

CMP: INR 200

Rating: BUY

Target Price: INR 242

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)	17,762
52w H/L (INR)	230/ 125
Avg Yearly Vol (in 000')	10,231

Shareholding Pattern %

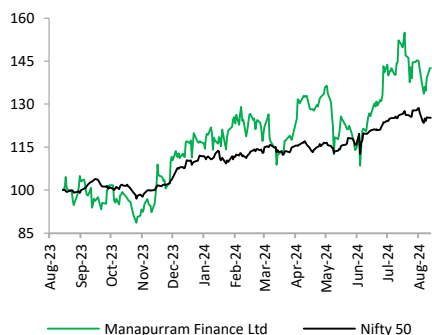
(As on June, 2024)

Promoters	35.2
Public & Others	64.8

Stock Performance (%)

	1m	6m	12m
Manappuram Finance	-5.5	18.2	42.5
Nifty	-0.9	11.8	25.3

Manappuram Vs Nifty



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Manappuram Finance (MFL) reported good performance during Q1FY25 with profit growth of 15.5% YoY and marginal decline of 1.2% QoQ at INR 5565 mn. AUM on consolidated basis increased by 21.2% YoY/6.8% QoQ to INR 4,49,323 mn. Gold loan AUM witnessed increase of 14.8% YoY/ 10% QoQ with yield expansion of 10bps QoQ at 21.8%. Asset quality of the company remained stable in the standalone entity with GNPA/NNPA at 2.0%/1.7%. Microfinance book asset quality improved as GNPA in this book declined from 3.7% to 3.0% and NNPA decreased from 1.7% to 1.4% QoQ.

Key Highlights:

- NII increased by 19% YoY and 3.8% QoQ to INR 16399 mn. Sequential increase in NII was due to strong performance on the gold loan entity. Consolidated cost of borrowings has gone up by 40bps YoY at 9.3%. It is expected to remain at current levels during the FY25.
- Operating profit increased by 24.9% YoY/+5.1% QoQ to INR 9814 mn. Provisions increased by 88.6% YoY and increased by 21.7% QoQ to INR 2286 mn.
- Total AUM growth of 21.2% YoY/6.8% QoQ, was driven by growth in gold loan, housing, Vehicle book and MSME & others.
- **Strong Gold loan portfolio performance:** Gold loan performance of the company has started to increase as book has recorded growth of 14.8% YoY/ 10% QoQ at INR 2,36,476 mn. Yield on the gold loan portfolio decreased from 22.5% to 22.2% QoQ. Despite competitive pressure, gold holdings (tonnage) with the company increased marginally by 0.2% YoY and 1.3% QoQ to 59.6 tonnes. LTV increased from 58% to 60% QoQ, while average ticket size (ATS) was at INR 62.1K (vs. INR 58.5K in Q4FY24). Management targets to grow the gold loan portfolio by 15% for FY25.
- **Asirvad MFI performance was strong, despite slowdown in economic activity due to elections and extreme heat wave:** Asirvad MFI loan book AUM increased by 20.7% YoY and 2.7% QoQ to INR 1,12,359 mn. NII increased by 14.3% YoY and 3.0% QoQ to INR 4800 mn. Operating profit growth for the quarter was +17% YoY/ -1.1% QoQ at INR 2833 mn. Asirvad MFI has reported profit of INR 1340 mn (vs. INR 1379 mn in Q4FY24) The company is in the DRHP stage for the IPO of this subsidiary. The IPO listing was delayed on account of general elections.

Outlook and Valuation;

Manappuram Finance Limited has shown strong performance in the Q1FY25, despite slowdown in economic activity, due to the elections and extreme heat conditions, which affected MFI. We expect the company to grow its Gold AUM by 15%. Further, borrowing cost are expected to remain at current levels, which will help them to improve their NIMs. While maintaining our estimates, we maintain our "BUY" rating on the stock with a target price of INR 242, based on 1.2x FY27E ABVPS.

Financial Summary

Y/E Mar (INR Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII	4050	4496	5982	6235	7227	8310
PAT	1329	1500	2197	2060	2416	2783
Networth	8368	9645	11548	13327	15383	17805
Adj BVPS (Rs)	96	108	130	150	174	201
EPS (Rs)	16	18	26	24	29	33
P/E (x)	13	11	8	8	7	6
P/Adj BV (x)	2.1	1.8	1.5	1.3	1.2	1.0

