

Gold Rate Cuts to Drag NIMs; Focus Shifts to Gold Loan Portfolio

Est. Vs. Actual for Q1FY26: NII – **MISS**; PPOP – **MISS**; PAT – **BEAT**

Changes in Estimates post Q1FY26

FY26E/FY27E (in %): NII: -14.4/-16.5; PPOP: -26.8/-28.7; PAT: -46.5/-31.6

Recommendation Rationale

- Strategy Re-Orientation Towards Gold Loans:** Amidst continued challenges in the MFI segment and stress remaining higher in unsecured MSME and certain sub-segments of Vehicle Finance, Manappuram will focus on strengthening and growing its core gold loan business. **The company aims at improving the mix of Gold loans to 75% vs 65% currently, over the medium term.** Focus will continue to remain on higher ticket size customers. Manappuram also aims at aligning its gold lending rates with larger peers and maintaining yields at ~17-18% vs 20.7% in Q1FY26. The rate reduction would be in a phased manner over the next 4-6 quarters. The management remains confident of maintaining gold loan growth and profitability, driven by improved volumes and higher ticket sizes adequately compensating for the lower yields. The company will look at expanding the gold loan portfolio through its subsidiaries. **Starting with Asirvad's network of 1,600 branches, Manappuram will look at upgrading infrastructure in 1,100 branches and disbursing gold loans.**
- Non-Gold Portfolio Growth to be Calibrated:** The company is realigning its focus on its secured businesses to improve profitability, while near-term portfolio consolidation will continue. In the MSME business, Manappuram is re-looking at the business and aims at targeting a higher profile of customers by increasing the ATS to Rs 8-9 Lc vs Rs 5 Lc currently. Similarly, in the Vehicle (VF) business, it has exited the farm equipment business and re-modelled and automated the underwriting processes in the 2-Wheeler segment. With a renewed strategy, Manappuram aims at increasing the ATS in the VF portfolio to Rs 10 Lc vs Rs 6-7 Lc currently. **Within the non-gold portfolio, MFI will be capped at 10% and growth will be driven by Housing, Vehicle and secured MSME in a calibrated manner.**
- Gold Loan Yield Revision to Dampen NIMs:** With Manappuram's intent to align lending rates with peers, Manappuram reduced its gold yields by ~150 bps QoQ in Q1. A similar calibrated reduction would be visible over the next 4-6 quarters. Moreover, the stress in the non-gold portfolio, particularly MFI, has resulted in higher interest reversals. However, some respite is expected from the CoF, with MCLR-linked bank borrowings repricing downwards, which should partially offset the impact of yield decline. Moreover, following the strategic investment of Bain Capital, Manappuram will look to renegotiate the rates with banks. **However, we expect NIMs to settle significantly lower at 11.5-11.7% over FY26-28E vs 13.6% in FY25.**

Sector Outlook: Positive

Company Outlook: Manappuram will continue to focus and build the gold loan portfolio with growth primarily driven by higher ticket size and expectations of strong customer additions, while offsetting the impact of lower yields. Manappuram intends to align its gold loan yields with its closest peers, which will remain a drag on NIMs. Thus, we expect NIMs to settle meaningfully lower over FY26-28E, thereby denting earnings. The non-gold portfolio will continue to consolidate before resuming growth momentum, which will be in a calibrated manner as the company re-examines these businesses with a focus on improving profitability. Near-term challenges on credit costs will continue. However, with stress in the MFI portfolio on the mend, credit costs are expected to trend downwards, especially over H2FY26 and beyond. Given NIM pressures, we expect RoA to settle meaningfully lower at 3-3.3% vs 4% earlier.

