




Manappuram Finance

Estimate change 
TP change 
Rating change 

CMP: INR190

TP: INR230 (+21%)

Buy

In-line earnings; NIM expansion aided by higher yields

Asset quality deteriorates across non-gold segments; consol. AUM up ~4% QoQ

- Manappuram Finance's (MGFL) 3QFY24 consol. PAT grew ~46% YoY to ~INR5.75b (in line), aided by NIM expansion. 9MFY24 PAT grew ~51% YoY to INR16.3b.
- NII grew ~33% YoY to ~INR14.5b (in line) and PPOp rose ~58% YoY to ~INR9.4b (in line). Annualized credit costs for the quarter rose ~25bp QoQ to 1.5% (vs. ~1.3% in 2QFY24).
- Gold AUM was flat QoQ and up ~12% YoY at ~INR208b. Gold tonnage declined ~2% QoQ to 58.2t. Gold loan yields improved ~50bp QoQ to ~22.6%.
- Despite a ~20bp QoQ increase in the cost of borrowings (CoB), consolidated NIM (calc.) expanded ~35bp QoQ to ~15.3%, aided by a healthy expansion in yields across product segments.
- Standalone GNPA/NNPA rose by ~40bp each QoQ to 2.0%/1.8%. Asset quality deteriorated across non-gold segments, with GS3 increasing in Housing Finance (2.7% vs. 1.8% in 2Q), Vehicle Finance (~2.6% vs. ~2.5% in 2Q), MSME and Personal Loans (2.3% vs. ~1.9% in 2Q), despite 3Q being a seasonally strong quarter and strong loan growth in each of these product segments. MGFL took write-offs of ~INR1b in Asirvad MFI, which led to GS3 of 2.8% (vs. 3.0% in 2Q).
- To mitigate the cyclical in gold loans, MGFL has been actively diversifying into non-gold segments, with the share of non-gold products in MGFL's AUM mix rising to 49% (vs. 42% in 3QFY23). We believe the company should tread carefully in the non-gold segments, particularly in MFI and personal loans.
- We estimate a 9%/20% AUM CAGR in gold/consolidated book over FY23-26. We model a CAGR of ~27% in consolidated PAT over the same period to arrive at consolidated RoA/RoE of ~5.0%/20% in FY26. **Reiterate BUY with a TP of INR230 (based on 1.2x FY26E consolidated BVPS).**

Gold AUM growth remained muted, expected to recover in 4Q

- Gold AUM was flat QoQ and up ~12% YoY at ~INR208b. Gold tonnage declined ~2% QoQ to 58.2t. LTV in gold loans declined ~5pp QoQ to ~61%, while the average ticket size (ATS) in gold loans was broadly stable at INR57.4k. MGFL's customer base in gold loans stood at 2.3m and it added 403k new gold loan customers in 3Q.
- The auction surplus in gold loans declined to INR235m (vs. INR300m in 2Q). MGFL has sought regulatory approval to open 300 new branches and anticipates approval soon. The management has guided for ~8-10% AUM growth in gold loans and we model a CAGR of ~9% in gold loans over FY23-FY26E.

Bloomberg	MGFL IN
Equity Shares (m)	846
M.Cap.(INRb)/(USDb)	160.9 / 1.9
52-Week Range (INR)	192 / 101
1, 6, 12 Rel. Per (%)	7/27/39
12M Avg Val (INR M)	1688

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
NII	56.2	65.6	77.7
PPP	35.7	40.9	48.7
PAT	22.4	25.8	30.7
EPS (INR)	26.5	30.5	36.3
EPS Gr. (%)	49.6	15.2	18.8
BV/Sh.(INR)	137	164	195

Ratios

NIM (%)	14.9	14.4	14.2
C/I ratio (%)	41.7	42.2	41.4
RoA (%)	5.2	5.0	5.0
RoE (%)	21.1	20.3	20.3
Payout (%)	13.3	13.0	13.7

Valuations

P/E (x)	7.2	6.2	5.2
P/BV (x)	1.4	1.2	1.0
Div. Yld. (%)	1.9	2.1	2.6

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	35.2	35.2	35.2
DII	12.2	12.3	11.6
FII	29.0	27.1	30.1
Others	23.7	23.4	23.2

FII Includes depository receipts

Highlights from the management commentary

- The management expects a ~10-20bp increase in CoB in 4QFY24 because of the RBI's risk weight circular. MGFL will pass it on to customers to maintain steady NIM.
- The company said it has answered all the queries from SEBI and expects to receive approval for Asirvad MFI's IPO soon.

