

# Manappuram Finance

## HOLD

Overall loss due to MFI pain; Gold loan growth remain strong

### Summary

Manappuram Finance's gold loan portfolio grew by 19% YoY (vs 18% YoY Q3FY25) backed by higher gold prices. However, MFI portfolio declined by 35% YoY (down 21% QoQ) due to RBI ban on Asirvad MFI. Thus, overall AUM growth stood at 2% YoY vs 10% YoY (Q3FY25). We expect 14% CAGR (FY25-27E) AUM growth led by gold portfolio. MFI losses increased during the quarter due to increase in provisions. MFI asset quality deteriorated further with GNPA at 8.5% vs 5.8% QoQ led by higher slippages. Cons. NII declined by 3% YoY led by lower NIMs; PPOP declined by 27% YoY led by lower other income (down 73% YoY). Reported loss was Rs.2.03bn led by higher provisions (up 3.9x YoY). We have revised estimates downwards by 19%/14% for FY26E/27E respectively. We downgrade to 'HOLD' rating with a TP of Rs.240 (earlier Rs.252), valuing it at 1.2x P/BV FY27E.

### Key Highlights and Investment Rationale

- **Overall AUM growth slows down:** Gold loan grew by 19% YoY (up 4% QoQ) led by higher gold prices. Overall AUM grew by 2% YoY (v/s 10%) led by slowdown in MFI portfolio. We need to watch out for disbursements in MFI portfolio.
- **Net Yields declined QoQ:** Net yields on gold loans declined to 21.7% vs 22.2% QoQ led by focus on higher ticket size. Further, NIMs declined QoQ as cost of funds increased due to diversification of borrowings.
- **MFI pain persists:** Asset quality deteriorated with GNPA (standalone) at 2.8% vs 2.5% QoQ. MFI portfolio reported increase in credit cost as NPA increased further as collections impacted due to RBI ban.
- **Outlook:** MFI portfolio has been impacted with respect to asset quality and loan growth due to RBI ban. However, RBI ban has been lifted which should support loan growth but collection efficiency remains a key concern with respect to asset quality issues for MFI portfolio.

TP **Rs 240**

**CMP Rs 229**

Potential upside/downside **5%**

Previous Rating **BUY**

### Price Performance (%)

	-1m	-3m	-12m
Absolute	1.7	9.8	38.0
Rel to Sensex	(5.9)	7.7	28.3

### V/s Consensus

EPS (Rs)	FY26E	FY27E
IDBI Capital	18.7	21.4
Consensus	24.6	28.1
% difference	(24.1)	(23.8)

### Key Stock Data

Bloomberg/Reuters	MGFL IN /MNFL.BO
Sector	Finance
Shares o/s (mn)	846
Market cap. (Rs mn)	193,580
3-m daily avg Trd value (Rs mn)	92.9
52-week high / low	Rs248 / 138
Sensex / Nifty	79,454 / 24,008

### Shareholding Pattern (%)

Promoters	35.3
FII	28.4
DII	7.2
Public	29.1

### Financial snapshot

(Rs mn)

Year	FY2023	FY2024	FY2025	FY2026E	FY2027E
NII	42,526	55,889	62,250	64,026	73,428
Change (yoy, %)	11%	31%	11%	3%	15%
Net Profit	15,002	21,975	12,039	17,539	22,115
Change (yoy, %)	13%	46%	-45%	46%	26%
EPS (Rs)	17.7	26.0	14.2	18.7	21.4
Change (yoy, %)	13%	46%	-45%	31%	15%
BV (Rs)	114.0	136.4	146.9	172.7	198.0
PER (x)	12.9	8.8	16.1	12.2	10.7
P/BV (x)	2.0	1.7	1.6	1.3	1.2
ROE (%)	16.7	20.7	10.0	12.2	12.1
ROA (%)	4.1	5.1	2.5	3.3	3.7
GNPA (%)	1.8	2.4	4.0	3.9	3.8
NNPA (%)	0.9	1.3	1.9	1.8	1.8
CAR (%)	31.7	30.6	30.9	36.1	40.4

Source: IDBI Capital Research

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## Conference Call Highlights

### Operational Aspects

- The management believes the implementation of draft guidelines on gold loans will not disrupt the industry going ahead.
- The company is placing stringent rules for MFI business over and above the norms prescribed the self-regulatory organisation. This has resulted in sourcing-to-sanction rate for MFI loans dropping to 34% in Feb 2025 from 64% in Sep 2024.
- The company added 3.1 lakh new gold loan customers during the quarter, taking the total active customer base to 25.8 lakhs.
- On opening new gold loan branches, the regulator has asked the company to wait until the Bain Capital transaction is completed.
- Opex for MFI segment increased QoQ as the company provided higher incentives to collection employees to improve the collection efficiency.
- The company is already in compliance with the regulations notified in the draft gold loan circular.

### Advances and Borrowings

- Average gold LTV stood at 57% as compared to 60% in the previous quarter.
- The strategy of the company is to attract high ticket size gold loans (Rs.5 lakh and above) where the pricing is not competitive. This strategy is working currently in selective branches across the region.
- All of the gold loan customers are taking bullet repayment.
- While the average life of a gold loan is 4-5 months, many customers still redeem the loan within 1-2 months.
- Slowdown in vehicle finance, tractor and equipment, MSME AUM was because of the company's conscious decision to slow down the growth and tighten the operating aspects.
- The company remains comfortable in offering gold loans of different tenures.

- Yields may come down in the coming quarters due to competition in the industry. However, cost of borrowings will also come down which will provide cushion to margins.
- The tenor of bonds and large portion of term loans have increased during the year.
- The company will see some benefit in the bank's portion of borrowings as some banks have started reducing MCLR from April this year.

#### **Asset Quality**

- Write off during the quarter stood at Rs.5.65bn and auctions was at Rs.1.08bn.
- Provision coverage on the secured book is 10%.
- 1+DPD on Asirvad Microfinance stands at 20%.
- The company expects MFI portfolio to stabilise in Q1FY26, with NPA ratios trending downwards.

#### **Future Guidance**

- The company expects AUM to grow at 20% in FY26, with the growth coming across segments.
- The share of MFI portfolio is expected in the consol AUM is expected to go down to 10% in FY26 from 17% currently.
- Consolidated ROE is expected to touch 18% in the few quarters.
- Capital requirement of the subsidiaries will be met through the parent company pursuant to the capital infusion by Bain Capital.
- The company will continue to focus on gold and secured loans going forward. Secured loan portfolio will form 90% of the overall portfolio of the company.

