

CMP: INR 189

Rating: BUY

Target Price: INR 230

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)	15,841
52w H/L (INR)	192/ 101
Avg Yearly Vol (in 000')	11,001

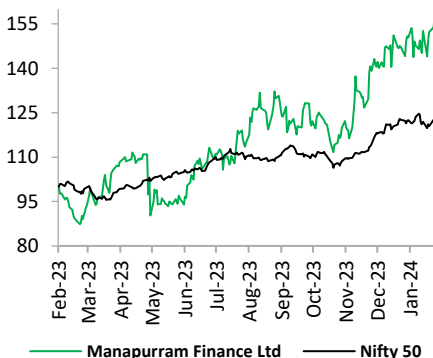
Shareholding Pattern %

(As on January, 2024)

Promoters	35.2
Public & Others	64.8

Stock Performance (%)	1m	6m	12m
Manappuram Finance	4.23	36.3	60
Nifty	1.8	11.6	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 strong performance during Q3FY24 with profit growth of 46.2% YoY and marginal increase of 2.6% QoQ at INR 575 cr. AUM on consolidated basis increased by 26.7% YoY/3.7% QoQ to INR 40,385 cr. Gold loan AUM witnessed increase of 11.5% YoY/-0.2% QoQ with yield expansion of 40bps QoQ at 22.3%. Asset quality of the company degraded in the standalone entity with GNPA/NNPA at 2.0%/1.8%. Microfinance book asset quality improved as GNPA in this book reduced from 3.0% to 2.8% and NNPA declined from 1.4% to 1.3% QoQ.

Key Highlights:

- The consolidated net interest income increased by 35.4% YoY/ 6.1% QoQ. Sequential increase in NII was due to increase in yields on the gold loan entity. Consolidated cost of funds has gone up by 26bps sequentially at 9.1%, owing to change in risk weights by the regulator. Borrowing cost is expected to go up by 15-20 bps in the next quarter, which will put the NIMs under pressure.
- Operating profit increased by 58.2% YoY/+8% QoQ to INR 936 cr, was higher than our estimate of INR 905 cr. Provisions increased by 193.7% YoY and by 25% QoQ to INR 149 cr.
- Total AUM growth of 26.7% YoY/3.7% QoQ, was driven by growth in gold loan, housing, Vehicle book and MSME & others.
- **Gold loan portfolio witnessed a marginal degrowth sequentially:** Gold loan performance of the company has recorded a marginal degrowth of 0.2% QoQ but has grown by 11.5% on a YoY basis. Yield on the gold loan portfolio increased from 21.9% to 22.3% QoQ. Loan to Value (LTV) stood at 61% for the quarter v/s 66% QoQ and 62% a year ago. Management targets to grow the gold loan portfolio by 8%-10% for FY24.
- **Asirvad MFI performance improved:** Asirvad MFI loan book AUM increased by 32.5% YoY and 5.9% QoQ to INR 10,685 cr. NII increased by 63.2% YoY and 13.6% QoQ to INR 451 cr. Operating profit growth for the quarter was +116.2% YoY/ 18.3% QoQ at INR 274 cr. Asirvad MFI has reported profit of INR 127 cr (vs. INR 118 cr in Q2FY24 vs. INR 705 cr in Q3FY23). Management has stated Profit contribution from MFI business is anticipated to rise going ahead.

Outlook and Valuation;

Manappuram Finance Limited exhibited robust performance during Q3FY24, primarily fueled by impressive profitability in its gold and microfinance segments. Although there was a slight deterioration in asset quality, the company demonstrated solid business expansion, with an overall AUM growth of 26.7% YoY, driven particularly by accelerated growth in non-gold loan AUM. It is anticipated that the proportion of non-gold loan AUM will rise, indicating positive momentum in diversification efforts. While maintaining our estimates, we have a Buy rating with a revised target price of INR 230, based on 1.4x FY26E ABVPS.