Valuation and view

- The management has demonstrated that it will not pursue loan growth at the cost of a compression in spreads, which we believe will continue to drive profitability. MGFL trades at 1.0x FY26E P/BV and we believe that there is scope for a re-rating in valuation multiples for a franchise that can deliver a sustainable RoE of ~20%. Risk-reward in MGFL is favorable and **we maintain our BUY rating with a TP of INR230 (based on 1.2x FY26E consolidated BVPS)**.
- For a stronger re-rating in the valuation multiples based on business fundamentals, MGFL will have to consistently demonstrate decent gold loan growth without the associated trade-offs with margin/spreads.

MGFL - Quarterly Performance (Consolidated)**(INR M)**

Y/E March	FY23				FY24E				FY23	FY24E	3QFY24E	Act v/s Est. (%)
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24				
Interest Income	14,612	16,078	16,574	17,141	19,363	20,438	22,011	23,035	64,404	84,847	21,644	2
Interest Expenses	5,046	5,284	5,657	5,891	6,484	6,894	7,487	7,747	21,878	28,612	7,584	-1
Net Interest Income	9,566	10,795	10,917	11,250	12,879	13,543	14,524	15,288	42,526	56,235	14,060	3
YoY Growth (%)	-7.0	9.4	19.3	25.2	34.6	25.5	33.0	35.9	11.1	32.2	28.8	
Other income	416	1,063	772	845	1,209	1,303	1,256	1,206	3,095	4,973	1,183	6
Net Income	9,981	11,858	11,688	12,095	14,088	14,846	15,780	16,494	45,622	61,207	15,243	4
Operating Expenses	4,890	5,525	5,769	5,955	6,068	6,182	6,419	6,873	22,140	25,541	6,346	1
Operating Profits	5,091	6,333	5,919	6,139	8,020	8,664	9,361	9,622	23,482	35,667	8,897	5
YoY Growth (%)	-28.2	5.1	30.7	21.5	57.5	36.8	58.1	56.7	3.5	51.9	50.3	
Provisions	1,283	805	509	474	1,212	1,197	1,496	1,348	3,071	5,253	1,048	43
PBT	3,808	5,527	5,410	5,666	6,808	7,467	7,864	8,274	20,410	30,413	7,849	0
Tax Provisions	989	1,433	1,475	1,513	1,828	1,861	2,111	2,168	5,409	7,968	2,041	3
PAT	2,819	4,095	3,935	4,153	4,980	5,607	5,753	6,105	15,002	22,445	5,808	-1
YoY Growth (%)	-35	11	51	59	77	37	46	47	13	50	48	
Key Ratios (%)												
Yield on loans	20.0	21.9	22.3	21.2	22.3	22.6	23.2	23.0	20.4	22.5		
Cost of funds (Cal)	8.4	8.3	8.4	8.5	9.1	9.1	9.3	9.5	8.3	9.3		
Spreads (Cal)	11.6	13.6	13.9	12.7	13.2	13.5	13.9	13.5	12.1	13.2		
NIMs (Cal)	13.1	14.7	14.7	13.9	14.8	15.0	15.3	15.2	13.5	14.9		
C/I ratio	49.0	46.6	49.4	49.2	43.1	41.6	40.7	41.7	48.5	41.7		
Credit Cost	1.7	1.0	0.7	0.6	1.3	1.3	1.5	1.3	1.0	1.4		
Tax Rate	26.0	25.9	27.3	26.7	26.9	24.9	26.8	26.2	26.5	26.2		
Balance Sheet Parameters												
Consol. AUM (INR b)	308	307	319	355	371	390	404	431				
Change YoY (%)	24.3	7.9	4.9	17.2	20.6	27.0	26.7	21.6				
Gold loans (INR b)	205	192	186	197	206	208	208	215				
Change YoY (%)	23.8	2.5	-9.0	-2.1	0.6	8.4	11.5	9.0				
Gold stock (tonnes)	67	63	60	60	59	59	58					
Gold loans/branch (INR m)	53	49	47	50	51	51	51					
Consol. Borrowings (INR b)	240	268	270	285	285	322	319	334				
Change YoY (%)	21.4	6.9	12.2	18.1	19.0	20.5	18.2	17.2				
Borrowings Mix (%)												
Debentures	25.4	25.4	24.9	23.4	20.3	18.2	18.5					
CPs	0.9	2.5	0.2	0.0	0.0	2.0	0.1					
WC/CC	31.3	23.1	19.8	22.9	27.0	27.5	25.7					
TL	30.5	38.5	44.2	52.6	49.5	50.2	52.9					
ECB	11.9	10.4	10.6	1.1	3.3	0.6	1.6					
Others	0.0	0.0	0.4	0.0	0.0	1.4	1.3					
Debt/Equity (x)	1.4	1.5	1.4	3.0	1.4	1.5	1.4					
Asset Quality Parameters (%)												
GNPL ratio (Standalone)	1.4	2.0	1.6	1.3	1.4	1.6	2.0					
NNPL ratio (Standalone)	1.3	1.8	1.4	1.1	1.2	1.4	1.8					
Return Ratios (%)												
RoA (Rep)	3.3	4.6	4.2	4.3	5.0	5.3	5.2					
RoE (Rep)	13.3	18.6	17.2	17.5	20.1	21.6	21.2					

