

Rating: Subscribe

Issue Offer

Fresh Issue of 12,570,000 equity shares up to INR 1508.4 Mn.

Issue Summary

Price Band INR	114-120
Face Value INR	10
Implied Market Cap INR mn.	6028.7
Market Lot	125
Issue Opens on	Sept 23, 2024
Issue Close on	Sept 25, 2024
No. of share pre-issue	37,669,410
No. of share post issue	50,239,410
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

Link Intime India Private Ltd

Book Running Lead Managers

Hem Securities Limited

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	100%	74.98%
Public & Others	0%	25.02%

Objects of the issue

- The company proposes to utilize the Net Proceeds towards augmenting their capital base to meet Company's future capital requirements.

Manba Finance Limited has established in 1998 is a non-banking finance company (NBFC-BL) that offers financial solutions for new and electric two-wheelers (2Ws and EV2Ws), three-wheelers (3Ws and EV3Ws), used cars, small business loans, and personal loans. Targeting primarily employees and self-employed individuals, the company tailors its offerings to meet the unique needs of these groups, financing up to 85% of the vehicle's on-road price. With branches in urban, semi-urban, and metropolitan areas, it serves surrounding rural regions and has established relationships with over 1,100 dealers, including more than 190 EV dealers across several states. As of March 31, 2024, Manga Finance employs 1,344 people.

Investment Rationale:

Potential to expand into new, untapped regions: The company's strengths include strategic expansion into 66 locations across six states (Maharashtra, Gujarat, Rajasthan, Chhattisgarh, Madhya Pradesh and Uttar Pradesh) since 2009 , driven by market analysis and a hub-and-spoke operational model. Its focus on customer and dealer satisfaction, supported by targeted marketing and efficient processes, has led to substantial growth in Assets Under Management, rising from INR 49,582.62 lakhs in FY22 to INR 93,685.54 lakhs in FY24, with a CAGR of 37.46%.

Access to Diversified and Cost-Effective Long-Term Borrowing: The company secures funding from a wide range of sources, including public and private sector banks, small finance banks, and financial institutions, utilizing term loans, cash credit facilities, and the issuance of listed and unlisted NCDs. Over the years, it has built strong relationships with various lenders to support its capital needs. Through financial instruments like NCDs and PTC, the company achieves effective financial management. Additionally, a co-lending arrangement with Muthoot Capital Services, on an 80:20 fund-sharing basis, enables the company to manage all lending activities while acting as the security agent. As of FY24, total borrowings reached INR 75,227.24 lakhs, with an average borrowing cost of 11.98%.

Continued Focus on Vehicle Finance and the Growing EV Market: New Vehicle Loans represent 97.90% of the company's total AUM, underscoring its commitment to vehicle financing, particularly for 2Ws and 3Ws. As the market evolves, the company will prioritize emerging segments like EV2Ws and EV3Ws, which are increasingly favored by consumers due to high fuel costs. The EV3Ws market, primarily commercial is gaining traction as small businesses and transporters seek cost-effective solutions to enhance margins. The company has established partnerships with over 190 EV dealers and provides various customer incentives for purchasing EV 2Ws and 3Ws, reinforcing its position in this growing market.

Diversification into Used Car Loans, Small Business Loans, and Personal Loans: The company plans to offer Used Car Loans ranging from INR 2.00 lakhs to INR 6.00 lakhs, targeting existing 2Ws and EV2Ws customers. It will leverage its customer relationships and partner with Used Car Dealers for funding. Additionally, Small Business Loans (INR 0.75 lakhs to INR 10.00 lakhs) and Personal Loans (up to INR 1.00 lakh) have been launched in Maharashtra, initially available to current vehicle finance customers. Experienced professionals in MSME lending will support these new offerings.

Valuation and View:

The company is well-positioned for lucrative growth through strategic expansion into 66 locations across six states, leveraging a hub-and-spoke model and a strong focus on customer and dealer satisfaction, resulting in significant growth in AUM. With robust relationships with over 1,100 dealers, including 190 EV dealers, it efficiently addresses customer needs for vehicle financing, particularly in the growing EV market, where New Vehicle Loans constitute 97.90% of its AUM. Additionally, diversified funding sources and a co-lending arrangement enhance financial management. Plans to introduce Used Car Loans, Small Business Loans, and Personal Loans further diversify the portfolio, targeting existing customers and expanding market reach. **At the upper band of INR 120, the issue is valued at a P/E ratio of 19.19x, based on a FY24 EPS of INR 6.25. P/B ratio of 3x . We are recommending a "Subscribe for listing gains" for this issue.**

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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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