 2014, 2015, 2016, 2017 and 2018 and the six month period ended September 30, 2018, the portfolio of Gold Loans under management in principal amount was Rs. 8,155.24 crore, Rs. 9,214.58 crore, Rs. 10,080.63 crore, Rs. 11,124.53 crore, Rs. 11,734.98 crore and Rs. 12,592.76 crore, respectively.
- Gross non-performing Gold Loans assets were 1.22%, 1.18%, 0.97%, 2.01%, 0.39% and 0.49% of the Gold Loans portfolio as of March 31, 2014, 2015, 2016, 2017 and 2018 and the six months period ended September 30, 2018, respectively. In the Fiscal Years 2014, 2015, 2016, 2017, 2018 and the six month period ended September 30, 2018, interest income from other businesses excluding income from bank and other deposits and Gold Loans constituted 0.01%, 0.57%, 6.27%, 11.59%, 15.87% and 20.77% respectively, of the total revenue on a consolidated basis.

Source: Shelf Prospectus dated October 16, 2018 and Tranche 2 Prospectus dated January 21, 2019

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STRENGTHS

- ***One of the major players in the gold financing business in India with a long operating history***

MFL have been engaged in the business of gold loan financing since 1999. It has, over the years, been successful in establishing its brand name, as well as expanding the customer base to different geographical locations across India. Total number of Gold Loan customers grew from 1.51 million as of March 31, 2014 to 2.25 million as of March 31, 2018. MFL attribute the growth, in part, to the market penetration, particularly in areas less served by organized lending institutions and the efficient and streamlined procedural formalities which the customers need to complete in order to complete a loan transaction with the company, which makes MFL a preferred mode of finance for the customers.

- ▮ ***Flexible loan schemes, high quality customer service and short response time***

Depending on the needs of each customer, MFL is able to customize loans for customers in terms of the loan amount, advance rate per gram of gold and interest rate. Company also allows customers to prepay their loans availed from them without penalty. Further, company also provides shorter tenure loans with tenure ranging from three months which can be extended up to 12 months at the discretion of the Company, to facilitate lower interest burden on the customers. Furthermore, since loans are all collateralized by gold jewellery, there are minimal documentary and credit assessment requirements, which also shorten turnaround time.

- ▮ ***Geographical reach of Manappuram Finance Limited branch network***

The company has steadily expanded branch network in the past, total number of branches of MFL grew from 3,293 branches in 27 states and union territories as at March 31, 2014 to 3,330 branches in 28 states and union territories as at September 30, 2018. Although company has historically had most of branches in the southern states of India, it has expanded branch network to the northern states and currently has 439 branches in other parts of India. Customers are typically retail customers, small business persons, vendors, traders, farmers and salaried individuals, who for reasons of convenience, accessibility or necessity, avail credit facilities by pledging their gold rather than taking loans from banks and other financial institutions.

- ▮ ***Strong capital raising ability and high credit rating***

Company has track record of successfully raising capital from a variety of sources, including through debt and equity financing. As of June 30, 2018, Baring India Private Equity Fund II Limited, Baring India Private Equity Fund III Listed Investments Limited and BRIC II Mauritius Trading have remained invested in the Company. MFL has also raised capital by issuance of non-convertible debentures, issuance of commercial paper and availing term loans and cash credit facilities from banks including working capital term loans.

- ▮ ***Robust support system and IT infrastructure, including appraisal, internal audit and inventory control and safety systems***

IT infrastructure has been developed in house and linked network of branches across the country with the head office. MFL migrated to a .NET platform in December 2008 and have reaped benefits in the form of minimizing errors, faster transmission of data and risk monitoring. Management has also benefited from availability of real time information. In addition, technology platform has helped develop an effective risk based internal control system and internal audit. MFL also has a disaster recovery system located outside of Kerala which replicates data on a real time basis.

- ▮ ***In-house training capabilities to meet the requirements of its branches***

Company focusses on building a strong leadership pipeline that can elevate the company to the next growth trajectory. MFL's employees, being a mix of youth and experience, are customer-centric, focused and forward looking in their approach. Employees also receive training through various skill advancement programmes and educational programmes including management development programme, executive development programme and company sponsored courses in business administration.

- ▮ ***Experienced Management Team and Skilled Personnel***

MFL's key Managerial Personnel on an average have over 21 years of experience. Directors have extensive experience in the gold loan business and the Company believes that their considerable knowledge of, and experience in, the industry enhances company ability to operate effectively. MFL's staff, including professionals, covers a variety of disciplines, including gold appraisal, internal audit, technology, accounting, marketing and sales. Some of key management personnel have been employed since the inception. Management has experience in identifying market trends and suitable locations for expanding and setting up branches to suit target customers.