E: MOSL estimates



Highlights from the management commentary

Business update

- Consolidated AUM stood at INR404b, which grew ~4% QoQ and 27% YoY. Gold Loans grew ~12% YoY and remained flat QoQ.
- Consolidated PAT stood at INR5.75b, which grew 46% YoY, driven primarily by profitability in gold and MFI businesses.
- Consol. RoA/RoE of 5.2%/21.2% and leverage of ~2.9x
- Non-gold businesses now contribute ~49% to the consol. AUM mix
- Standalone PAT stood at INR4.17b and grew ~35% YoY
- GS3 in standalone business rose to ~2.0% (PQ: 1.6%)
- Board has declared an interim dividend of INR0.9/share for the quarter.

Guidance

- Continues to guide for 8-10% AUM growth in gold loans
- Increase in risk weights on bank loans to NBFCs resulted in a ~20bp QoQ increase in standalone CoB. There could be a further ~10-20bp CoB increase in 4Q as well.

Yields, CoB and Margins

- Standalone CoB rose by ~20bp QoQ in 3QFY24.
- Increase in the CoB because of RBI risk weight circular; MGFL will look to pass it to customers to maintain steady NIM
- Proportion of term loans has been increasing and MGFL is also trying to raise ECBs.

Gold Loans

- Gold AUM stood at INR208b, flat QoQ and up ~12% YoY
- Gold loan portfolio LTV of ~61% (PQ: ~66%)
- Gold loan live customers stood at 2.5m and it added 403K new gold loan customers in 3Q
- Gold auction of ~INR1.24b (PQ: INR150m) in 3QFY24
- Gold loan disbursements stood at INR261.9b (PQ: ~INR271.9b)
- Auction surplus in gold loans has declined to INR235m (PQ: INR300m). In touch with the regulator, applied for 300 new branches and hopes that it will be able to get approval in the near future.
- Increase in CoB is being passed on to the customers and MGFL is catering to smaller-ticket size customers
- During the quarter, GNPA in gold loans rose since it got requests from borrowers to delay the gold auctions.

MFI

- Asirvad AUM of INR115.6b (including Gold loan AUM of INR8.28b), up 34% YoY.
- PAT of INR1.27b grew 80% YoY. Share of MFI in the overall profit pie is set to go up going ahead
- CRAR stood at ~23.2%
- Write-offs stood at INR1b in 3QFY24 (vs. INR0.6b in 2QFY24).
- TN has been impacted to a certain extent by flood, and there are problems in Punjab, Haryana, Rajasthan and Gujarat

- Seeing stress in some of the states where the collections are delayed.
- All the queries from SEBI have been answered and hopes that there will not be much delay in the Asirvad IPO.
- Shifting to weekly collection mode by employing more people from the locality but collections have not improved in some states.

Vehicle Finance

- VF AUM grew ~15% QoQ / 70% YoY
- Collection efficiency stood at ~98% | GNPA rose to ~2.6% (PQ: 2.5%).

Housing Finance and LAP

- Home Loans AUM of ~INR14.2b and grew 9% QoQ/41% YoY
- GNPA rose to ~2.7% (PQ: ~1.8%). It has initiated SARFAESI actions and expects good improvement in asset quality in 4Q.