Financial Summary

Y/E Mar (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E
NII	4050	4496	5254	6056	6911
PAT	1329	1500	1728	1957	2214
Networth	8368	9645	11110	12759	14613
Adj BVPS (Rs)	96	108	125	143	165
EPS (Rs)	16	18	20	23	26
P/E (x)	12	11	9	8	7
P/Adj BV (x)	2.0	1.8	1.5	1.3	1.2

Exhibit 1: Q3FY24 result Snapshot

Particulars (in Crore)	Q3FY24	Q3FY23	Q2FY24	YoY	QoQ
Net interest income	1556.6	1148.4	1467.26	35.5%	6.1%
Other Income	21.4	20.4	17.32	4.9%	23.6%
Net Operating income	1578.0	1168.8	1484.58	35.0%	6.3%
Operating expenses	641.9	577.0	618.15	11.3%	3.8%
<i>cost-Income ratio (%)</i>	<i>40.7</i>	<i>49.4</i>	<i>41.64</i>		
Operating Profit	936.1	591.9	866.43	58.2%	8.0%
Provisions	149.6	50.9	119.73	193.7%	25.0%
PBT	786.4	540.9	746.70	45.4%	5.3%
Tax	211.1	147.5	186.05	43.2%	13.5%
PAT (Before MI)	575.3	393.4	560.65	46.2%	2.6%
Asset Quality					
GNPA (%)	2.0	1.6	1.60	40bps	40bps
NNPA (%)	1.8	1.4	1.40	40bps	40bps
Return Ratios					
ROA (%)	5.2	4.2	5.30	100bps	-10bps
ROE (%)	21.2	17.2	21.60	400bps	-40bps
AUM					
AUM	40385	31883	38950.70	26.7%	3.7%
-Gold loans	20758	18614	20808.50	11.5%	-0.2%
-Microfinance	10685	8066	10088.90	32.5%	5.9%
-Housing loans	1415	1005	1304.90	40.9%	8.5%
-Vehicle loans	3597	2112	3143.20	70.3%	14.5%
-Other loans	3930	2087	3605.20	88.3%	9.0%

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

- The company expects borrowing cost to go up by 15-20 bps in the next quarter.
- Growth in gold loan AUM is estimated to be around 8%-10%.
- Share of non-gold loan AUM to increase in overall portfolio.
- The company expects NPA in gold loan segment to reduce in Q4 FY24.
- The company may increase gold loan yields to maintain spreads.
- Profit contribution from MFI business is anticipated to rise going ahead.

GOLD

- AUM were up 10% YoY to INR 199 bn while on sequential basis it was marginally down.
- Loan to Value (LTV) stood at 61% for the quarter v/s 66% QoQ and 62% YoY.
- Disbursement in the gold segment stood at INR 26 bn for Q3 FY24.
- The company added 4.3 lakh customers during the quarter.
- Auctions in gold loan segment stood at INR 1.24 bn for Q3 FY24.
- Gold loan NPA have increased partly due to request of few customers to avoid auction.
- Yield in gold loans were up sequentially owing to passing of impact of rate hikes to customers.

ASIRVAD MICROFINANCE

- NII in this segment was up 63.2% YoY while PAT increased by 80.2% YoY.
- AUM growth in MFI stood at 32.5% YoY to INR 106.85 bn.
- Asset quality improved on a sequential basis as GNPA and NNPA declined ~20 bps and 10 bps respectively to 2.8% and 1.3%.

HOUSING FINANCE

- AUM growth came in at 41% YoY for the quarter.
- Home loans formed 70% of total AUM while LAP (loan against property) formed 30%.
- Average ticket size (ATS) in home loans is at INR 6.2 lakh and yield on the same is at 16.6%.
- GNPA in this business has increased from 1.8% to 2.7% on QoQ basis.

VEHICLE AND EQUIPMENT FINANCE

- AUM in this segment increased by 70% YoY to INR 35.97 bn.
- Commercial vehicle segment forms 58% of total AUM while 2-wheeler forms 17% of total pie.
- Passenger vehicle loans form 25% of total AUM mix.
- GNPA in this business stood at 2.6% v/s 2.5% on QoQ basis.