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ISSUE STRUCTURE

Issuer	Manappuram Finance Limited						
Lead Managers	A. K. Capital Services Limited and Edelweiss Financial Services Limited						
Type and nature of instrument and seniority	Secured, redeemable, non-convertible debentures of face value of Rs. 1,000 each.						
Base Issue	Rs.150 crores						
Option to retain Oversubscription Amount	Up to Rs.587 crores, which is within the Shelf Limit of Rs.1,000 crores						
Face Value (in Rs./ NCD)	Rs.1000						
Issue Price (in Rs./ NCD)	Rs.1000						
Minimum application and in multiples of NCDs thereafter	Rs.10,000 (10 NCDs) collectively across all Series and in multiples of Rs.1,000 (1 NCD) thereafter across all Series						
Mode of Issue	Public Issue						
Issue	Public issue by the Company of secured, redeemable, non-convertible debentures of face value of Rs.1,000 each for an amount aggregating up to Rs.1,000 crores						
Tranche II Issue	Public Issue by the Company of secured, redeemable, non-convertible debentures of face value of Rs.1,000 each (" NCDs "), with a Base Issue size of Rs.150 crores with an option to retain oversubscription up to Rs.587 crores, aggregating up to Rs. 737 Crores (" Tranche II Issue " / " Tranche II Issue Size ") which is within the Shelf Limit of Rs. 1,000 crores						
Tranche II Issue Size	The Base Issue size of the Tranche II Issue is Rs.150 crores with an option to retain oversubscription up to Rs. 587 crores, aggregating up to Rs.737 crores, which is within the Shelf Limit.						
Listing	The NCDs are proposed to be listed on BSE. BSE shall be the Designated Stock Exchange for the Issue. The NCDs shall be listed within six Working Days from the Tranche II Issue Closing Date.						
Mode of Allotment and Trading	Compulsorily in dematerialised form						
Market / Trading Lot	One NCD						
Depositories	NSDL and CDSL						
Security and Security Cover	The principal amount of the NCDs to be issued in terms of the Shelf Prospectus together with all interest due on the NCDs, subject to any obligations under applicable statutory and/or regulatory requirements shall be secured by a first ranking <i>pari passu</i> charge by way of a mortgage over the Company's specific immovable property and a first ranking <i>pari passu</i> charge on all current assets, book debts, receivables (both present and future) of the Company, created in favour of the Debenture Trustee, as specifically set out in and fully described in the Debenture Trust Deed, except those receivables specifically and exclusively charged in favour of certain existing charge holders, such that a security cover of 100% of the outstanding principal amounts of the NCDs and interest thereon is maintained at all time until the Maturity Date.						
Credit Ratings	Rating agency		Instrument	Rating symbol	Date of credit rating letter	Amount rated (Rs. crores)	Rating definition
	Brickwork India Private Limited	Ratings	Secured, redeemable non-convertible debentures	'BWR AA+' / Stable	August 29, 2018, revalidated by letter dated October 11, 2018 and further revalidated by letters dated December 24, 2018 and January 21, 2019	Rs.1,000 crores	Stable
	CARE Ratings Limited		Secured, redeemable non-convertible debentures	'CARE AA' / Stable	August 20, 2018, revalidated on September 17, 2018 and further revalidated by letters dated October 8, 2018, December 26, 2018 and January 21, 2019	Rs.1,000 crores	Stable
Application money	The entire application amount is payable on submitting the Application.						
Record Date	The Record Date for payment of interest in connection with the NCDs or repayment of principal in connection therewith shall be 15 days prior to the date on which interest is due and payable, and/or the date of redemption. Provided that trading in the NCDs shall remain suspended between the aforementioned Record Date in connection with redemption of NCDs and the date of redemption or as prescribed by the Stock Exchange, as the case may be. In case Record Date falls on a day when Stock Exchange is having a trading holiday, the immediate subsequent trading day or a date notified by the Company to the Stock Exchange, will be deemed as the Record Date.						
Day count convention	Actual/Actual.						
Tranche II Issue Opening Date	28-Jan-19						
Tranche II Issue Closing Date*	27-Feb-19						
Default interest rate	The Company shall pay interest in connection with any delay in allotment, refunds, listing, dematerialized credit, execution of Debenture Trust Deed, payment of interest, redemption of principal amount beyond the time limits prescribed under applicable statutory and/or regulatory requirements, at such rates as stipulated/ prescribed under applicable laws.						
Put/Call Date/Price/notification time	Not applicable.						
Deemed Date of Allotment	The date on which the Board or the Debenture Committee approves the Allotment of the NCDs for the Tranche II Issue. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment. All benefits relating to the NCDs including interest on NCDs shall be available to the Debenture holders from the Deemed Date of Allotment.						