MSME and PL

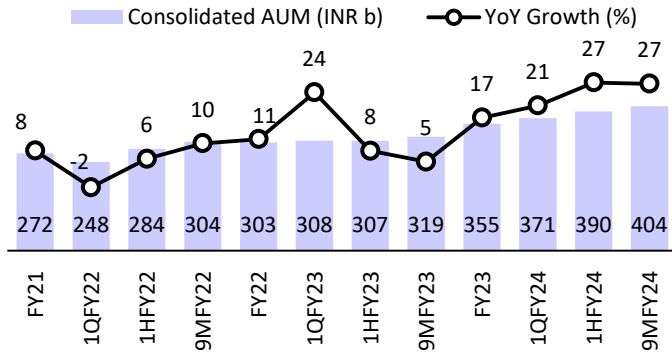
- AUM stood at INR28.6b; Disbursements of INR4.6b in 3QFY24
- Collection efficiency (CE) at 102%
- GNPA stood at ~1.5% (including digital personal loans stood at ~2.3%)
- Encountered issues in collections of digital personal loans where it has calibrated the underwriting.

Others

- Manappuram Insurance Brokers (Insurance Broking subsidiary) is doing well. Insurance companies can pay more commissions because of liberalized commission dispensation from the regulator.
- Recorded 3QFY24 profit of ~INR280m from the fee-based business (vs. INR170m in 2QFY24)

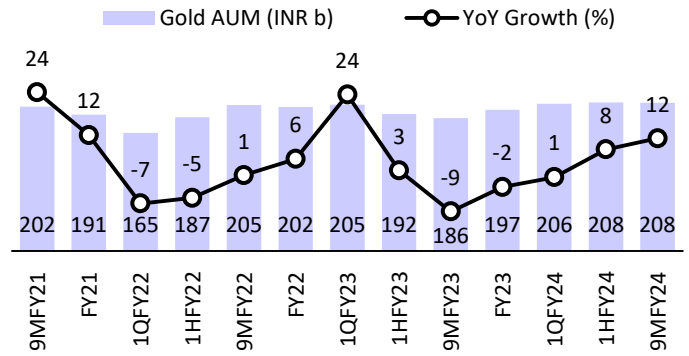
Key Exhibits

Exhibit 1: Consolidated AUM grew 4% QoQ



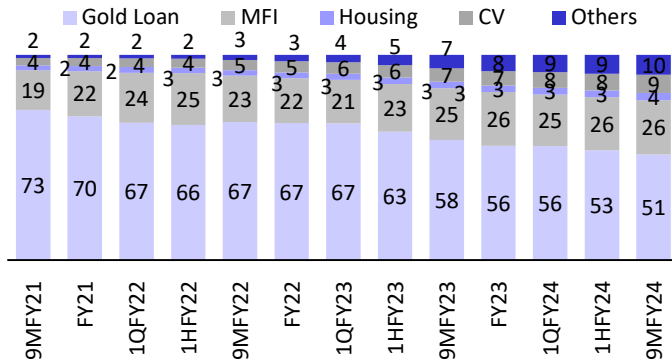
Source: MOFSL, Company

Exhibit 2: Gold AUM remained flat QoQ



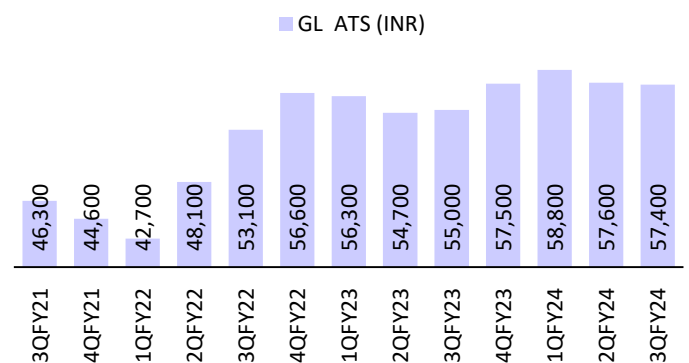
Source: MOFSL, Company

Exhibit 3: Share of non-Gold loans increased QoQ (%)



