

Manappuram Finance Ltd

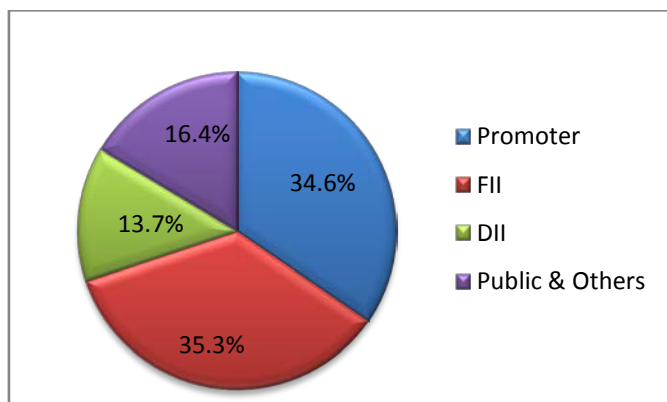
Accumulate

Target Price: Rs. 142

Value Parameters

BSE Code	531213
NSE Symbol	MANAPPURAM
CMP(As on 3 rd May, 2018)	Rs. 128
Face Value	Rs 2
52 Week High/Low	126/81
Market Cap (Rs cr)	10,211
EPS (TTM)	Rs 8.18
PE Ratio (x)	14.82

Shareholding Pattern% (Mar '18)



Company Overview

Manappuram Finance Limited (MFL) is a Thrissur (Kerala) based NBFC Company Incorporated in 1992; the company has been promoted by Mr. V.P. Nandakumar (current MD & CEO). Manappuram Finance Ltd. is one of India's leading gold loan NBFCs mainly engaged in providing retail advances against gold ornaments. It has 4152 branches across 28 states/UTs with assets under management (AUM) of Rs. 14,650 crore of which its gold AUM stands at Rs. 11,328 crore as on 31st December 2017. Over the last two years, the company has diversified into new

business areas like microfinance, vehicle and housing finance, and SME lending. It acquired a majority stake (85%) in Asirvad Microfinance Pvt. Ltd. It provides hassle-free gold loans to its customer. The company mainly focused on three main areas, affordable housing finance, commercial vehicle loans and microfinance.

Key Investment Rationale:

MFL reported healthy growth in Q3FY18, its NII for the quarter stood at Rs. 624 crore vs Rs. 594 crore sequentially and PAT for the quarter at Rs. 173 crore.

- **Revival in AUM with Increase of Non-Gold Portfolio:** MFL AUM stood at Rs. 14650 crore as on 31st Dec, 2017 with an increase in its non-gold portfolio which is approximately 23% of its total AUM. We have seen revival in AUM and expect proportion of non-gold portfolio will continue to grow ~30% by FY19, with majority of it arising from microfinance and moderate growth of 10% for gold loan business.
- **Superior Assets Quality:** MFL had lower gross and net NPA levels of 0.7% and 0.4% respectively in Q3FY18 backed by its strategy of recovery from gold auctions and de-risking gold loans. The Capital Adequacy Ratio as on Dec 2017 was 27.8%.
- **Diversification of Business Model:** MFL had commenced its business in Gold financing but later it had diversified its portfolio and moved on to Non-gold portfolio in Commercial Vehicle Finance, Microfinance, Home Finance, Insurance broking etc.
- **De-risking of Gold Business:** MFL has recalibrated its gold loan product structure to de-Link from gold price fluctuations. Company has realigned its long term gold loans into several shorter tenures which has resulted in lesser NPA risk as well as provided insulation from gold prices.

Outlook & Valuation

With some stability in gold prices post demonetization, management targets to increase its gold loan book around 10%. We have an **"Accumulate"** rating on the stock with a target of Rs 142; valuing the stock at 3.1x FY19E adjusted book value of Rs. 45.8.

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