*The Tranche II Issue shall remain open for subscription on Working Days from 10:00 a.m. to 5:00 p.m., during the period indicated in the Tranche II Prospectus, except that the Tranche II Issue may close on such earlier date or extended date as may be decided by the Board. In the event of such an early closure or extension subscription list of the Tranche II Issue, the Company shall ensure that notice of such early closure or extension is given to the prospective investors through an advertisement in a national daily newspaper with wide circulation on or before such earlier date or extended date of closure. Applications Forms for the Tranche II Issue will be accepted only from 10:00 a.m. till 5:00 p.m. or such extended time as may be permitted by BSE, on Working Days during the Issue Period. On the Tranche II Issue Closing Date, Application Forms will be accepted only between 10:00 a.m. to 3:00 p.m. and uploaded until 5:00 p.m. or such extended time as may be permitted by BSE.

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THE SPECIFIC TERMS AND CONDITIONS WITH EACH SERIES OF NCDs

Series	I	II	III	IV	V	VI	VII
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Frequency of Interest Payment	Monthly	Monthly	Annual	Annual	NA	NA	NA
Tenor	36 months	60 months	36 months	60 months	36 months	60 months	2,617 days
Coupon (%) for all Investor categories *	9.35%	9.75%	9.75%	10.15%	NA	NA	NA
Effective Yield (per annum) (Approx.) for all Investor categories *	9.75%	10.19%	9.74%	10.14%	9.75%	10.15%	10.15%
Redemption amount (Rs. per NCD)	1,000.00	1,000.00	1,000.00	1,000.00	1,322.30	1,622.38	2,000.00
Put and call option	NA						
Redemption Date (Years from the Deemed Date of Allotment)	36 months	60 months	36 months	60 months	36 months	60 months	2,617 days
Minimum Application and in multiples thereafter	Rs. 10,000 (10 NCDs) collectively across all Series and in multiples of Rs. 1,000 (1 NCD) thereafter						
Face Value / Issue Price (Rs./ NCD)	Rs. 1,000 (1 NCD)						
Mode of Interest Payment	Through various options available						

**The Company shall allocate and allot Series IV NCDs wherein the Applicants have not indicated their choice of the relevant NCD Series.*

ALLOCATION RATIO

Institutional Portion	Non-Institutional Portion	High Net-worth Individual Category Portion	Retail Individual Category Portion
10% of the Issue Size	10% of the Issue Size	30% of the Issue Size	50% of the Issue Size

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MODES OF MAKING APPLICATIONS

Mode of Submission of Application Forms	To whom the Application Form has to be submitted
ASBA Applications	(i) If using physical Application Form, (a) to the Designated Intermediaries at relevant Collection Centres, or (b) to the Designated Branches of the SCSBs where the ASBA Account is maintained; or (ii) If using electronic Application Form, to the SCSBs, electronically through internet banking facility, if available.

INVESTOR CATEGORIES AND ALLOTMENT

Category I	Category II	Category III	Category IV
Institutional Investors	Non Institutional Investors	High Net-worth Individual, ("HNIs"), Investors	Retail Individual Investors
<ul style="list-style-type: none"> Public financial institutions, scheduled commercial banks, co-operative banks and Indian multilateral and bilateral development financial institutions which are authorised to invest in the NCDs; Provident funds and pension funds with a minimum corpus of Rs 250 million, superannuation funds and gratuity funds, which are authorised to invest in the NCDs; Alternative Investment Funds, subject to investment conditions applicable to them under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012; Resident Venture Capital Funds registered with SEBI; Insurance companies registered with the IRDAI; State industrial development corporations; Insurance funds set up and managed by the army, navy, or air force of the Union of India; Insurance funds set up and managed by the Department of Posts, the Union of India; Systemically Important Non-Banking Financial Company registered with the RBI and having a net-worth of more than Rs 5,000 million as per the last audited financial statements National Investment Fund set up by resolution no. F.No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; and Mutual funds registered with SEBI 	<ul style="list-style-type: none"> Companies within the meaning of Section 2(20) of the Companies Act, 2013; statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs; Co-operative banks and regional rural banks; Trusts including public/private charitable/religious trusts which are authorised to invest in the NCDs; Scientific and/or industrial research organisations, which are authorised to invest in the NCDs; Partnership firms in the name of the partners; and Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009). Association of Persons; and Any other incorporated and/ or unincorporated body of persons 	<ul style="list-style-type: none"> High Net-worth Individual Investors - Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs 10,00,000 across all options of NCDs in this Issue 	<ul style="list-style-type: none"> Retail Individual Investors - Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs10,00,000 across all options of NCDs in this Issue.