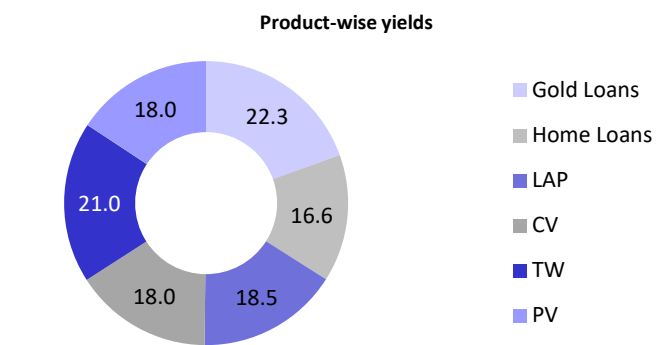
Source: MOFSL, Company

Exhibit 4: ATS in Gold loans declined QoQ to INR57.4k



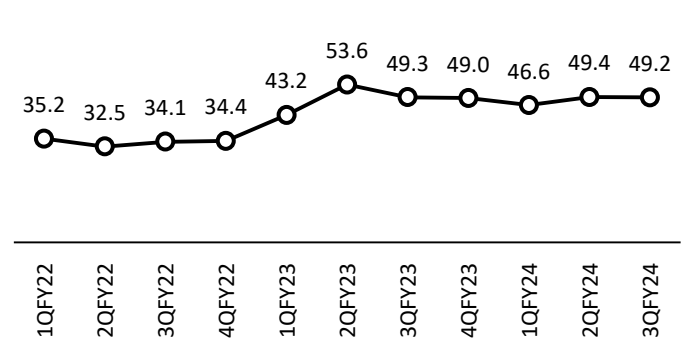
Source: MOFSL, Company

Exhibit 5: Consol. yield was at ~23.2% as of 3QFY24



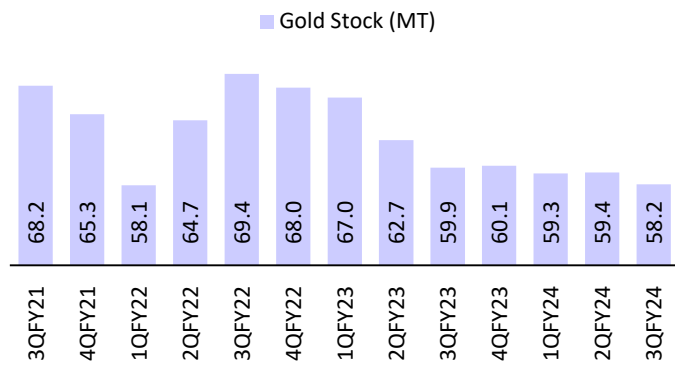
Source: MOFSL, Company

Exhibit 6: C/I ratio remained stable at ~49%



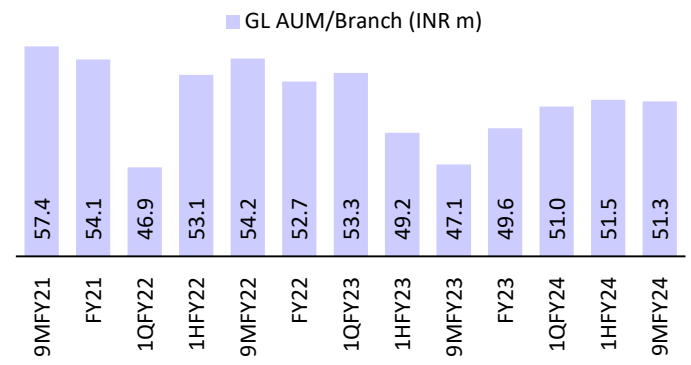
Source: MOFSL, Company

Exhibit 7: Gold tonnage declined ~2% QoQ to ~58.2t



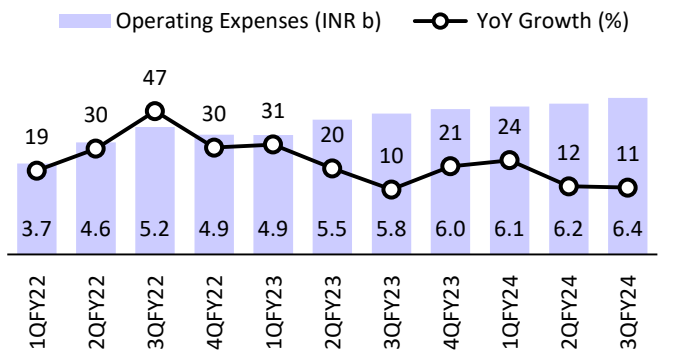
Source: MOFSL, Company

Exhibit 8: Branch productivity remained largely stable



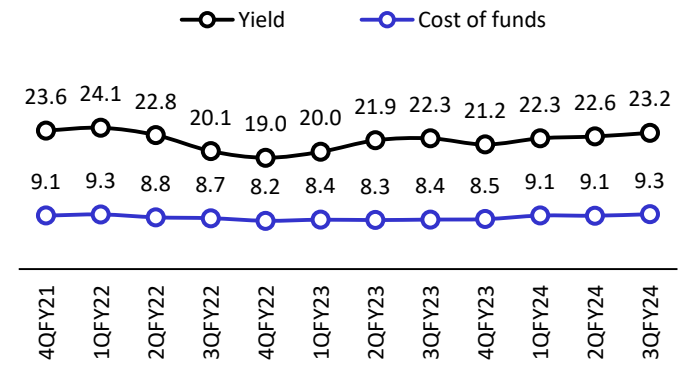
Source: MOFSL, Company

Exhibit 9: Opex grew ~11% YoY



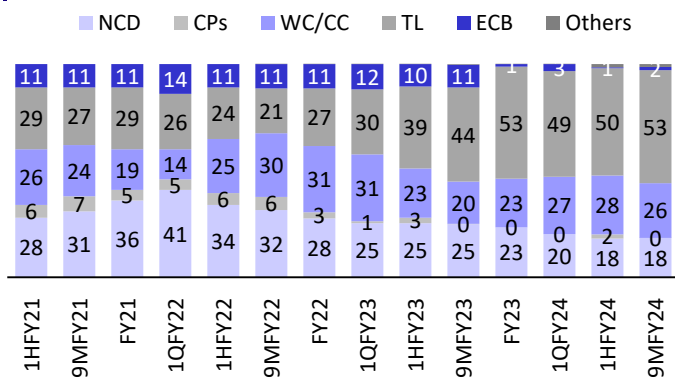
Source: MOFSL, Company

Exhibit 10: Consolidated spreads expanded ~35bp QoQ driven by increase in yields across all products (%)



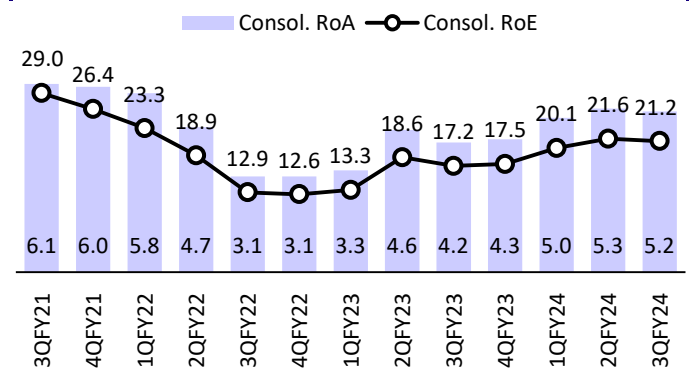
Source: MOFSL, Company