MSME AND ALLIED BUSINESS

- AUM growth in MSME vertical was at 85.7% YoY and stood at INR 29.07 bn.
- GNPA stood at 2.3% v/s 1.9% QoQ and excluding personal loans GNPA was 1.5% for Q3 FY24.
- Collections in digital personal loans have had some issues.

Key Financials

Income Statement

Year/Ended March (INR.Cr)	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	6061	6684	8045	9450	10870
Interest Expenses	2011	2188	2792	3394	3960
Net Interest Income	4050	4496	5254	6056	6911
Other Income	65	66	79	93	107
Net Operating Income	4115	4562	5333	6149	7018
Operating Expenses	2331	2521	3024	3534	4059
- Staff Cost	1125	1469	1709	1975	2261
- Other Operating Exp.	1008	848	1071	1259	1425
- Depreciation	198	204	244	301	374
Pre-provisioning profits	1784	2041	2309	2615	2959
Provisions	0.0	0.0	0.0	0.0	0.0
Profit Before Taxes	1784	2041	2309	2615	2959
Taxes	455	541	581	658	745
Profit After Taxes	1329	1500	1728	1957	2214
% Growth	-23%	13%	15%	13%	13%

Balance Sheet

Year/Ended March (INR.Cr)	FY22	FY23	FY24E	FY25E	FY26E
LIABILITIES					
Share Capital	169	169	169	169	169
Reserves & Surplus	8199	9476	10941	12589	14444
Shareholders Fund	8368	9645	11110	12759	14613
Minority interest	16	20	25	31	37
Borrowings	24118	28483	34967	41307	46688
Other liabilities & provisions	1308	1356	1417	1500	1586
Total Liabilities	33811	39504	47520	55596	62924
ASSETS					
Fixed Assets	1065	1110	1345	1642	2018
Investments	421	534	694	902	1173
Advances	28971	34195	40994	47810	54470
Cash and Bank Balances	2695	3033	3712	4346	4220
Other assets	659	632	775	896	1043
Total Assets	33811	39504	47520	55596	62924

Ratio Analysis

Year/Ended March	FY22	FY23	FY24E	FY25E	FY26E
Growth Ratios (%)					
Net Interest Income	-1.5%	11.0%	16.8%	15.3%	14.1%
Net Operating Income	-1.0%	10.9%	16.9%	15.3%	14.1%
Pre-provisioning Profit	-23.0%	14.4%	13.1%	13.2%	13.2%
PAT	-23.0%	12.9%	15.2%	13.2%	13.2%
Advances	9.3%	18.0%	19.9%	16.6%	13.9%
Borrowings	6.2%	18.1%	22.8%	18.1%	13.0%
Spreads (%)					
Yield on Advances	20.1%	19.5%	20.0%	20.0%	20.0%
Borrowing Cost	9.1%	8.3%	8.8%	8.9%	9.0%
Spreads	11.0%	11.3%	11.3%	11.2%	11.0%
NIMs	13.2%	12.9%	12.9%	12.6%	12.5%
Asset Quality					
Gross NPAs	3.0%	2.2%	2.1%	2.0%	1.9%
Net NPAs	2.7%	1.5%	1.4%	1.4%	1.3%
Provison Coverage Ratio	56.8%	32.7%	33.1%	32.2%	30.6%
Return Ratios					
RoE	16.9%	16.6%	16.6%	16.3%	16.1%
RoA	4.1%	4.1%	4.0%	3.8%	3.7%
Per Share Data					
EPS (Rs.)	15.8	17.8	20.5	23.2	26.2
Book Value	99.3	114.5	131.9	151.4	173.4
Adjusted Book Value	95.8	108.3	124.8	143.4	164.6
Valuations					
P/E (X)	12.1	10.7	9.3	8.2	7.3
P/BV (X)	1.9	1.7	1.4	1.3	1.1
P/ABV (X)	2.0	1.8	1.5	1.3	1.2

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 6, Lad Colony, Y.N Road
 Indore - 452001, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

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.cominstresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

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