## Exhibit 1: Quarterly Snapshot

(Rs mn)

Year-end: March	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Interest Income	23,393	22,734	25,163	2.9	-7.0
Interest Expenses	8,954	7,792	9,253	14.9	-3.2
<b>Net Interest Income</b>	<b>14,439</b>	<b>14,943</b>	<b>15,909</b>	<b>-3.4</b>	<b>-9.2</b>
<b>NIM (%)</b>	<b>13.5</b>	<b>15.0</b>	<b>14.4</b>	<b>-151 bps</b>	<b>-95 bps</b>
Non-Interest Income	240	888	464	-73.0	-48.3
<b>Operating Income</b>	<b>14,679</b>	<b>15,831</b>	<b>16,373</b>	<b>-7.3</b>	<b>-10.3</b>
Staff Cost	5,000	4,159	4,478	20.2	11.6
Other Op Exp	2,846	2,339	2,588	21.7	10.0
Total Operating Expenses	7,845	6,497	7,066	20.8	11.0
Cost to Income (%)	53.4	41.0	43.2	1241 bps	1029 bps
Cost to AUM (%)	6.2	6.2	6.0	0 bps	20 bps
<b>Operating Profit</b>	<b>6,833</b>	<b>9,333</b>	<b>9,307</b>	<b>-26.8</b>	<b>-26.6</b>
Provisions	9,192	1,878	5,546	389.4	65.7
Credit Cost (%)	8.6	1.9	5.0	669 bps	355 bps
<b>PBT</b>	<b>-2,359</b>	<b>7,455</b>	<b>3,761</b>	<b>-</b>	<b>-</b>
Tax	-327	1,820	976	-	-
-effective tax rate	13.9	24.4	26.0	-1055 bps	-1209 bps
<b>PAT</b>	<b>-2,032</b>	<b>5,635</b>	<b>2,785</b>	<b>-</b>	<b>-</b>
EPS (Rs)	-2.4	6.7	3.3	-	-
BV (Rs)	146.9	136.4	150.9	7.6	-2.7
AUM	4,30,340	4,20,696	4,42,174	2.3	-2.7

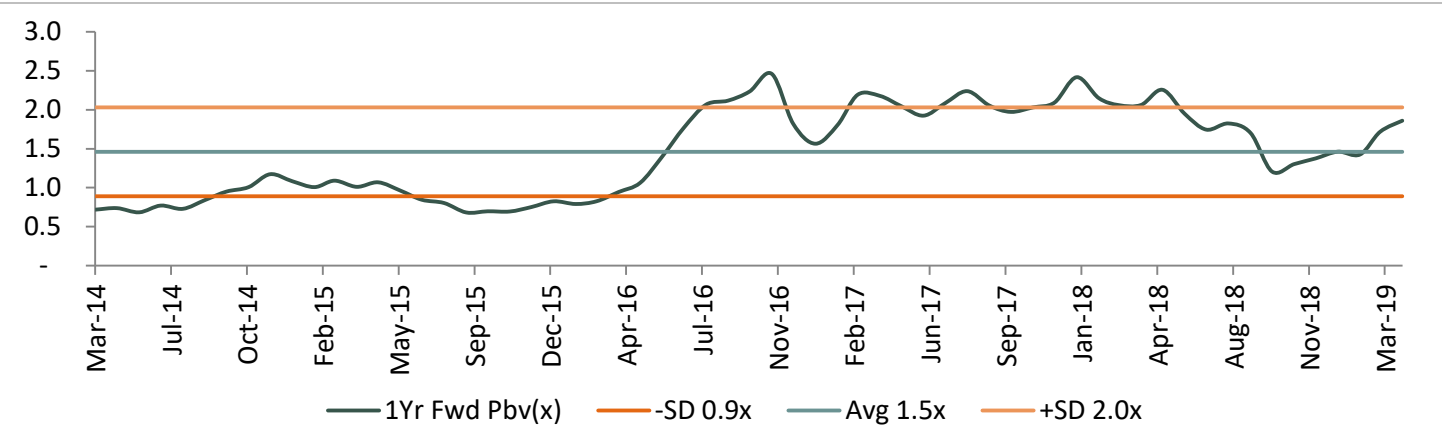
Source: Company; IDBI Capital Research

**Exhibit 2: ROE Decomposition**

(%)	FY23	FY24	FY25	FY26E	FY27E
<b>NII</b>	<b>11.6</b>	<b>13.0</b>	<b>13.0</b>	<b>12.1</b>	<b>12.2</b>
Non-Int Inc	0.8	1.1	0.6	0.6	0.6
<b>Net Revenue</b>	<b>12.4</b>	<b>14.0</b>	<b>13.5</b>	<b>12.7</b>	<b>12.8</b>
Op.Exp	6.0	5.8	6.0	6.2	6.2
<b>Op.Profit</b>	<b>6.4</b>	<b>8.2</b>	<b>7.6</b>	<b>6.5</b>	<b>6.6</b>
Provisions	0.8	1.3	4.1	2.0	1.6
-Standard	0.1	0.0	0.1	0.1	0.1
-Loan loss	0.7	1.3	4.0	2.0	1.6
PBT	5.6	6.9	3.5	4.4	4.9
Tax	1.5	1.8	1.0	1.1	1.2
<b>ROA</b>	<b>4.1</b>	<b>5.1</b>	<b>2.5</b>	<b>3.3</b>	<b>3.7</b>
Leverage (x)	4.1	4.1	4.0	3.7	3.3
<b>ROE</b>	<b>16.7</b>	<b>20.7</b>	<b>10.0</b>	<b>12.2</b>	<b>12.1</b>

