



MANAPPURAM[®] FINANCE LIMITED

Make Life Easy

Ref: Sec/SE/272/2021-22
26.10.2021

Singapore Exchange
Securities Market Control
Securities & Market Data, Operations
11 North Buona Vista Drive,
#06-07 The Metropolis Tower 2,
Singapore 138589

Dear Madam/Sir

Sub: Change in Credit Rating

We wish to inform you that International Credit Rating Agency **S&P Global Ratings** has upgraded the outlook of Manappuram Finance Ltd to Stable and affirmed the 'BB-/B' ratings.

Ratings Affirmed; Outlook Action

	To	FROM
Issuer Credit Rating	BB-/Stable/B	B+/Stable/B
Senior Secured	BB-	B+

Request you to kindly take the same on your record.

For Manappuram Finance Limited

**MANOJKU
MAR V R**

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Manojkumar V.R
Company Secretary

India's First Listed and Highest Credit Rated Gold Loan Company

Registered & Corporate Office: (CIN-L65910KL1992PLC006623) IV/470A (old) W638A(New), Manappuram House, Valapad, Thrissur, Kerala - 680 567, India
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Research Update:

Manappuram Finance Ltd. Upgraded To 'BB-/B'; Outlook Stable

October 25, 2021

Overview

- The gold-based lending business of Manappuram Finance Ltd. has proved to be an effective counterbalance to the weakness in India's microfinance segment.
- In our view the India-based finance company will continue to outperform its non-gold nonbank finance company (NBFC) peers in terms of asset quality and profitability over the next 12 months. This is notwithstanding a sharp correction in gold prices in recent months and economic disruptions due to devastating second wave of COVID-19 infections.
- On Oct. 25, 2021, S&P Global Ratings raised its long-term issuer credit rating on Manappuram to 'BB-' from 'B+'. We affirmed the 'B' short-term rating on the company.
- The stable outlook reflects our expectation that Manappuram will largely maintain its financial profile over the next 12 months, supported by improvement in economic conditions in India.

Rating Action

On Oct. 25, 2021, S&P Global Ratings raised its long-term issuer credit rating on Manappuram Finance Ltd. to 'BB-' from 'B+'. The outlook is stable. We also affirmed the 'B' short-term issuer credit rating on the India-based finance company.

Rationale

We upgraded Manappuram because we expect the company to continue to perform better than its NBFC peers over the next 12 months. This would be reflected in the company's lower credit costs, above-average profitability, and strong capitalization.

In our view, Manappuram's gold-based lending model with a three-month tenor allows it to recognize asset quality stress early. Gold prices had fallen significantly till April 2021, from a peak in August 2020. The stress in the economy owing to the second wave of COVID-19 infections during April-June 2021 and the decline in gold prices led to increased auctions of higher loan-to-value (LTV) loans in the first quarter of fiscal 2022 (ending March 31, 2022). The company's gold auctions

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are likely to gradually return to their normal level as economic conditions improve. Elevated auctions have in part lowered Manappuram's average LTV ratio to about 65% as of June 30, 2021, from about 71% as of end-March 2021, providing the company some buffer to absorb price fluctuations.

Gold price movements play an important role in the cushion available to the lenders like Manappuram, which is predominantly in the collateral-based gold lending business. Gold loans account for close to 70% of the company's total loans, with micro finance loans accounting for about 25%, and vehicle finance and affordable housing contributing most of the rest.

Stress will likely remain high in Manappuram's non-gold portfolio, especially in the micro finance business. The asset quality of the non-gold loan portfolio has deteriorated sharply over the past two years. However, billing and collection efficiency are increasing back to close to pre-COVID-19 levels, hinting at improving asset quality trends. Also, the company has pre-provisioned for the micro finance business. Therefore, we believe any residual impact can be largely absorbed by the company's earnings.

We forecast Manappuram's risk-adjusted capital ratio will stay above 30% over the next 12 months. The company's core earnings are likely to remain at more than 5% of its average managed assets during this period. This ratio is one of the highest among rated peers.

Manappuram's funding profile is also improving with a shift toward longer tenor debt. However, the company still has material exposure to short-term wholesale funding.

Manappuram also benefitted from lower interest costs owing to increased liquidity in the Indian banking system. Its interest expenses on average outside liabilities declined to 9% as of March 31, 2021, from 9.8% as of June 30, 2020. Despite this gain, margins shrank because the company chose to maintain higher liquidity, and yields declined. We expect Manappuram's margin and profitability to still remain much better than peers'.

Outlook

The stable outlook on Manappuram reflects our view that the company will largely maintain its financial profile over the next 12 months, supported by an improvement in economic conditions in India.

Downside scenario

We could downgrade Manappuram if the company's credit costs increase substantially more than we expect, particularly in microfinance loans.

Upside scenario

We see limited rating upside for Manappuram over the next 12 months. We would upgrade the company if we believe its funding profile has become more stable. Increased access to longer-term funding that reduces the rollover risk associated with short-term wholesale funding could indicate such improvement.

Ratings Score Snapshot

	To	From
Issuer Credit Ratings	BB-/Stable/B	B+/Stable/B

Ratings Score Snapshot (cont.)

	To	From
Stand-alone Credit Profile	bb-	b+
Anchor	bb-	bb-
Business Position	Moderate (-1)	Moderate (-1)
Capital, Leverage, and Earnings	Very Strong (+2)	Very Strong (+2)
Risk position	Moderate (-1)	Moderate (-1)
Funding and Liquidity	Moderate and Adequate (-1)	Moderate and Adequate (-1)
Comparable Rating Analysis	+1	0
External Influence	0	0
Government Influence	0	0
Group Influence	0	0
Guarantees or Other External Influences	0	0
Ratings Above Sovereign	0	0

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | General: Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies, Dec. 9, 2014
- Criteria | Financial Institutions | General: Nonbank Financial Institutions Rating Methodology, Dec. 9, 2014
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Research Update: Manappuram Finance Ltd. Upgraded To 'BB-/B'; Outlook Stable

Upgraded

	To	From
Manappuram Finance Ltd.		
Issuer Credit Rating	BB-/Stable/B	B+/Stable/B

Upgraded

	To	From
Manappuram Finance Ltd.		
Senior Secured	BB-	B+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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