

CMP: INR 153

Rating: ACCUMULATE

Target Price: INR 181

Stock Info

BSE	531213
NSE	MANAPPURAM
Bloomberg	MGFL IN
Reuters	MNFL.BO
Sector	BFSI
Face Value (INR)	2
Equity Capital (INR Cr)	169
Mkt Cap (INR Cr)	12,992
52w H/L (INR)	230/ 134
Avg Yearly Vol (in 000')	9,441

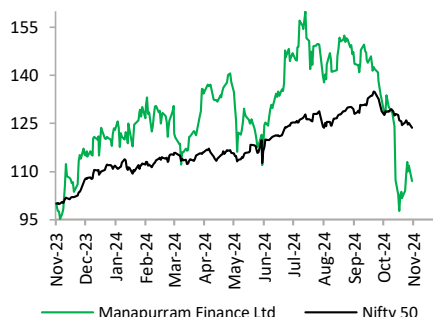
Shareholding Pattern %

(As on September, 2024)

Promoters	35.2
Public & Others	64.8

Stock Performance (%)	1m	6m	12m
Manappuram Finance	-16	-20.3	7.5
Nifty	-3.2	6.9	23.6

Manappuram Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
Anmol Das
anmol.das@arihantcapital.com
Harshit Jain
harshit.jain@arihantcapital.com

Manappuram Finance (MFL) reported inline performance during Q2FY25 with profit growth of 2.0% YoY and marginal increase of 2.8% QoQ at INR 5721 mn. AUM on consolidated basis increased by 17.4% YoY/ 1.7% QoQ to INR 4,57,164 mn. Gold loan AUM witnessed increase of 17.1% YoY/ 3% QoQ with yield remaining stable at 22.5%. Asset quality of the company degraded in the standalone entity with GNPA/NNPA at 2.4%/ 2.1%. Microfinance book asset quality degraded substantially as GNPA in this book increased from 3% to 4.3% and NNPA degraded from 1.4% to 2.0% QoQ.

Key Highlights:

- The consolidated net interest income increased by 17.7% YoY/ 5.3% QoQ. Sequential increase in NII was on account of margin expansion of 17bps to 15.24%. Consolidated cost of funds has gone down by 10bps sequentially at 9.2%. Secured lines of business are expected to show better growth, which will put NIMs under pressure owing to lower yields.
- Operating profit increased by 2.0% YoY/+2.8% QoQ to INR 5720 mn, was inline with our estimate of INR 5725 mn. Provisions increased by 117.5% YoY and by 13.9% QoQ to INR 2604 mn.
- Total AUM growth of 17.4% YoY/ 1.7% QoQ, was driven by growth in gold loan, housing, Vehicle book and MSME & others.
- Gold loan portfolio witnessed a marginal growth sequentially:** Gold loan performance of the company has recorded a marginal growth of 3% QoQ but has grown by 17.1% on a YoY basis. Yield on the gold loan portfolio was stable at 22.5% QoQ. Loan to Value (LTV) stood at 58% for the quarter v/s 60% QoQ and 66% a year ago. Management targets to grow the gold loan portfolio by 10% - 15 for FY25.
- Asirvad MFI performance impacted on account of increased provisions:** Asirvad MFI loan book AUM increased by 11% YoY but was down 1.3% QoQ to INR 121,490 mn. NII increased by 25% YoY and 3.4% QoQ to INR 4962 mn. Operating profit growth for the quarter was +30.4% YoY/ 6.7% QoQ at INR 3024 mn. Asirvad MFI has reported profit of INR 750 mn (vs. INR 1000 mn in Q1FY25 vs. INR 1183 mn in Q2FY24). Further, deficiencies pointed by RBI causing a ban on disbursements on Asirvad include pricing policy, assessment of income of micro finance borrowers and the purity differences in gold at the time of disbursement and auction. The company has submitted a compliance plan for Asirvad on 29th October and is hopeful of lifting of the ban in 3-4 months and requested for an inspection from the RBI.

Outlook and Valuation;

Manappuram Finance Limited exhibited inline performance during Q2FY25. Asset quality deteriorated across all segments with Asirvad witnessing highest deterioration with GNPA increasing by 135bps QoQ to now 4.3%. Further, Management has fully complied with the requirements of RBI regarding the ban on disbursements on Asirvad Microfinance and is also on track on complying with the RBI guidelines on gold loans and is awaiting clarity on certain aspects from the regulator. We have an Accumulate rating with a revised target price of INR 181, based on 0.9x FY27E ABVPS.