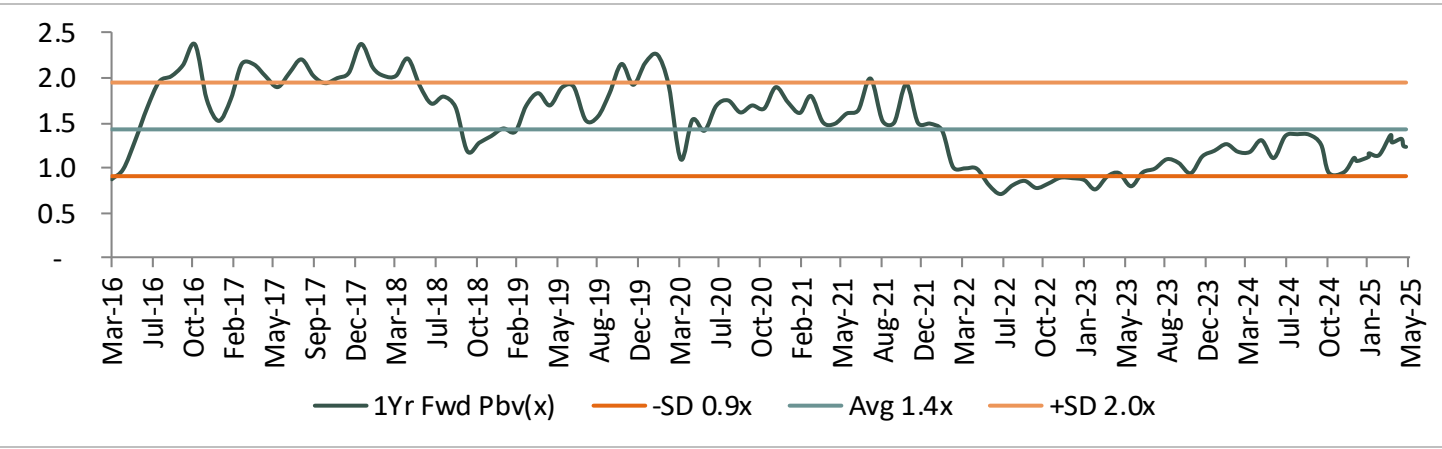
Source: Company; IDBI Capital Research

Exhibit 3: One-year forward P/BV (FY14-19)

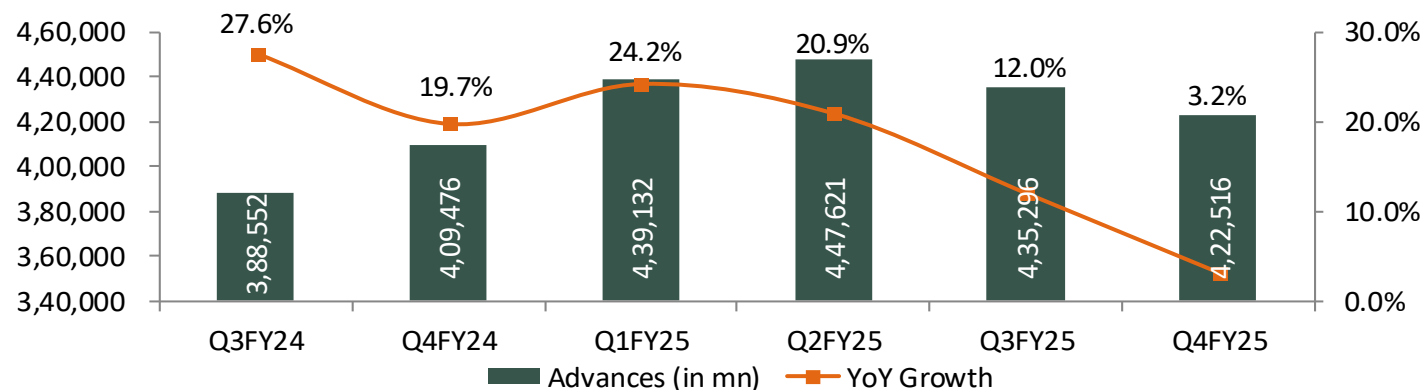


Source: Company; IDBI Capital Research

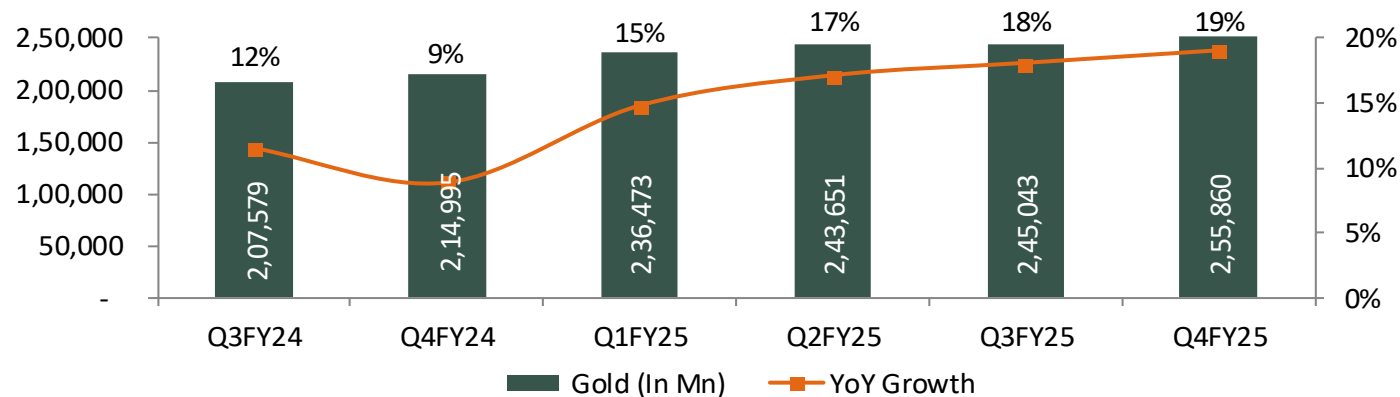
Exhibit 4: One-year forward P/BV (FY16-25)



Source: Company; IDBI Capital Research

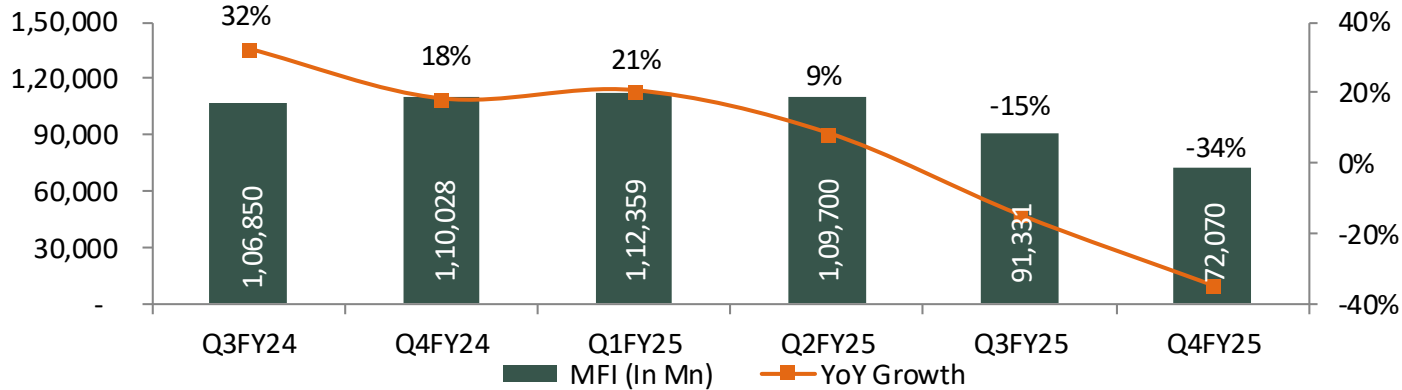
**Exhibit 5: Advances growth slowed down during the qtr due to MFI portfolio**


