



Manappuram Finance

Estimate change

TP change

Rating change

CMP: INR207

TP: INR250 (+21%)

Buy

Earnings in line; strong gold AUM growth at ~10% QoQ

Credit costs remain elevated in the MFI business

Bloomberg	MGFL IN
Equity Shares (m)	846
M.Cap.(INRb)/(USDb)	175 / 2.1
52-Week Range (INR)	230 / 125
1, 6, 12 Rel. Per (%)	-6/5/16
12M Avg Val (INR M)	1899

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	55.9	64.5	76.0
PPP	35.4	40.9	48.3
PAT	22.0	24.2	30.2
EPS (INR)	26.0	28.6	35.7
EPS Gr. (%)	46.5	10.2	24.8
BV/Sh.(INR)	136	161	193

Ratios

NIM (%)	14.9	14.4	14.4
C/I ratio (%)	41.6	41.1	40.5
RoA (%)	5.1	4.7	5.0
RoE (%)	20.7	19.2	20.2
Payout (%)	13.7	13.5	12.1

Valuations

P/E (x)	8.0	7.2	5.8
P/BV (x)	1.5	1.3	1.1
Div. Yld. (%)	1.7	1.9	2.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	35.2	35.2	35.2
DII	9.3	9.5	10.7
FII	33.0	32.0	30.7
Others	22.4	23.3	23.4

FII Includes depository receipts

- Manappuram Finance (MGFL)'s consol. PAT grew ~12% YoY, but declined ~1% QoQ to ~INR5.6b (in line) in 1QFY25. NII grew ~19% YoY to ~INR15.4b (in line), and PPOP rose ~22% YoY to ~INR9.8b (in line) during the quarter.
- Consol. credit costs stood at ~INR2.3b. Annualized credit costs for the quarter rose ~30bp QoQ to 2.1% (v/s PQ: ~1.8%). Higher credit costs were primarily attributable to the MFI business.
- **Gold AUM grew ~10% QoQ and ~15% YoY to ~INR236b.** Net yields on Gold loans declined ~30bp to ~22.2% (PQ: ~22.5%). However, net yields on the standalone business rose ~10bp QoQ to 21.8%. Standalone CoB increased ~20bp QoQ to 9.0%, resulting in a sequential compression in NIM.
- Standalone GNPA rose ~10bp QoQ to ~2.0% and NNPA was stable at ~1.7%.
- Asset quality deteriorated across non-gold segments (except MFI), with GS3 increasing in Vehicle Finance (~3.6% vs. ~2.8% in 4Q), Housing Finance (~2.9% vs. ~2.4% in 4Q), and MSME & Personal Loans (3.4% vs. ~2.8% in 4Q), despite a healthy sequential loan growth in each of these product segments. For Asirvad MFI, collections were weaker due to farmer agitation (in Punjab), general elections, and rumors regarding loan waivers as well as heat waves in certain parts of Northern India.
- Management shared that the competitive intensity from banks has reduced, allowing for no irrationality around pricing/yields in gold lending. We believe that capping on cash disbursements at INR20K in gold loans will also help MGFL gain market share from smaller/fringe gold loan players in the near-term.
- We cut our FY25 PAT estimates by ~5% each to factor in lower growth (in some non-gold segments like MFI and Personal Loans) and higher credit costs from the MFI business. We estimate a 15%/19% AUM CAGR in gold/consolidated AUM over FY24-26. We model a ~17% consolidated PAT CAGR over the same period to arrive at a consolidated RoA/RoE of ~5%/20% in FY26. **Reiterate BUY (as the risk-reward is still favorable at a valuation of 1.1x FY26E P/BV) with a TP of INR250 (based on 1.3x FY26E consolidated BVPS).**

Gold AUM rises ~10% QoQ with a minor increase in gold tonnage

- Gold AUM grew ~10% QoQ and ~15% YoY to ~INR236b. Gold tonnage grew ~1% QoQ to ~60t. LTV increased ~2pp QoQ to ~60% while the average ticket size (ATS) in gold loans rose to INR62.1K (PQ: INR58.5K). Gold loan customer base increased to ~2.6m (PQ: 2.4m).
- The company guided for Gold Loan growth of >15% in FY25.
- The Union Budget slashed the customs duty on gold from ~15% to 6%, which has hit the domestic price of gold. However, the increase in gold volumes will be positive for MGFL and other gold lenders.