

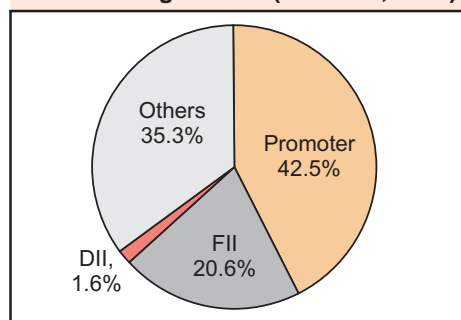
Manappuram General Finance & Leasing Ltd.

Q3FY11 Result Update

January 27, 2011

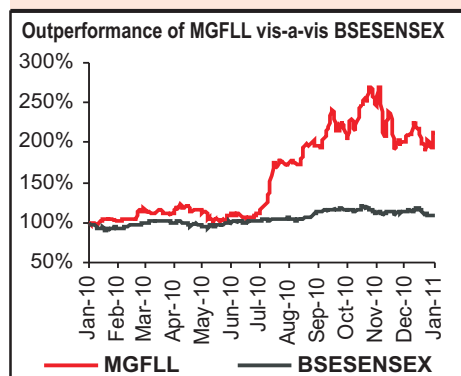
Key Stock Data	
Sector	NBFC
CMP	₹132.35
52-wk High / Low	₹189.9/60.0
Market Cap	₹55.14bn (\$1211mn)
Avg 6m daily vol.	383332
BSE Sensex	18976.19
Reco:	Buy
Target Price:	₹165
Stock Codes	
Bloomberg Code	MGFL.IN
Reuters Code	MGFL.BO
BSE Code	531213
NSE Code	MANAPPURAM
Face Value	₹2per share

Shareholding Pattern (31st Dec, 2010)



Price Performance (%)			
1 Mth	3 Mths	6 Mths	1 Yr
-0.7%	-6.0%	72.5%	110.4%

Relative Stock Price Movement:



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Manappuram General Finance and Leasing (MGFL) reported 113% jump in Net Profit at ₹74.53cr in line with our estimates. Its AUM as of 3QFY11 increased by 188% to ₹6497.8cr from ₹2260.0cr in 3QFY10. As per the management guidance, AUM and Net profit will be around ₹8000cr and ₹280-290cr respectively in FY11.

Key Performance Highlights

➤ Strong business growth

The total business as on Dec-10 was ₹6824.6cr (Loans and advances of ₹5091.8cr, Retail borrowing ₹308.6cr and Assignments ₹1424.2cr) up by 28.8%. The Gold loan disbursements have jumped up by 101% to ₹4999.6cr in the 3QFY11 as against ₹2484.0cr in the 3QFY10. The quantity of gold with the company has increased from 26.84 tons in 4QFY10 to 22.5 tons in 1QFY11, 37.2 in 2QFY11 and 46.57 in 3QFY11. During the quarter, the company added 402 branches, taking the total number of branches to 1795 and added ~53000 customers.

➤ Sustainable Margins

The cost of borrowing stood at 9.15% in 3QFY11 as against 11.8% in 3QFY10 and 8.4% in 2QFY11. The margins have come down slightly to 15% on account of increase in cost of borrowings and bank's voluntarily reduction of 3% rate of interest to 21% from 24%.

➤ Asset quality remains healthy

The asset quality of the company is comfortable with Net NPA ratio of gold loans at 0.14%, and we expect the same to continue in another couple of years. The provision for 3QFY11 was ₹21.6cr as against ₹3.8cr a year ago registering growth of 468%.

➤ Well capitalized to fund future growth

The company is comfortably placed in terms of capital requirement, as the CAR stood a healthy 32.5% as on 3QFY11 as against 15.5% a year ago. It is well

(continued...)

Key Quarterly Updates

Particulars	Q3		% change y-o-y	Q2	
	FY11	FY10		FY11	% change q-o-q
Income from operations	329.63	131.95	149.8%	243.19	35.5%
Interest Expended	96.27	36.99	160.3%	63.99	50.4%
Net Interest Income	233.36	94.96	145.7%	179.20	30.2%
Other Income	0.84	0.19	342.1%	0.6	40.0%
Total Operating Income	234.20	95.15	146.1%	179.80	30.3%
Total Expenditure	118.22	40.91	189.0%	86.69	36.4%
Operating Profit	115.98	54.24	113.8%	93.11	24.6%
Depreciation	4.49	1.51	197.4%	3.08	45.8%
Tax expense	36.96	17.74	108.3%	29.85	23.8%
Profit after Tax	74.53	34.99	113.0%	60.18	23.8%
EPS (₹)	1.96	1.21	62.0%	1.75	12.0%

(E- Keynote Capitals Institutional Research Estimates)

Key Performance Highlights (continued)

capitalized and in a position to meet lending targets in coming years. It has been raising sufficient capital at regular intervals to ensure growth in its balance sheet. During this quarter, the bank had undertaken a Qualified Institutional Placement (QIP) amounting to ₹1000cr and consequently increased its Capital Adequacy Ratio (CAR), enabling the bank to grow its loan book and capitalized on emerging growth opportunities. And this recent equity infusion via QIP of ₹1000cr @ ₹168 per share has helped to improve the leverage ~4.05x.