Source: Company; IDBI Capital Research

**Exhibit 6: Gold Loan AUM growth witnessed improvement sequentially**


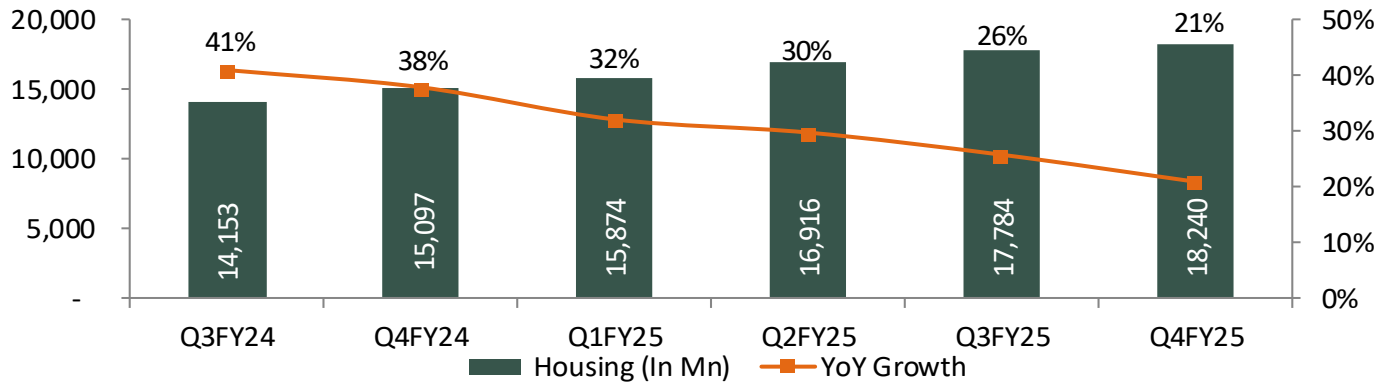
Source: Company; IDBI Capital Research

Exhibit 7: Micro Finance AUM saw YoY de-growth during the quarter



Source: Company; IDBI Capital Research

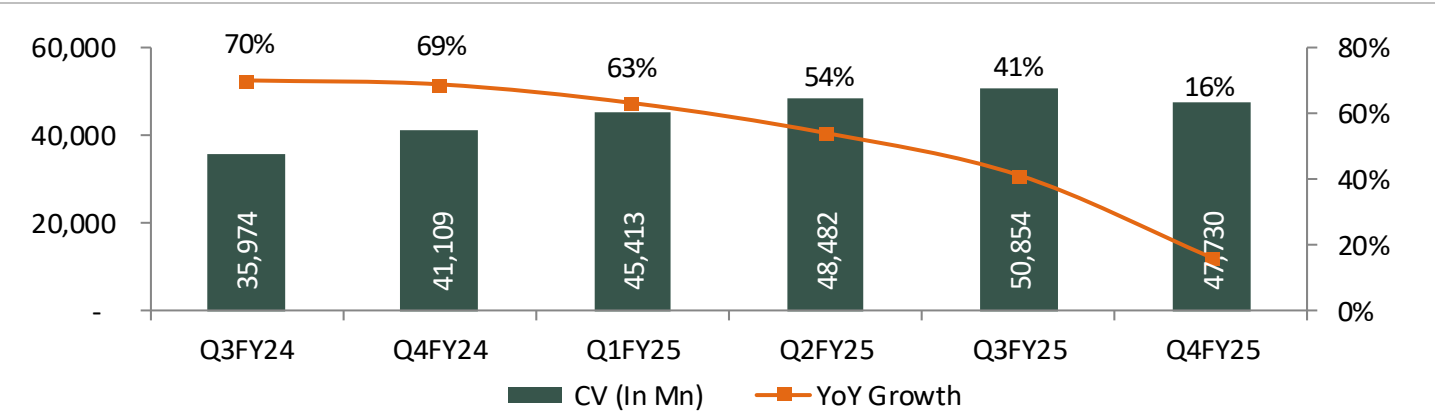
Exhibit 8: Housing AUM growth slowed during the qtr