Current Valuation: 1.4x FY27E ABV Earlier Valuation: 1.4x FY27E ABV

Current TP: Rs 255/share; Earlier TP: Rs 255/share

Recommendation: We revise our rating from BUY to HOLD

Financial Performance

- Operational Performance:** AUM growth was weak -1/+3% YoY/QoQ largely in-line with our expectations (by ~2%). The weakness in AUM growth was owing to muted growth in the non-gold segments, while Gold AUM growth was healthy at 22/13% YoY/QoQ. In the non-gold portfolio, MFI de-grew sharply by 51/23% YoY/QoQ, while the VF book de-grew by 1/6% YoY/QoQ. The HL book registered a growth of 20/4% YoY/QoQ. The share of gold loans stood at 65% vs 59% QoQ.
- Financial Performance:** NII declined 10/4% YoY/QoQ, with NIMs (Calc.) contracting by 53 bps QoQ, at 11.5% vs 12.1% QoQ. Non-interest income growth was weak and decreased by 77% YoY but grew by 27% QoQ. Opex growth was modest at 10/-5% YoY/QoQ. However, owing to weak top-line growth, the C-I Ratio stood at 53.1% vs 41/53.4% YoY/QoQ. PPOP was down 33/3% YoY/QoQ. Credit costs (Calc.) remained elevated at 512 bps, while moderating sequentially from 843 bps QoQ. PAT de-grew by 77% YoY. The company reported a profit vs a loss QoQ.
- Asset Quality** deterioration was visible across segments (ex-MFI with improvement mostly driven by write-offs). Gold/MFI/Housing/Vehicle/MSME GNPA stood at 3.0/4.4/2.9/9.2/5.3% vs 2.8/8.5/2.4/6.7/5.1% QoQ. Consolidated GNPA/NNPA stood at 2.96/2.56% vs 2.51/2.25% QoQ.

Key Financials (Consolidated)

Rs Cr	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	1,380	-4.4	-10.2	1,426	-3.2
PPOP	661	-3.3	-32.7	674	-1.9
Net Profit	132	N.M	-76.2	8	N.M
NNPA (%)	2.6	+31 bps	+86 bps	2.5	+10 bps
RoA (%)	1.1	+272 bps	-340 bps	0.1	+104 bps

Source: Company, Axis Securities Research

(CMP as of 08th August, 2025)

CMP (Rs)	259
Upside /Downside (%)	-1.5%
High/Low (Rs)	285/138
Market cap (Cr)	21,885
Avg. daily vol. (6m) Shrs.	1,05,54,021
No. of shares (Cr)	84.6

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	35.3	35.3	35.3
FII's	27.0	28.4	29.7
MFs / UTI	6.9	6.6	6.8
Others	30.8	29.9	28.2

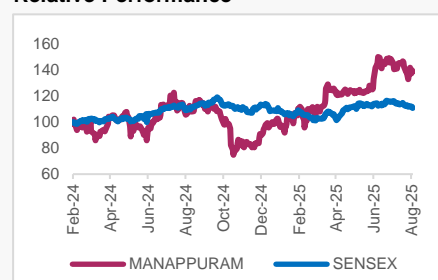
Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
NII	5,833	6,597	7,768
PPOP	2,879	3,361	4,201
Net Profit	1,170	1,946	2,481
EPS (Rs)	12.5	18.8	24.0
ABV (Rs)	158.5	180.7	199.0
P/ABV (x)	1.6	1.4	1.3
RoA (%)	2.2	3.1	3.4
NNPA (%)	2.1	1.6	1.5

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
NII	-14.4	-16.5
PPOP	-26.8	-28.7
PAT	-46.5	-31.6

Relative Performance



Source: Ace Equity, Axis Securities Research

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Key Highlights

MFI Stress to Taper: The management indicated that the stress in the MFI portfolio has peaked and should decline hereon. Manappuram has strengthened its underwriting criteria and is also seeing CE improve. The management thus expects the MFI portfolio to turn profitable as it exits FY26 (in Q4FY26). The company has resumed its disbursements in the MFI segment through branches, wherein collections have been performing well. The management has guided for ~30% lower credit costs QoQ in Q2 in the MFI segment. Like in the MFI segment, it has also tightened its credit filters in the 2-Wheeler and Farm Equipment segments.

Outlook

We revise our AUM growth estimates lower, especially in the non-gold segments, and expect the gold loan AUM growth trajectory to remain healthy. Factoring in calibrated non-gold portfolio growth and lower gold yields, we cut our NII estimates by 14-17% over FY26-27E. With NIMs settling meaningfully lower and near-term credit cost headwinds, we lower our earnings estimates by 46/32% over FY26/27E. We expect Manappuram's RoA/RoE to settle at 3.1-3.4%/11-12% over FY26-27E vs 2.5/10% in FY25. We expect Manappuram to deliver AUM/NII/Earnings growth of 15/8/27% CAGR over FY25-28E.