APPLICATIONS CANNOT BE MADE BY

- Minors without a guardian name* (A guardian may apply on behalf of a minor. However, the name of the guardian will also need to be mentioned on the Application Form);
- Foreign nationals;
- Persons resident outside India;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Non Resident Indians;
- Qualified Foreign Investors;
- Overseas Corporate Bodies**;
- Foreign Venture Capital Funds; and
- Persons ineligible to contract under applicable statutory/ regulatory requirements.

* Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872

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Key Operational and Financial Parameters on a consolidated basis (unless otherwise specified):**(Rs. Crore)**

Parameters	Fiscal 2016	Fiscal 2017	Fiscal 2018	Six month period ended 30-Sep-18
Networth*	2,758.04	3,361.80	3,836.20	4143.49
Total debt of which:				14034.64
Non-current maturities of long term borrowings	1,600.01	3,122.41	2,696.25	2734.59
Current maturities of long term borrowings	1,270.50	1,582.78	2,072.54	2329.06
Short term borrowings	6,767.42	6,280.94	7,827.47	8971.00
Net fixed assets of which:				288.84
Tangible Asset	191.55	183.21	269.15	267.12
Intangible Asset	3.22	3.11	5.29	21.72
Non-current assets	946.11	1,242.47	1,846.60	2103.24
Cash and cash equivalents	604.48	555.43	698.65	367.50
Current investments	44.01	-	-	-
Current assets	11,893.05	13,909.88	15,385.86	16,676.03
Current liabilities	8,332.94	8,520.27	10,597.73	12,047.30
Assets under management [included Securitised and Direct Assignment Loan]**	11,432.97	13,657.20	15,764.75	17,190.72
Off balance sheet assets (included in AUM)	137.77	74.18	351.57	261.33
Interest income excluding insurance commission, processing fees and gain on securitization	2317.88	3,321.49	3,341.39	1,904.92
Interest expense***	947.39	1,168.71	1,027.66	611.64
Provisioning and write-offs	42.34	109.21	210.15	31.68
Profit after Taxation ("PAT")#	353.37	755.85	670.89	420.17
Gross NPA^ (%)	0.97	2.02	0.54	0.68
Net NPA^ (%)	0.75	1.71	0.33	0.40
Tier I## Capital Adequacy Ratio (%)^	23.48	25.73	26.59	25.35
Tier II### Capital Adequacy Ratio (%)^	0.52	0.39	0.39	0.42

* Networth includes paid-up share capital and reserves and surplus

** Assets under management means total loans including securitised loan and direct assignment loan

*** Interest Expense includes other borrowing cost

Profit after Taxation represents profit for the year.

Tier I## Capital Adequacy Ratio means Tier I Capital/ Total Risk Weighted Assets*100

Tier II## Capital Adequacy Ratio means Tier II capital/ Total Risk Weighted Assets *100.

^This figures are provided on a standalone basis.

Gross Debt Equity Ratio of the Company

Prior to the Issue (as of September 30, 2018) of debt securities	2.78
After the issue of debt securities	3.02

The debt to equity ratio of the Company as on September 30, 2018 (prior to the Issue) is based on a total outstanding debt of Rs. 113,536.73 million, and shareholders' funds amounting to Rs. 40,838.80 million which was 2.78 times as on September 30, 2018. The debt to equity ratio post the Issue (assuming full subscription of the entire Shelf Limit, i.e., Rs. 10,000 million) would be 3.02 times, based on a total outstanding debt of Rs. 123,536.73 million and shareholders' fund (as on September 30, 2018) of Rs. 40,838.80 million. The actual debt equity ratio post the Issue would depend upon the actual position of debt and equity on the date of allotment.

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DISCLAIMER:**‘The investors shall invest only on the basis of information contained in the final prospectus’**

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