Source: Company; IDBI Capital Research

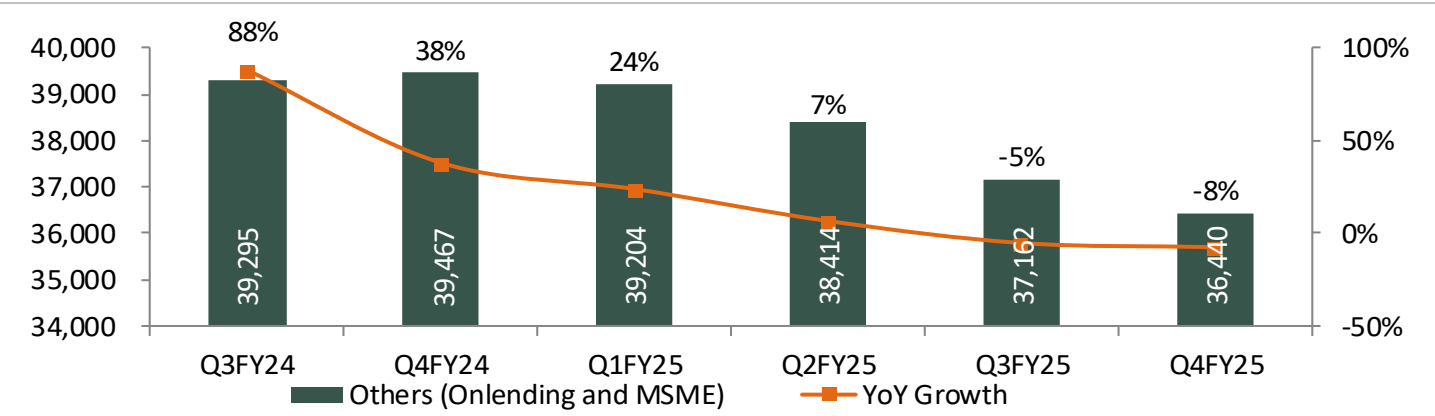


Exhibit 9: CV Segment AUM growth slowed down during the qtr



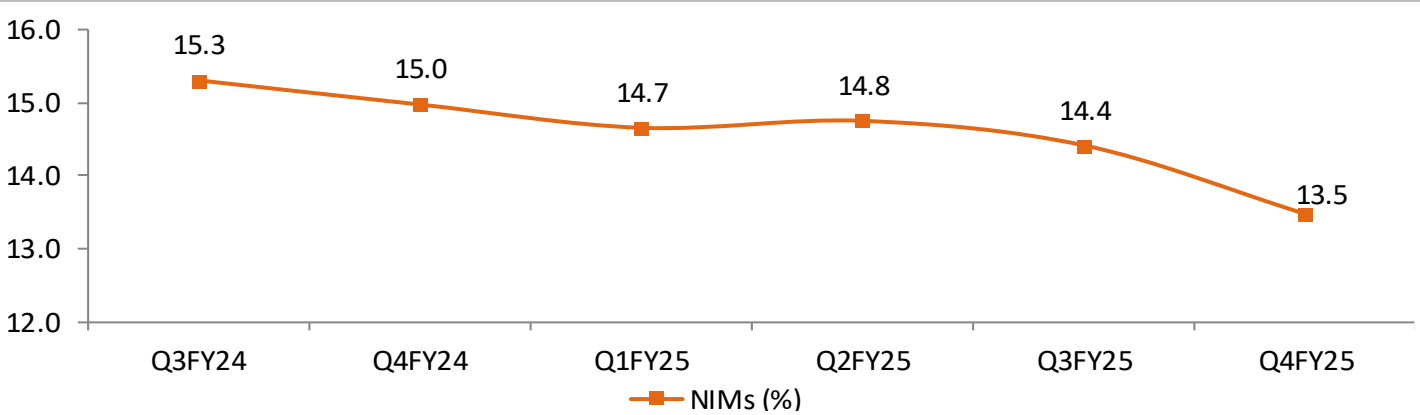
Source: Company; IDBI Capital Research

Exhibit 10: Others (On-lending and MSME) AUM growth momentum declined sequentially