Valuation & Recommendation

The stock has already gained ~12/26% over the past 3/6 months and currently trades at ~1.4x FY27E. **We believe it is fairly valued, and any further action in the stock would be driven by the seamless execution of the growth strategy and improving profitability.** We value Manappuram at 1.4x FY27E to arrive at a target price of Rs 255/share, implying a downside of 1.5% from the CMP. **We revise our rating on the stock to HOLD from BUY earlier.**

Key Risks to Our Estimates and TP

- The key risk to our estimates remains a slowdown in overall credit growth, which could potentially derail our earnings estimates.
- The asset quality concerns continuing for longer remains a key monitorable.
- Delay in completion of the proposed transaction with Bain Capital.

Change in Estimates

(Rs Cr)	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
NII	5,833	6,597	7,768	6,813	7,905	-	-14.4	-16.5	-
PBP	2,879	3,361	4,201	3,934	4,712	-	-26.8	-28.7	-
PAT	1,170	1,946	2,481	2,186	2,845	-	-46.5	-31.6	-

Source: Axis Securities Research

Results Review (Consolidated)

(Rs Cr)	Q1FY26	Q1FY25	% YoY	Q4FY25	% QoQ
Net Interest Income	1,380	1,538	-10.2	1,445	-4.4
Non-Interest Income	29	126	-76.7	23	27.4
Operating expenses	749	682	9.7	784	-4.5
Staff Cost	474	446	6.3	500	-5.1
Pre-provision profits	661	981	-32.7	683	-3.3
Provisions and contingencies	559	229	144.7	919	-39.1
PBT	102	753	-86.5	-236	-143.0
Provision for Tax	-31	196	-115.8	-33	-5.4
PAT	132	557	-76.2	-203	-165.2

Business Performance

AUM	44,303	44,932	-1.4	43,034	2.9
-- Gold Loans	28,802	23,647	21.8	25,586	12.6
-- Microfinance Loans	5,542	11,236	-50.7	7,207	-23.1
-- Housing Loans	1,901	1,587	19.8	1,824	4.2
-- Vehicle Loans	4,492	4,541	-1.1	4,773	-5.9
-- Other Loans	3,156	3,004	5.1	3,133	0.7
Blended Yields (calc.)	18.7	20.1	-142bps	19.3	-58bps
Cost of Funds (%)	9.3	9.4	-10bps	9.4	-12bps
NIMs (%) - Calc.	11.5	13.0	-142bps	12.1	-53bps
Cost-Income ratio (%)	53.1	41.0	1211bps	53.4	-32bps

Asset Quality

Gross NPA (%)	3.0	2.0	100bps	2.5	45bps
Net NPA (%)	2.6	1.7	86bps	2.3	31bps
PCR (%)	13.5	13.3	25bps	10.4	315bps

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Net Interest Income	6,225	5,833	6,597	7,768
Non-Interest Income	275	226	286	333
Total Income	6,500	6,059	6,883	8,101
Operating Expenses	2,872	3,180	3,522	3,900
Pre-Provision Profits	3,628	2,879	3,361	4,201
Provisions	1,963	1,315	760	884
PBT	1,665	1,564	2,601	3,316
Tax	462	394	655	836
Profit After Tax	1,204	1,170	1,946	2,481

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Equity Share Capital	169	188	206	206
Reserves & Surplus	12,263	15,349	19,041	20,976
Net Worth	12,432	15,537	19,247	21,182
Borrowings	36,077	39,206	44,491	52,853
Other Liabilities	696	977	1,137	1,321
Total Liabilities	49,205	55,720	64,876	75,356
Cash & Bank balances	3,808	4,200	4,891	5,681
Investments	788	1,003	1,168	1,357
Loans	42,252	47,846	55,708	64,708
Fixed Assets & Others	2,358	2,670	3,109	3,611
Total Assets	49,205	55,720	64,876	75,356