Exhibit 11: Consolidated borrowing mix (%)



Source: MOFSL, Company

Exhibit 12: Minor sequential moderation in RoA/RoE (%)



Source: MOFSL, Company

Valuation and view

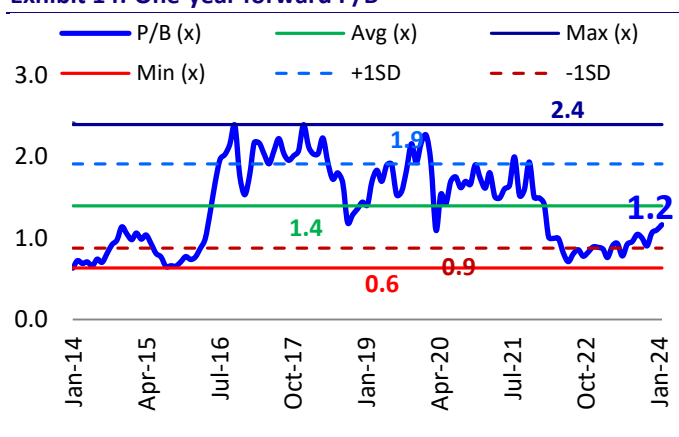
- The management has demonstrated that it will not pursue loan growth at the cost of a compression in spreads, which we believe will continue to be a driver for higher profitability. MGFL trades at 1.0x FY26E P/BV and we believe that there is a scope for a re-rating in valuation multiples for a franchise that can deliver a sustainable RoE of ~20%. Risk-reward in MGFL is favorable and **we maintain our BUY rating with a TP of INR230 (based on 1.2x FY26E consolidated BVPS)**.
- For a stronger re-rating in the valuation multiples based on business fundamentals, MGFL will have to demonstrate the sustainability of decent gold loan growth without the associated trade-offs with margin/spreads.