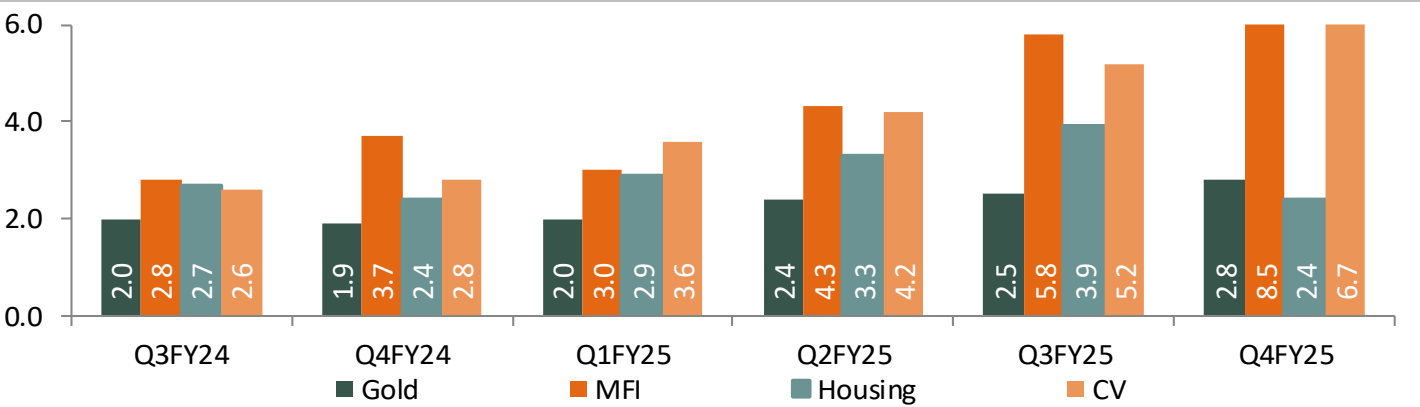
Source: Company; IDBI Capital Research

Exhibit 11: Net Interest margin decreased sequentially



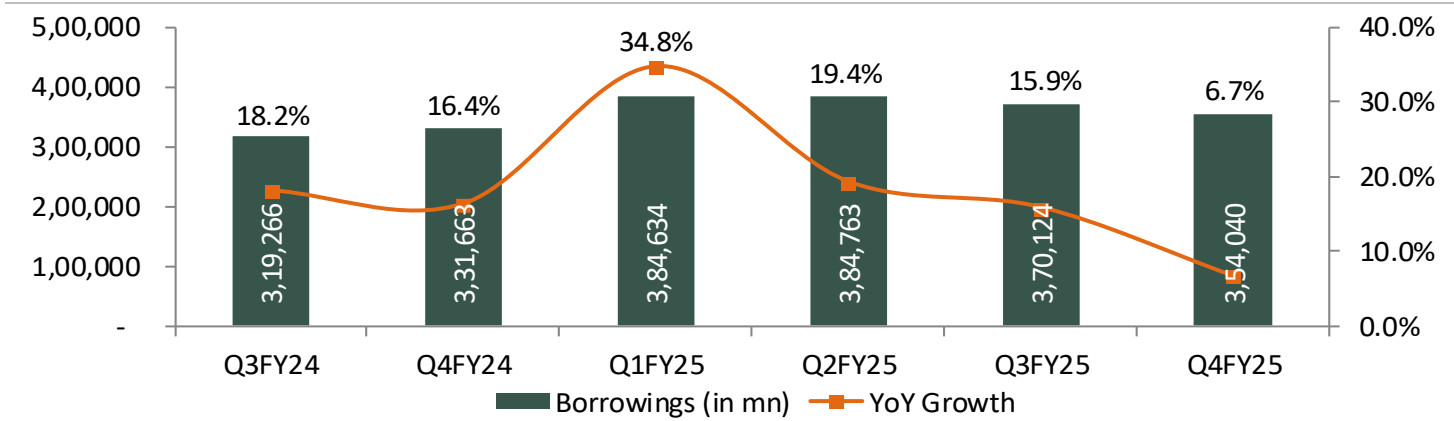
Source: Company; IDBI Capital Research

Exhibit 12: GNPA ratio increased across segments sequentially



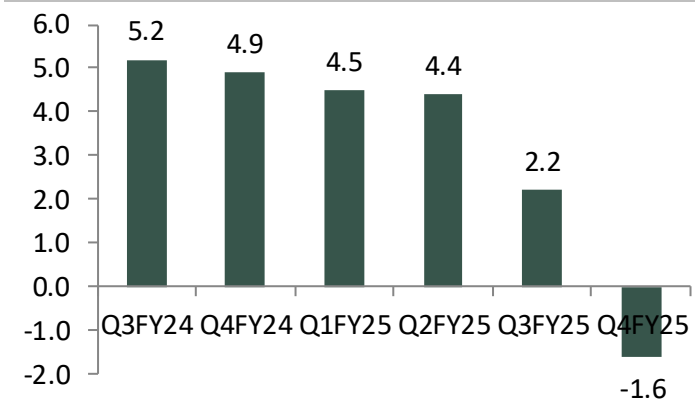
Source: Company; IDBI Capital Research

Exhibit 13: Borrowings' growth rate declined sequentially



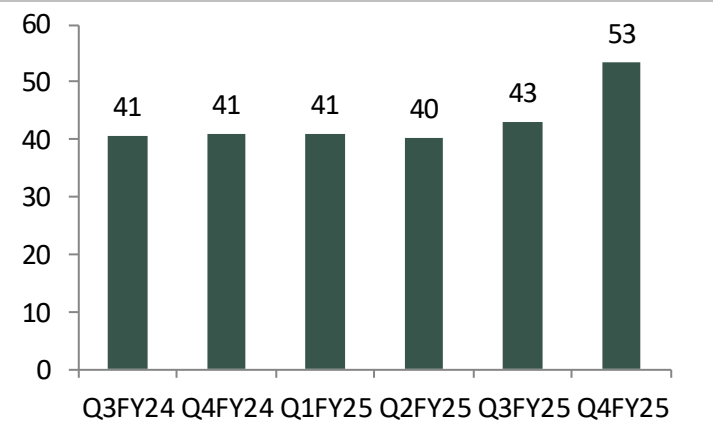
Source: Company; IDBI Capital Research

Exhibit 14: Return on Assets turned negative



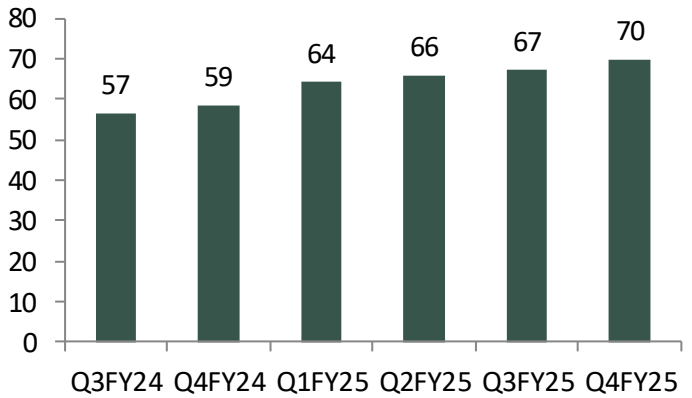
Source: Company; IDBI Capital Research

Exhibit 15: Cost to Income Ratio increased sequentially



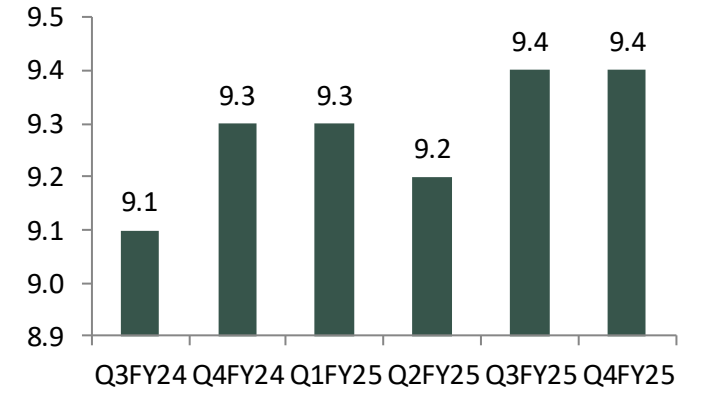
Source: Company; IDBI Capital Research

**Exhibit 16: Average AUM per Branch improved sequentially**



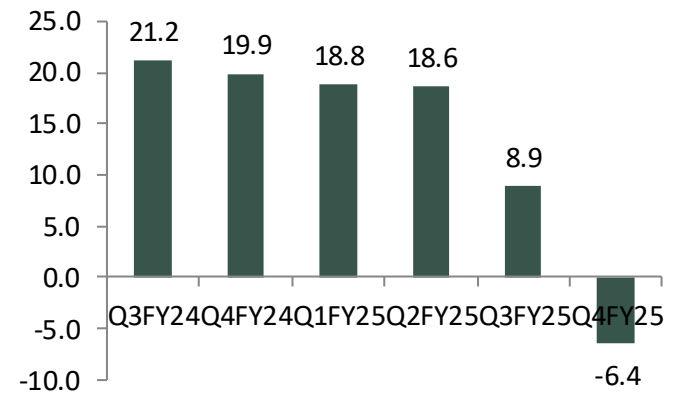
Source: Company; IDBI Capital Research

**Exhibit 17: Cost of Funds remained stable during the quarter**



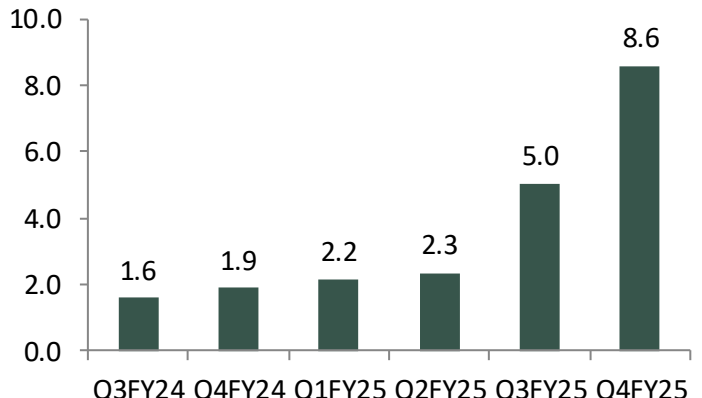
Source: Company; IDBI Capital Research

**Exhibit 18: Return on Equity turned negative**



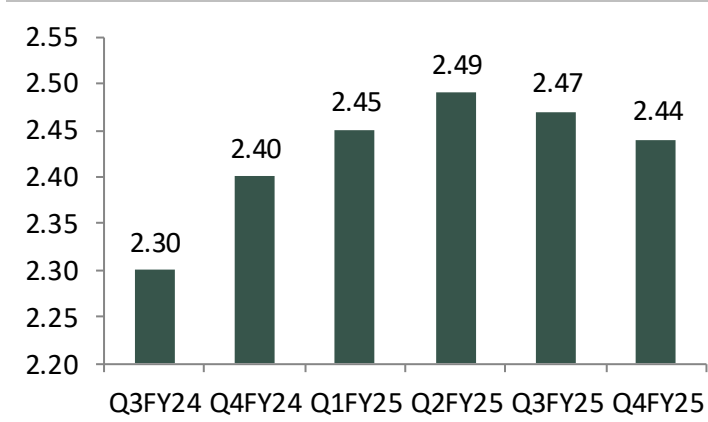
Source: Company; IDBI Capital Research

**Exhibit 19: Credit Cost inched up sequentially**



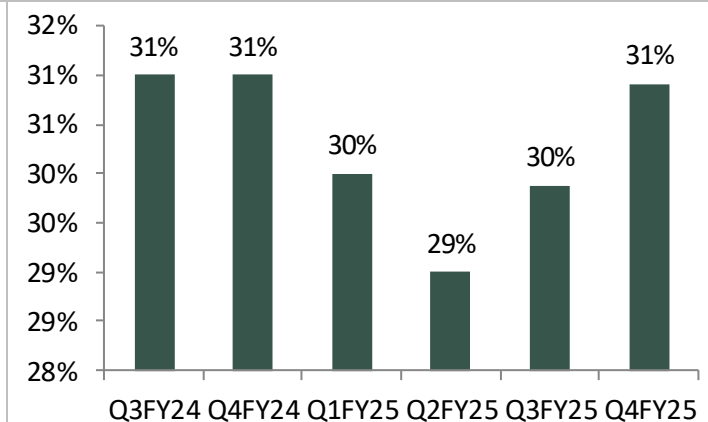
Source: Company; IDBI Capital Research

Exhibit 20: No. of Gold loan customers (Mn)