Exhibit 1: Q1FY25 result Snapshot

Particulars (in Mn)	Q1FY25	Q1FY24	Q4FY24	YoY	QoQ
Net interest income	16399.2	13778.6	15806.0	19.0%	3.8%
Other Income	237.1	309.1	24.5	-23.3%	867.8%
Net Operating income	16636.3	14087.7	15830.5	18.1%	5.1%
Operating expenses	6822.7	6229.4	6497.1	9.5%	5.0%
<i>cost-Income ratio (%)</i>	<i>410.1</i>	<i>442.2</i>	<i>410.4</i>	0.0%	<i>0.00</i>
Operating Profit	9813.6	7858.3	9333.4	24.9%	5.1%
Provisions	2285.6	1211.7	1878.2	88.6%	21.7%
PBT	7528.0	6646.6	7455.2	13.3%	1.0%
Tax	1962.8	1828.2	1820.3	7.4%	7.8%
PAT (Before MI)	5565.2	4818.4	5634.9	15.5%	-1.2%
Asset Quality					
GNPA (%)	2.0	1.4	1.9	60bps	10bps
NNPA (%)	1.7	1.2	1.7	50bps	0bps
Return Ratios	0.0	0.0	0.0	0.00	0.00
ROA (%)	4.5	5.0	4.9	-50bps	-40bps
ROE (%)	18.8	20.1	19.9	-130bps	-110bps
AUM					
AUM	4,49,323	3,70,605	4,20,696	21.2%	6.8%
-Gold loans	2,36,473	2,06,032	2,14,995	14.8%	10.0%
-Microfinance	1,12,359	93,104	1,10,028	20.7%	2.1%
-Housing loans	15,874	12,026	15,097	32.0%	5.1%
-Vehicle loans	45,413	27,792	41,109	63.4%	10.5%
-Other loans	39,202	31,651	39,467	23.9%	-0.7%

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

- ROA is expected to reach 5% in the next 4-5 quarters.
- Borrowing cost is expected to remain at the current levels in FY25.
- NPA is anticipated to come down going forward.
- Customer base in gold segment is envisioned to grow by 15% in FY25.
- The Gold loan AUM is also expected to grow by 15% in FY25.

Highlights:

- Despite slowdown in economic activity due to general elections, the company posted healthy AUM & profit growth during the quarter. This was mainly driven by strong performance in gold segment.
- The company declared a quarterly dividend payout of INR 1 per share, during the quarter.

Key Financials

Income Statement

Year/Ended March (INR.Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	6061	6684	8848	9450	10870	12371
Interest Expenses	2011	2188	2866	3215	3643	4061
Net Interest Income	4050	4496	5982	6235	7227	8310
Other Income	65	66	72	77	89	101
Net Operating Income	4115	4562	6054	6312	7316	8411
Operating Expenses	2331	2521	3095	3559	4087	4692
- Staff Cost	1125	1469	1597	1975	2261	2588
- Other Operating Exp.	1008	848	1251	1283	1452	1638
- Depreciation	198	204	246	301	374	466
Pre-provisioning profits	1784	2041	2960	2753	3229	3719
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Taxes	1784	2041	2960	2753	3229	3719
Taxes	455	541	762	693	813	936
Profit After Taxes	1329	1500	2197	2060	2416	2783
% Growth	-23%	13%	46%	-6%	17%	15%

Balance Sheet

Year/Ended March (INR.Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
LIABILITIES						
Share Capital	169	169	169	169	169	169
Reserves & Surplus	8199	9476	11379	13158	15214	17636
Shareholders Fund	8368	9645	11548	13327	15383	17805
Minority interest	16	20	29	35	41	49
Borrowings	24118	28483	33653	38597	42368	46874
Other liabilities & provisions	1308	1356	1517	1446	1530	1619
Total Liabilities	33811	39504	46748	53405	59322	66347
ASSETS						
Fixed Assets	1065	1110	1117	1642	2018	2492
Investments	421	534	726	902	1173	1525
Advances	28971	34195	40948	47810	54470	62135
Cash and Bank Balances	2695	3033	3181	2155	618	-1030
Other assets	659	632	775	896	1043	1225
Total Assets	33811	39504	46748	53405	59322	66347

Ratio Analysis

Year/Ended March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)						
Net Interest Income	-1.5%	11.0%	33.1%	4.2%	15.9%	15.0%
Net Operating Income	-1.0%	10.9%	32.7%	4.3%	15.9%	15.0%
Pre-provisioning Profit	-23.0%	14.4%	45.0%	-7.0%	17.3%	15.2%
PAT	-23.0%	12.9%	46.5%	-6.3%	17.3%	15.2%
Advances	9.3%	18.0%	19.7%	16.8%	13.9%	14.1%
Borrowings	6.2%	18.1%	18.2%	14.7%	9.8%	10.6%
Spreads (%)						
Yield on Advances	20.1%	19.5%	21.8%	20.0%	20.0%	19.9%
Borrowing Cost	9.1%	8.3%	9.2%	8.9%	9.0%	9.1%
Spreads	11.0%	11.3%	12.6%	11.2%	11.0%	10.9%
NIMs	13.2%	12.9%	14.4%	13.0%	13.1%	13.2%
Asset Quality						
Gross NPAs	3.0%	2.2%	2.1%	2.0%	1.9%	1.8%
Net NPAs	2.7%	1.5%	1.4%	1.4%	1.3%	1.3%
Provison Coverage Ratio	56.8%	32.7%	33.1%	32.2%	30.6%	29.0%
Return Ratios						
RoE	16.9%	16.6%	20.7%	16.5%	16.8%	16.7%
RoA	4.1%	4.1%	5.1%	4.1%	4.3%	4.4%
Per Share Data						
EPS (Rs.)	15.8	17.8	26.0	24.4	28.6	32.9
Book Value	99.3	114.5	137.1	158.2	182.6	211.3
Adjusted Book Value	95.8	108.3	130.0	150.2	173.7	201.5
Valuations						
P/E (X)	12.7	11.3	7.7	8.2	7.0	6.1
P/BV (X)	2.0	1.7	1.5	1.3	1.1	0.9
P/ABV (X)	2.1	1.8	1.5	1.3	1.2	1.0

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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%

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