Exhibit 13: Our earnings estimates are largely unchanged

INR B	Old Est.			New Est.			% change		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
NII	55.4	65.1	77.5	56.2	65.6	77.7	1.5	0.8	0.2
Other Income	4.6	4.5	4.4	5.0	5.2	5.5	7.1	16.2	25.9
Net Income	60.0	69.6	81.9	61.2	70.8	83.2	1.9	1.8	1.6
Operating Expenses	25.5	29.6	34.0	25.5	29.9	34.5	0.2	1.1	1.3
Operating Profits	34.5	40.0	47.9	35.7	40.9	48.7	3.2	2.4	1.8
Provisions	4.2	5.5	6.7	5.3	5.9	7.1	25.7	8.6	6.6
PBT	30.4	34.5	41.2	30.4	35.0	41.6	0.1	1.4	1.0
Tax	8.0	9.1	10.8	8.0	9.2	10.9	0.1	1.4	1.0
PAT	22.4	25.5	30.4	22.4	25.8	30.7	0.1	1.4	1.0
Loans	418	500	591	414	498	592	-0.9	-0.3	0.3
Borrowings	348	416	488	334	408	486			
RoA (%)	5.1	4.9	4.9	5.2	5.0	5.0			
RoE (%)	21.1	20.1	20.1	21.1	20.3	20.3			

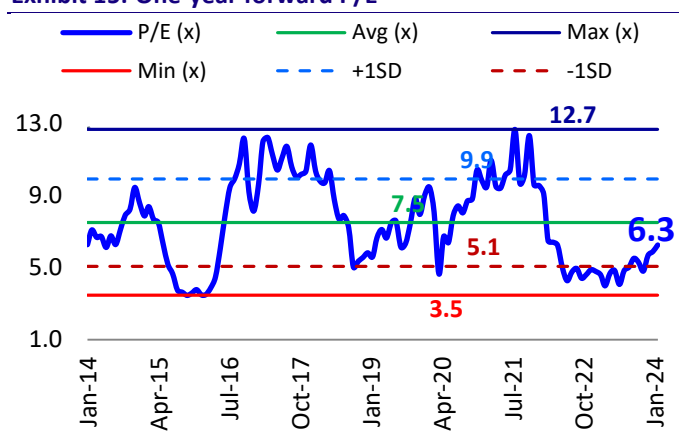
Source: MOFSL, Company

Exhibit 14: One-year forward P/B



Source: MOFSL, Company

Exhibit 15: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

INCOME STATEMENT										(INR M)
Y/E MARCH	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	33,762	33,540	40,461	52,805	61,896	58,397	64,404	84,847	1,01,225	1,21,036
Interest Expense	11,687	10,304	13,449	18,322	22,190	20,114	21,878	28,612	35,617	43,349
Net Interest Income	22,075	23,235	27,012	34,483	39,706	38,284	42,526	56,235	65,608	77,688
Change (%)	57.5	5.3	16.3	27.7	15.1	-3.6	11.1	32.2	16.7	18.4
Other operating income	92	668	1,334	1,848	1,410	2,213	2,436	4,063	4,266	4,480
Total Income	22,167	23,903	28,346	36,331	41,116	40,496	44,963	60,298	69,875	82,167
Change (%)	56.9	7.8	18.6	28.2	13.2	-1.5	11.0	34.1	15.9	17.6
Other income	235	584	625	859	441	653	659	910	955	1,003
Net Income	22,402	24,487	28,971	37,190	41,557	41,149	45,622	61,207	70,830	83,170
Change (%)	57.0	9.3	18.3	28.4	11.7	-1.0	10.9	34.2	15.7	17.4
Operating Expenses	9,653	12,345	13,858	14,741	13,996	18,453	22,140	25,541	29,880	34,466
Operating Profits	12,749	12,142	15,113	22,449	27,561	22,697	23,482	35,667	40,949	48,704
Change (%)	115.8	-4.8	24.5	48.5	22.8	-17.6	3.5	51.9	14.8	18.9
Provisions	1,092	1,773	547	2,376	4,401	4,862	3,071	5,253	5,928	7,088
PBT	11,657	10,369	14,566	20,073	23,160	17,835	20,410	30,413	35,022	41,616
Tax	4,072	3,609	5,080	5,270	5,911	4,548	5,409	7,968	9,176	10,904
Tax Rate (%)	34.9	34.8	34.9	26.3	25.5	25.5	26.5	26.2	26.2	26.2
PAT	7,585	6,760	9,486	14,803	17,250	13,287	15,002	22,445	25,846	30,713
Change (%)	113.6	-10.9	40.3	56.1	16.5	-23.0	12.9	49.6	15.2	18.8