Financial Summary

Y/E Mar (INR Cr)	FY23	FY24	FY25E	FY26E	FY27E
NII	4496	5982	6686	7560	8703
PAT	1500	2197	2410	2685	3099
Networth	9645	11548	13676	16000	18737
Adj BVPS (Rs)	108	130	155	181	213
EPS (Rs)	18	26	29	32	37
P/E (x)	9	6	6	5	4
P/Adj BV (x)	1.5	1.2	1.0	0.9	0.7

Exhibit 1: Q2FY25 result Snapshot

Particulars (in Mn)	Q2FY25	Q2FY24	Q1FY25	YoY	QoQ
Net interest income	17273.9	14672.6	16399.2	17.7%	5.3%
Other Income	40.4	173.2	237.1	-76.7%	-83.0%
Net Operating income	17314.3	14845.8	16636.3	16.6%	4.1%
Operating expenses	6983.5	6181.5	6822.7	13.0%	2.4%
<i>cost-Income ratio (%)</i>	<i>403.3</i>	<i>416.4</i>	<i>410.1</i>	0.0%	<i>0.00</i>
Operating Profit	10330.8	8664.3	9813.6	19.2%	5.3%
Provisions	2604.2	1197.3	2285.6	117.5%	13.9%
PBT	7726.6	7467.0	7528.0	3.5%	2.6%
Tax	2005.9	1860.5	1962.8	7.8%	2.2%
PAT (Before MI)	5720.7	5606.5	5565.2	2.0%	2.8%
Asset Quality					
GNPA (%)	2.4	1.6	2.0	80bps	40bps
NNPA (%)	2.1	1.4	1.7	70bps	40bps
Return Ratios					
ROA (%)	4.4	5.3	4.5	-90bps	-10bps
ROE (%)	18.6	21.6	18.8	-300bps	-20bps
AUM					
AUM	4,57,164	3,89,507	4,49,323	17.4%	1.7%
-Gold loans	2,43,651	2,08,085	2,36,473	17.1%	3.0%
-Microfinance	1,09,700	1,00,889	1,12,359	8.7%	-2.4%
-Housing loans	16,916	13,049	15,874	29.6%	6.6%
-Vehicle loans	48,482	31,432	45,413	54.2%	6.8%
-Other loans	38,415	36,052	39,202	6.6%	-2.0%

Exhibit 2: Key Conference call highlights**Guidance**

- The company looks to reach ROA of ~4% for MFI business in next few quarters.
- Repayments are expected to improve from Q4 FY25 onwards as focus on collections has increased.
- Overall, AUM guidance is in the range of 15%-18% in the medium term.
- Credit cost is expected to be elevated in FY25.
- Secured lines of business to show better growth

GOLD

- AUM , standalone, were up 16% YoY to INR 232 bn.
- Loan to Value stood at 58% for the quarter versus 60% QoQ and 66% a year ago.
- Average ticket size was up 8.5% YoY to INR 62,500 during the quarter.
- Total gold loan customers added during the quarter were at 4.03 lakh and stood at 26.6 lakh.
- GNPA and NNPA ratio were up ~40 bps on sequential basis to 2.4% and 2.1% respectively.

ASIRVAD MICROFINANCE

- NII in this segment was up 25% YoY and 3.4% QoQ.
- Credit cost was up 122% YoY and 18.7% QoQ as there was some stress seen in certain geographies which impacted collections.
- As a result of higher credit cost the net profit declined by ~37% YoY.
- AUM was up 11% YoY and down 1.3% QoQ to INR 121.49 bn. Gold loan in this segment was around INR 11 bn.
- Asset quality declined on sequential basis as GNPA and NNPA were up 130 bps and 60 bps respectively to 4.3% and 2%.
- Stage-2 assets also increased to 2.6% v/s 1.7% on QoQ basis. The company has around INR 2.70 bn worth provisions in this segment.
- There was sharp rise in number of officers on QoQ basis and was mainly to increase collections.

HOUSING FINANCE

- AUM growth came in at 29.6% YoY to INR 16.92 bn for the quarter.
- Home loans formed 71% of total AUM while LAP formed 29%.
- Average ticket size in home loans is at INR 6.1 lakh and yield on the same is at 17.6%.
- GNPA in this business has increased from 2.9% to 3.3% on QoQ basis.