The ROE in 3QFY11 decreased to 21.7% from 33.1% in 2QFY11 on account of dilution in equity following the capital raised worth Rs1000cr in 3QFY10. Nevertheless, we expect return ratios to improve in FY12 on growth momentum in loan book and higher margins.

➤ Other recent developments

- Short-term Debt/Commercial Paper rating got enhanced to 20bn from 10bn with a rating of P1+ from Crisil.
- Gold loan outstanding crossed Rs60bn during the quarter.
- Unutilized credit facilities (including CPs) over ₹34bn as on 31st Dec, 2010.

Other Quarterly Information

Particulars	Q3 FY11	Q3 FY10	% change y-o-y	Q2 FY11	% change q-o-q
AUM (₹Cr)	6497.8	2260	187.5%	4955.8	31.1%
Bank & CP Credit Lines (₹Cr)	8441.2	3128.9	169.8%	5811	45.3%
Gold stock (MT)	46.57	19.83	134.8%	37.2	25.2%
Incremental Gold Loan Growth	15580	4520	244.7%	15660	-0.5%
Customers (₹Cr)	0.102	0.049	108.2%	0.083	22.9%
Cost of Borrowing	9.2%	11.8%	-22.4%	8.4%	8.4%
Return on Assets	4.5%	4.9%	-8.8%	5.2%	-13.3%
Return on Equity	21.7%	41.6%	-47.8%	33.1%	-34.3%
Leverage (x)	4.05	7.02	-42.3%	5.74	-29.4%
CAR (%)	32.5%	15.5%	109.5%	20.8%	55.7%
Opex /Average Assets	6.8%	8.4%	-19.3%	8.0%	-15.1%
Opex/Income	28.6%	26.8%	6.7%	32.4%	-11.8%
Net NPA(Gold Loan)	0.1%	0.1%	16.7%	0.1%	27.3%
Head Count (No)	14670	5641	160.1%	11503	27.5%

(E- Keynote Capitals Institutional Research Estimates)

Valuations

At CMP of ₹132.35 the stock is trading at 3.69x FY10 price to adjusted book and is expected to trade at 2.98x FY11E and 2.52x FY12E price to adjusted book. On the basis of residual income model considering its book value of FY12E, we arrive at a target price of ₹165 per share with a Buy recommendation.

Financials

Profit & Loss Statements (₹Cr)

Particulars	FY09	FY10	FY11E	FY12E
Income from Operations	164.73	476.60	1153.03	1544.88
Interest expense	38.59	136.92	323.26	393.08
Net Interest income	126.14	339.68	829.76	1151.80
Other income	1.40	1.60	2.68	2.00
Total Operating Income	127.54	341.28	832.44	1153.80
Expenditure	77.89	153.72	384.30	576.45
Gross Profit	49.65	187.56	448.14	577.35
Depreciation	3.37	5.74	11.48	14.35
PBT	46.28	181.82	436.66	563.00
Tax	15.98	62.10	155.02	199.86
PAT	30.30	119.72	281.65	363.13
EPS (₹)	1.76	4.07	6.76	8.72
Book Value (₹)	18.64	35.87	44.37	52.61

(E - Keynote Capitals Institutional Research Estimates)

Balance Sheets (₹Cr)

Particulars	FY09	FY10	FY11E	FY12E
Sources of Funds				
Paid-up Equity Share Capital	21.26	34.04	83.32	83.32
Reserves	146.62	576.52	1765.17	2108.30
Net Worth	167.88	610.56	1848.49	2191.62
Secured Loans	371.24	1650.05	3685.80	3987.10
UnSecured Loans	79.33	185.61	355.00	380.50
Total Loan Funds	450.57	1835.66	4040.80	4367.60
Total Liabilities	618.45	2446.22	5889.29	6559.21
Applications of Funds				
Gross Block	35.56	71.58	157.48	236.21
Less: Depr	7.79	14.80	31.50	49.60
Net Block	28.03	56.90	133.98	196.61
Investments	1.08	140.67	40.32	40.32
Current Assets	113.40	268.21	559.34	470.49
Loans & Advances	516.19	2078.60	5241.03	5941.85
Total Current Assets	629.59	2346.81	5800.37	6412.34
Total Current Liabilities	41.61	101.49	96.22	100.89
Net Current Assets	587.98	2245.32	5704.15	6311.45
Net Deferred tax	1.36	3.33	10.83	10.83
Total Assets	618.45	2446.22	5889.29	6559.21

(E - Keynote Capitals Institutional Research Estimates)

Valuation Matrix (₹Cr)

Particulars	FY09	FY10	FY11E	FY12E
EPS (₹)	1.76	4.07	6.76	8.72
Book Value (₹)	18.64	35.87	44.37	52.61
P/e (x)	75.37	32.52	19.58	15.18
P/BV (x)	7.10	3.69	2.98	2.52

(E - Keynote Capitals Institutional Research Estimates)

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