BALANCE SHEET

Y/E MARCH	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	1,684	1,685	1,686	1,690	1,693	1,693	1,693	1,693	1,693	1,693
Reserves & Surplus	31,949	36,447	43,561	55,771	71,382	81,991	94,756	1,14,216	1,36,702	1,63,207
Net worth (Post OCI)	33,633	38,132	45,247	57,461	73,074	83,683	96,449	1,15,909	1,38,395	1,64,900
Non-Controlling Interest	212	292	459	583	472	161	203	228	253	278
Borrowings	1,09,867	1,26,071	1,52,972	2,25,735	2,27,163	2,41,185	2,84,830	3,33,815	4,08,203	4,85,582
Change (%)	14.0	14.7	21.3	47.6	0.6	6.2	18.1	17.2	22.3	19.0
Other liabilities	6,120	5,802	5,862	11,572	12,669	13,076	13,559	14,915	16,407	18,048
Change (%)	45.0	-5.2	1.0	97.4	9.5	3.2	3.7	10.0	10.0	10.0
Total Liabilities	1,49,832	1,70,296	2,04,540	2,95,351	3,13,378	3,38,106	3,95,041	4,64,867	5,63,258	6,68,808
Loans	1,34,057	1,52,439	1,78,119	2,42,971	2,65,076	2,89,710	3,41,945	4,13,931	4,98,008	5,92,410
Change (%)	17.7	13.7	16.8	36.4	9.1	9.3	18.0	21.1	20.3	19.0
Investments	49	49	1,738	905	3,380	4,207	5,340	5,874	6,462	7,108
Change (%)	-90.0	0.4	3,428.0	-47.9	273.6	24.5	26.9	10.0	10.0	10.0
Goodwill	356	356	356	356	356	356	356	356	356	356
Net Fixed Assets	1,869	2,746	3,319	7,705	8,980	10,295	10,748	11,823	13,006	14,306
Other assets	13,501	14,707	21,009	43,414	35,586	33,538	36,652	32,884	45,428	54,629
Total Assets	1,49,832	1,70,296	2,04,540	2,95,351	3,13,378	3,38,106	3,95,041	4,64,867	5,63,258	6,68,808

E: MOSL Estimates

Financials and valuations

RATIOS

Y/E MARCH	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Spreads Analysis (%)										
Avg Yield on loans	27.2	23.4	24.5	25.1	24.4	21.1	20.4	22.5	22.2	22.2
Avg Cost of funds	11.3	8.7	9.6	9.7	9.8	8.6	8.3	9.3	9.6	9.7
Spreads	15.9	14.7	14.8	15.4	14.6	12.5	12.1	13.2	12.6	12.5
Net Interest Margins	17.8	16.2	16.3	16.4	15.6	13.8	13.5	14.9	14.4	14.2

Profitability Ratios (%)

RoAE	24.8	18.8	22.8	28.8	26.4	17.0	16.7	21.1	20.3	20.3
RoAA	5.5	4.2	5.1	5.9	5.7	4.1	4.1	5.2	5.0	5.0
Cost to Income	43.1	50.4	47.8	39.6	33.7	44.8	48.5	41.7	42.2	41.4
Empl. Cost/Op. Exps.	52.1	50.7	52.0	56.3	60.2	61.0	66.4	63.9	64.4	65.3

Asset Quality

GNPL (INR m)	2,338	695	826	1,677	3,951	6,623	3,211	5,795	6,972	8,294
GNPL ratio (%)	2.0	0.5	0.5	0.9	1.9	2.9	1.3	1.4	1.4	1.4
NNPL (INR m)	1,972	427	481	1,092	2,092	5,674	2,554	3,767	4,532	5,391
NNPL ratio (%)	1.7	0.3	0.3	0.6	0.8	2.0	0.7	0.9	0.9	0.9
PCR (%)	15.6	38.5	41.7	34.9	47.1	14.3	20.4	35.0	35.0	35.0

Valuations

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Book Value (INR)	40	45	54	68	86	99	114	137	164	195
Price-BV (x)	4.8	4.2	3.5	2.8	2.2	1.9	1.7	1.4	1.2	1.0
EPS (INR)	9.0	8.0	11.3	17.5	20.4	15.7	17.7	26.5	30.5	36.3
Change YoY (%)	113.4	-10.9	40.3	55.7	16.3	-23.0	12.9	49.6	15.2	18.8
Price-Earnings (x)	21.1	23.7	16.9	10.8	9.3	12.1	10.7	7.2	6.2	5.2
Dividend	1.5	2.0	2.1	2.8	2.1	3.0	3.0	3.5	4.0	5.0
Dividend Payout (%)	20.0	30.0	23.0	19.3	10.3	19.1	16.9	13.3	13.0	13.7
Dividend Yield (%)	0.8	1.1	1.1	1.5	1.1	1.6	1.6	1.9	2.1	2.6

E: MOSL Estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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