VEHICLE AND EQUIPMENT FINANCE

- AUM in this segment increased by 54.2% YoY to INR 48.48 bn.
- Commercial vehicle segment forms 55% of total AUM while 2-wheeler forms 16% of total AUM.
- GNPA in this business increased to 4.2% versus 3.6% QoQ.
- This business had 95% collection efficiency for the quarter.
- Of the total GNPA, 49% came from commercial vehicles, 29% from passenger vehicles and 16% from two-wheelers segment.

MSME AND ALLIED BUSINESS

- AUM growth in MSME and Allied vertical was at 12.3% YoY and stood at INR 29.63 bn.
- INR 3.73 bn disbursement during the quarter.
- GNPA stood at 4.2% v/s 3.4% QoQ and excluding digital personal loans GNPA was 3.8% for Q2 FY25.

Key Financials

Income Statement

Year/Ended March (INR.Cr)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	6684	8848	9901	11203	12763
Interest Expenses	2188	2866	3215	3643	4061
Net Interest Income	4496	5982	6686	7560	8703
Other Income	66	72	81	91	104
Net Operating Income	4562	6054	6766	7651	8807
Operating Expenses	2521	3095	3545	4063	4665
- Staff Cost	1469	1597	1975	2261	2588
- Other Operating Exp.	848	1251	1269	1428	1611
- Depreciation	204	246	301	374	466
Pre-provisioning profits	2041	2960	3221	3588	4141
Provisions	0.0	0.0	0.0	0.0	0.0
Profit Before Taxes	2041	2960	3221	3588	4141
Taxes	541	762	811	903	1042
Profit After Taxes	1500	2197	2410	2685	3099
% Growth	13%	46%	10%	11%	15%

Balance Sheet

Year/Ended March (INR.Cr)	FY23	FY24	FY25E	FY26E	FY27E
LIABILITIES					
Share Capital	169	169	169	169	169
Reserves & Surplus	9476	11379	13507	15831	18568
Shareholders Fund	9645	11548	13676	16000	18737
Minority interest	20	29	36	43	52
Borrowings	28483	33653	38597	42368	46874
Other liabilities & provisions	1356	1517	1442	1525	1614
Total Liabilities	39504	46748	53751	59937	67277
ASSETS					
Fixed Assets	1110	1117	1642	2018	2492
Investments	534	726	902	1173	1525
Advances	34195	40948	46167	52645	60108
Cash and Bank Balances	3033	3181	4144	3057	1927
Other assets	632	775	896	1043	1225
Total Assets	39504	46748	53751	59937	67277

Ratio Analysis

Year/Ended March	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Net Interest Income	11.0%	33.1%	11.8%	13.1%	15.1%
Net Operating Income	10.9%	32.7%	11.8%	13.1%	15.1%
Pre-provisioning Profit	14.4%	45.0%	8.8%	11.4%	15.4%
PAT	12.9%	46.5%	9.7%	11.4%	15.4%
Advances	18.0%	19.7%	12.7%	14.0%	14.2%
Borrowings	18.1%	18.2%	14.7%	9.8%	10.6%
Spreads (%)					
Yield on Advances	19.5%	21.8%	21.4%	21.3%	21.3%
Borrowing Cost	8.3%	9.2%	8.9%	9.0%	9.1%
Spreads	11.3%	12.6%	12.5%	12.3%	12.2%
NIMs	12.9%	14.4%	14.2%	14.2%	14.3%
Asset Quality					
Gross NPAs	2.2%	2.1%	2.0%	1.9%	1.9%
Net NPAs	1.5%	1.4%	1.4%	1.4%	1.3%
Provision Coverage Ratio	32.7%	33.1%	31.8%	30.3%	28.8%
Return Ratios					
RoE	16.6%	20.7%	19.1%	18.0%	17.8%
RoA	4.1%	5.1%	4.8%	4.7%	4.9%
Per Share Data					
EPS (Rs.)	17.8	26.0	28.5	31.8	36.7
Book Value	114.5	137.1	162.3	189.9	222.4
Adjusted Book Value	108.3	130.0	154.5	181.2	212.7
Valuations					
P/E (X)	8.9	6.1	5.5	5.0	4.3
P/BV (X)	1.4	1.2	1.0	0.8	0.7
P/ABV (X)	1.5	1.2	1.0	0.9	0.7

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House 6, Lad Colony, Y.N Road Indore - 452001, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880