



# MANAPPURAM<sup>®</sup> FINANCE LIMITED

Make Life Easy

Ref: Sec/SE/191/2020-21  
July 15, 2020

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400001 Scrip Code: 531213	<b>National Stock Exchange of India Limited</b> 5th Floor, Exchange Plaza Bandra (East) Mumbai – 400 051 Scrip Code:MANAPPURAM
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Dear Sir,

## **Sub: Impact of the COVID-19 pandemic on the Business:**

The COVID-19 pandemic and the consequent lockdown and restrictions imposed by national and the state governments during March 24,2020 to June 30,2020 have impacted lives and livelihood in the country. As a result, until 20<sup>th</sup> April, all our branches remained closed as per government direction.

Ministry of Home Affairs (MHA) allowed NBFCs to open branches in Green and Orange zones (excluding hotspots and containment zones) from April 20, 2020. Over the next few weeks, we started reopening our branches after ensuring health and safety of our customers and employees. As of the end of June, our offices and branches are almost fully functional, barring those locations which are under lockdown as per state/district guidelines.

During the first phase of the lockdown (i.e. until 20<sup>th</sup> April), though all our branches were closed, customers had the option to use our digital channels for communication and transactions. Company has also taken various cost optimization measures. All the discretionary expenses like travel and non-essential business promotion are being curtailed.

### **Future impact of COVID-19:**

In the current scenario, the impact of the COVID-19 pandemic is not completely ascertainable given the pace at which the disease appears to be spreading and the continuing uncertainty about the development of a vaccine or a defined treatment protocol. The impact of the pandemic on the company's business will largely depend on how quickly India's economy recovers, and the working cycle in the rural and unorganised sector is restored.

### **Capital and financial resources**

As per our current assessment, the company is expected to maintain its profitability to a good extent. Therefore, there may not be any significant impact on the Company's capital and financial resources. The company has CAR of 21.74 % as on 31/3/2020 and may be able to withstand the impacts of the pandemic. Company's lenders continue to roll over the credit lines and have also extended additional finance. The Company continues to explore options to diversify its borrowings, strengthen the capital base, balance sheet and growth opportunities to face COVID-19 led contingencies.

### **Profitability**

Though the company expects that it will be able to maintain profitability of its gold loan business, the

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

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negative impacts of the COVID-19 pandemic may affect profitability of the Company's Vehicle Finance, MSME finance, Housing Finance verticals in the financial year 2020-21. The extent of the impact cannot be ascertained with certainty at present. However, the Company, at the consolidated level, has made additional provision of Rs 70.25 crore for the quarter ended March 31, 2020 towards expected credit losses. The company is closely monitoring collections and if required will make accelerated provisions for the expected credit losses in the subsequent quarters.

## **Liquidity**

The Company is comfortably placed in the matter of liquidity to meet its commitments. The Company has also implemented stringent cost control measures across the organization to conserve cash and to address any evolving situation resulting from the pandemic. The company's Gold Loan portfolio (accounting for nearly 70% of total portfolio) has a tenure of less than 3-months, whereas most of the Company borrowings are of long-term nature, providing a natural hedge against the short-term liquidity mismatches. Moreover, in Q4 of FY 2019 – 20 the Company had raised \$300 million in January through foreign debt issuance and domestic borrowings of Rs 1,350 Crores through issuance of domestic debt instruments. The company continues to receive required funding from all our lenders (Banks, Mutual Funds, etc.)

## **Ability to service debt**

Our ability to service debts and other financial debt commitment has not been affected at all as indicated by our low financial leverage and comfortable liquidity. In fact, based on its comfortable liquidity, the company has decided not to apply for a moratorium on the loans taken from banks.

## **Assets**

The Company has adopted Indian Accounting Standard from the financial year 31<sup>st</sup> March 2019. As per Ind AS 109, the company is required to provide for the expected credit losses (ECL) on its lending business. The Company expects increase in ECL provision due to impact of COVID 19 on the overall economy. The company continuously reviews financial health of its borrowers and has taken into account the likely impact of COVID-19 in the estimates and assumptions while assessing the ECL. Company has conducted stress tests to assess the impact of Covid 19 on collections and provision for ECL will be created based on the results of the stress tests.

## **Internal financial reporting and control**

The company has a well laid Business continuity plan. Where functioning of our branches are affected by lockdowns, employees work from home. We have a robust audit and vigilance system to control and monitor the operations of branches. Our remote security surveillance system also help us to timely identify attempts of burglary, robbery etc.

## **Supply chain**

### **Demand for new loans**

To begin with, the demand for availing loan products would start with the onset of monsoon mostly from rural areas with pick-up in the demand in urban areas dependent on a revival in economic growth and pick-up in economic activity.

The situation today is unprecedented and dynamic where the outlook is liable to change in a matter of

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days and weeks. The company constantly reviews the situation and updates its strategies to meet contingencies. Though the company is not in a position to gauge with certainty the future impact on its operations, it is confident about adapting to the changing business environment and responding swiftly and suitably to fulfil the needs of its customers and stakeholders. While the current market sentiments and the economic turmoil appear challenging, the Company is confident that the demand situation will progressively gain strength once the country heads back to normalcy.

The Company is well positioned to fulfil its obligations and existing contracts/ arrangements. At present, the company does not foresee any contract/agreement which will have significant impact on the business in case of non-fulfilment of obligations by any party.

The Company is ensuring the health and well-being of employees during the pandemic and creating awareness amongst employees on the need to strictly follow the 'Physical/ Social Distancing' guidelines. The Company's opinion on various matters as envisaged above, are forward-looking statements which are based on certain assumptions, risks, uncertainties and expectations of future events. The actual results, performance or achievements can thus differ from those projected, depending on various factors over which the Company does not have any direct control.

Kindly take the same on your record.

Thanking You.

Yours Faithfully,  
**For Manappuram Finance Limited**

**Manojkumar V.R**  
**Company Secretary**

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