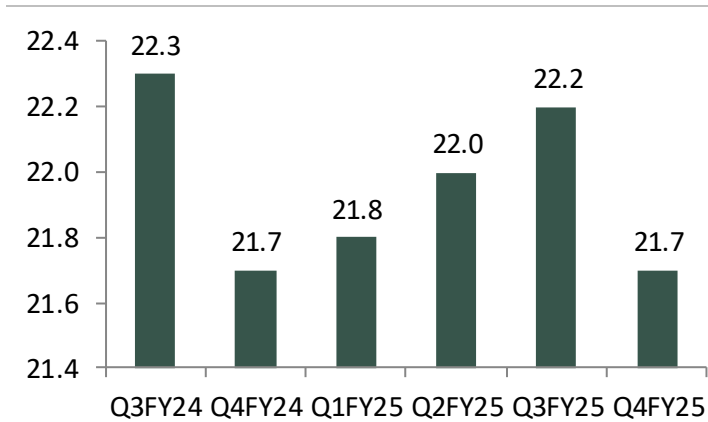
Source: Company; IDBI Capital Research

Exhibit 21: CAR remained stable



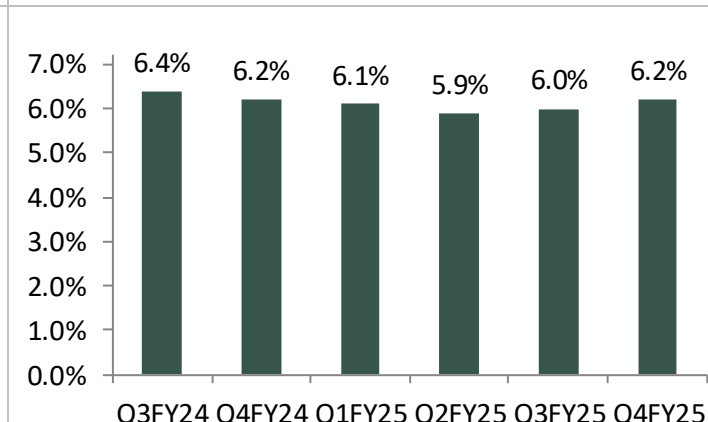
Source: Company; IDBI Capital Research

Exhibit 22: Yield on Loans declined QoQ



Source: Company; IDBI Capital Research

Exhibit 23: Opex to AUM % (Calc.) increased sequentially



Source: Company; IDBI Capital Research

**Exhibit 24: AUM Mix (In Mn)**

Consolidated AUM	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Gold Loan	2,55,860	2,15,610	2,45,043	18.7	4.4
Micro Finance Loan	72,070	1,09,390	91,331	(34.1)	(21.1)
Housing Finance Loan	18,240	15,100	17,784	20.8	2.6
Vehicle Finance Loan	47,730	41,110	50,854	16.1	(6.1)
On-Lending	5,110	9,890	6,535	(48.3)	(21.8)
MSME & Other Loans	31,330	29,600	30,627	5.8	2.3
<b>Total AUM</b>	<b>4,30,340</b>	<b>4,20,700</b>	<b>4,42,174</b>	<b>2.3</b>	<b>(2.7)</b>

Source: Company; IDBI Capital Research

**Exhibit 25: AUM Mix (In %)**

Consolidated AUM	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Gold Loan	59.5	51.3	55.4	821 bps	404 bps
Micro Finance Loan	16.7	26.0	20.7	-925 bps	-391 bps
Housing Finance Loan	4.2	3.6	4.0	65 bps	22 bps
Vehicle Finance Loan	11.1	9.8	11.5	132 bps	-41 bps
On-Lending	1.2	2.4	1.5	-116 bps	-29 bps
MSME & Other Loans	7.3	7.0	6.9	24 bps	35 bps
<b>Total AUM</b>	<b>100</b>	<b>100</b>	<b>100</b>		