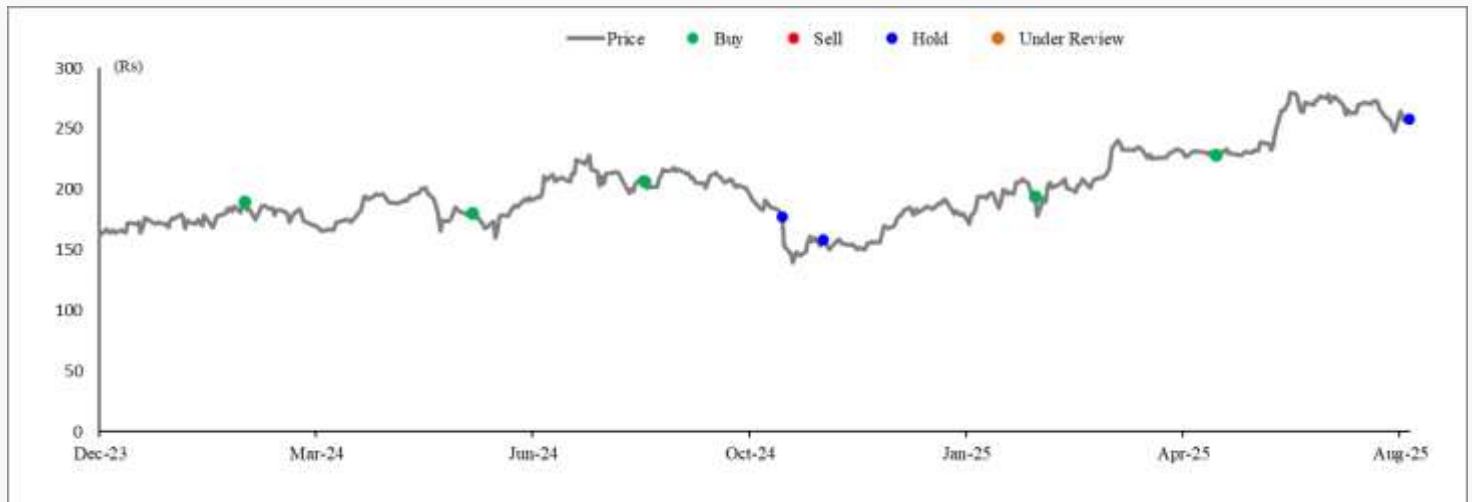
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS				
EPS	14.2	12.5	18.8	24.0
Earnings Growth (%)	-45.2	-12.4	51.3	27.5
BVPS	146.9	165.4	186.5	205.2
Adj. BVPS	138.0	158.5	180.7	199.0
RoA (%)	2.5	2.2	3.1	3.4
ROAE (%)	10.0	8.1	10.8	11.9
P/E (x)	18.2	20.8	13.7	10.8
P/ABV (x)	1.9	1.6	1.4	1.3
PROFITABILITY & OPERATING EFFICIENCY				
NIM (%)	13.6	11.7	11.5	11.6
Cost/Avg. Asset Ratio (%)	6.0	6.1	5.8	5.6
Cost-Income Ratio (%)	44.2	52.5	51.2	48.1
BALANCE SHEET STRUCTURE RATIOS				
AUM Growth (%)	2.3	13.8	16.1	16.2
Borrowings Growth (%)	5.1	8.7	13.5	18.8
Equity/Assets (%)	25.3	27.9	29.7	28.1
Equity/Loans (%)	29.4	32.5	34.5	32.7
ASSET QUALITY				
Gross NPLs (%)	2.8	2.3	1.8	1.7
Net NPLs (%)	2.4	2.1	1.6	1.5
Coverage Ratio (%)	15.5	15.1	15.3	15.1
Provision/Avg. AUM (%)	4.7	2.9	1.5	1.5
ROAA TREE (on Total Assets)				
Net Interest Income	13.0	11.1	10.9	11.1
Non-Interest Income	0.6	0.4	0.5	0.5
Operating Cost	6.0	6.1	5.8	5.6
Provisions	4.1	2.5	1.3	1.3
Tax	1.0	0.8	1.2	1.2
ROAA	2.5	2.2	3.1	3.4
Leverage (x)	4.0	3.8	3.5	3.5
ROAE	10.0	8.1	10.8	11.9

Source: Company, Axis Securities Research

Manappuram Finance Price Chart and Recommendation History



Date	Reco	TP	Research
08-Feb-24	BUY	230	Result Update
27-May-24	BUY	220	Result Update
14-Aug-24	BUY	250	Result Update
18-Oct-24	HOLD	175	Company Update
06-Nov-24	HOLD	170	Result Update
14-Feb-25	BUY	220	Result Update
11-May-25	BUY	255	Result Update
11-Aug-25	HOLD	255	Result Update

Source: Axis Securities Research

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