Source: Company; IDBI Capital Research

**Exhibit 26: Consolidated Borrowing Mix (In Mn)**

Borrowing Mix	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
WCDL / CC	72,610	76,390	76,227	(4.9)	(4.7)
Term Loan	1,86,720	1,90,090	1,97,935	(1.8)	(5.7)
NCD/Bonds	37,640	48,310	41,977	(22.1)	(10.3)
External Commercial Borrowing	52,290	9,300	49,454	462.3	5.7
Commercial Paper	2,940	8,360	2,891	(64.8)	1.7
Securitisation	1,840	4,080	1,640	(54.9)	12.2
<b>Total Borrowings</b>	<b>3,54,040</b>	<b>3,36,530</b>	<b>3,70,124</b>	<b>5.2</b>	<b>(4.3)</b>

Source: Company; IDBI Capital Research

**Exhibit 27: Consolidated Borrowing Mix (In %)**

Borrowing Mix	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
WCDL / CC	20.5	22.7	20.6	-219 bps	-9 bps
Term Loan	52.7	56.5	53.5	-375 bps	-74 bps
NCD/Bonds	10.6	14.4	11.3	-372 bps	-71 bps
External Commercial Borrowing	14.8	2.8	13.4	1201 bps	141 bps
Commercial Paper	0.8	2.5	0.8	-165 bps	5 bps
Securitisation	0.5	1.2	0.5	-63 bps	6 bps
<b>Total Borrowings</b>	<b>100</b>	<b>100</b>	<b>100</b>		

Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Net interest income</b>	<b>38,284</b>	<b>42,526</b>	<b>55,889</b>	<b>62,250</b>	<b>64,026</b>	<b>73,428</b>
<i>Change (yoy, %)</i>	-4%	11%	31%	11%	3%	15%
Non-Interest Income	2,866	3,095	4,655	2,753	3,173	3,572
Net Revenue	41,149	45,622	60,544	65,002	67,199	77,000
Operating expenses	18,453	22,140	25,165	28,718	33,028	37,540
Employee expenses	11,250	14,695	15,973	18,418	21,183	23,918
Other expenses	7,202	7,445	9,192	10,300	11,845	13,621
<b>Pre-Provision Profit</b>	<b>22,697</b>	<b>23,482</b>	<b>35,379</b>	<b>36,285</b>	<b>34,171</b>	<b>39,461</b>
<i>Change (yoy, %)</i>	-18%	3%	51%	3%	-6%	15%
Provision	4,862	3,071	5,783	19,628	10,732	9,908
PBT	17,835	20,411	29,595	16,656	23,439	29,553
Taxes	4,548	5,409	7,620	4,618	5,899	7,438
<i>Effective tax rate (%)</i>	26%	26%	26%	28%	25%	25%
<b>Net profit</b>	<b>13,287</b>	<b>15,002</b>	<b>21,975</b>	<b>12,039</b>	<b>17,539</b>	<b>22,115</b>
<i>Change (yoy, %)</i>	-23%	13%	46%	-45%	46%	26%
EPS	15.7	17.7	26.0	14.2	18.7	21.4
Return on Equity (%)	17.0	16.7	20.7	10.0	12.2	12.1
Return on Asset (%)	4.1	4.1	5.1	2.5	3.3	3.7



## Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Capital	1,693	1,693	1,693	1,693	1,879	2,065
Reserves	81,991	94,756	1,13,788	1,22,629	1,60,395	2,02,279
<b>Networth</b>	<b>83,683</b>	<b>96,449</b>	<b>1,15,481</b>	<b>1,24,322</b>	<b>1,62,273</b>	<b>2,04,344</b>
Borrowings	2,41,185	2,84,829	3,36,536	3,54,040	3,98,270	4,24,520
Other liabilities	13,238	13,764	15,463	13,685	5,576	8,192
<b>Total Liab. &amp; Equity</b>	<b>3,38,106</b>	<b>3,95,041</b>	<b>4,67,479</b>	<b>4,92,047</b>	<b>5,66,120</b>	<b>6,37,055</b>
Fixed Assets	3,639	4,478	4,736	5,065	5,571	6,128
Investments	4,207	5,340	7,263	7,877	9,059	10,418
Loans	2,89,710	3,41,945	4,09,476	4,22,516	4,87,014	5,48,323
Cash	26,974	30,351	31,813	38,077	43,889	49,415
Other assets	13,576	12,927	14,192	18,513	20,586	22,771
<b>Total assets</b>	<b>3,38,106</b>	<b>3,95,041</b>	<b>4,67,479</b>	<b>4,92,047</b>	<b>5,66,120</b>	<b>6,37,055</b>

## Financial Ratios

(%)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Growth</b>						
Advances	9.3	18.0	19.7	3.2	15.3	12.6
NII	(3.6)	11.1	31.4	11.4	2.9	14.7
Pre-Provision Profit	(17.7)	3.5	50.7	2.6	(5.8)	15.5
Net Profit	(23.0)	12.9	46.5	(45.2)	45.7	26.1
<b>Spreads</b>						
Yield on Assets	21.1	20.4	22.5	23.6	22.4	21.7
Cost of Funds	8.6	8.3	9.2	10.4	10.0	9.5
NIM	13.8	13.5	14.9	15.0	14.1	14.2
Spread	12.5	12.1	13.3	13.2	12.4	12.2
<b>Operating Efficiency</b>						
Cost-to-Income	44.8	48.5	41.6	44.2	49.1	48.8
Cost-to-AUM	6.7	7.0	6.7	6.9	7.3	7.3
<b>Asset Quality</b>						
GNPA	3.4	1.8	2.4	4.0	3.9	3.8
NNPA	1.8	0.9	1.3	1.9	1.8	1.8
Provision Coverage	44.1	47.1	42.9	51.6	52.2	51.6
Credit Cost	0.3	0.1	0.3	4.7	2.4	1.9
<b>Capital Adequacy</b>						
CAR	31.3	31.7	30.6	30.9	36.1	40.4
<b>Valuation</b>						
EPS	15.7	17.7	26.0	14.2	18.7	21.4
BV	98.9	114.0	136.4	146.9	172.7	198.0
P/E	14.6	12.9	8.8	16.1	12.2	10.7
P/BV	2.3	2.0	1.7	1.6	1.3	1.2
ROE	17.0	16.7	20.7	10.0	12.2	12.1
ROA	4.1	4.1	5.1	2.5	3.3	3.7

Source: Company; IDBI Capital Research

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