

## Gold Loans to Lead Growth; Non-Gold Growth to be Calibrated!

Est. Vs. Actual for Q2FY26: NII – **INLINE**; PPOP – **BEAT**; PAT – **BEAT**

Changes in Estimates post Q2FY26

FY26E/FY27E/FY28E (in %): NII: -3.2/+0.5/+1.4; PPOP: -4.7/+1.7/+2.7; PAT: -10.4/+1.8/+2.8

### Recommendation Rationale

- **Gold Loans to Lead Growth:** Manappuram will focus on strengthening and growing its core gold loan business to drive healthy growth. Focus will continue to remain on higher ticket size customers. A bulk of the incremental business continues to come from the higher ATS customers and can be credited to the sharper rate reduction taken for these customers. The company has seen some slowdown in smaller ATS customers (<Rs 1 Lc) in Q2. Manappuram will continue to align its gold lending rates with larger peers and maintain yields at ~18-18.5% vs 19.7% in Q2. **The management remains confident of maintaining gold loan growth and profitability driven by improved volumes, higher ticket sizes, and improved branch productivity.** The company will look at expanding the gold loan portfolio through its subsidiaries. In the absence of growth opportunities in the unsecured business, there has been a decisive shift towards gold loans. **The management remains optimistic about gold growth sustaining at 20-25% CAGR over the foreseeable future, despite another possible 50-100 bps gold loan rate cut.**
- **Non-Gold Portfolio Growth to be Calibrated:** The company is reworking its strategy in the Vehicle Finance (VF) and MSME businesses to improve profitability and asset quality. Within the VF business, Manappuram continues to face challenges on the collections front in 2-Wheelers and Farm Equipment. With focused efforts on improving collections, the management expects the book to stabilise over the next couple of quarters. With headwinds on selling the repossessed smaller ATS assets (<Rs 5 Lc) in the VF business, Manappuram has shifted its focus towards higher ATS ranging between Rs 8-15 Lc in the VF segment. In the MFI segment, Manappuram is in no hurry to accelerate growth and will adopt a calibrated growth approach while prioritising asset quality.
- **Asset Quality on the Mend:** The delinquencies in the MFI portfolio have declined, and the management remains confident of slippages tapering in H2. The CE post Feb'25 has been holding up well and is settling at ~99.8%. Moreover, the recent disbursements are exhibiting better asset quality trends, with the company exercising stringent guardrails and enhanced underwriting. Manappuram had proactively trimmed its disbursements to centres where stress is visible. **The management expects the MFI business to turn profitable by Q4.** Within the VF segment, there has been a consolidation of the stressed 2-Wheeler and Farm Equipment portfolio with the CV portfolio. Stress in this book is expected to decline gradually. Thus, **with incremental stress formation across businesses tapering, credit costs are expected to move lower over H2, aiding earnings.**

### Sector Outlook: Positive

**Company Outlook:** Manappuram will continue to focus on accelerated growth in the gold loan portfolio, with growth primarily driven by higher ticket size and expectations of strong customer additions. In the near-term, the non-gold portfolio will continue to consolidate, before resuming growth momentum in a calibrated manner as the company re-looks into their profitability and asset quality. As Manappuram continues to align its gold loan yields with its peers, it would be a drag on NIMs. However, that would be offset by declining CoF, as the company remains focused on maintaining margins at current levels. We expect Manappuram to deliver RoA/RoE of 3.3-3.6% /11-12% over FY27-28E, a meaningful improvement over 1.9/7.2% in FY26E.

**Current Valuation: 1.6x FY27E ABV Earlier Valuation: 1.4x FY27E ABV**

**Current TP: Rs 285/share; Earlier TP: Rs 255/share**

**Recommendation:** We maintain our **HOLD** rating on the stock.

### Financial Performance

- **Operational Performance:** AUM growth stood at flat/+4% YoY/QoQ largely in-line with our expectations. The weakness in AUM growth was owing to muted growth in the non-gold segments, while Gold AUM growth was healthy at 29/9% YoY/QoQ. In the non-gold portfolio, MFI de-grew sharply by 56/13% YoY/QoQ, while the VF book de-grew by 16/10% YoY/QoQ. The HL segment registered a growth of 12%/flat YoY/QoQ. The share of gold loans stood at 69% vs 65% QoQ, mainly due to weak growth in the non-gold segments.
- **Financial Performance:** NII de-grew by 16% YoY/ flat QoQ, with NIMs (calc.) contracting by 41 bps QoQ, at 11.1% vs 11.5% QoQ. Gold loan yields declined by ~80 bps QoQ; however, CoF declined by 10 bps QoQ. Non-interest income growth was weak and decreased by 64% YoY and grew by 17% QoQ. Opex growth was modest at 6/-1% YoY/QoQ. The C-1 Ratio stood at 52.4% vs 40.3/52.4% YoY/QoQ, owing to weak top-line growth (-19%/flat YoY/QoQ). PPOP grew by 2% QoQ but declined by 35% YoY. Credit costs (Calc.) stood at 327 bps, moderating sequentially from 512 bps QoQ. PAT de-grew by 62% YoY but grew by 64% QoQ.
- **Asset Quality** deterioration was visible across segments. Gold/MFI/Housing/Vehicle/MSME GNPA stood at 3.0/4.8/3.1/10.9/5.0% vs 3.0/4.4/2.9/9.2/5.3% QoQ.

### Key Financials (Consolidated)

Rs Cr	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	1,376	-0.3	-15.9	1,365	+0.7
PPOP	671	+1.6	-35.0	653	+2.8
Net Profit	217	+64.1	-62.0	196	+11.0
NNPA (%)	2.6	0 bps	41 bps	2.5	10 bps
RoA (%)	1.7	59 bps	-271 bps	1.5	18 bps

Source: Company, Axis Securities Research

(CMP as of 30<sup>th</sup> October, 2025)

CMP (Rs)	275
Upside /Downside (%)	4%
High/Low (Rs)	298/148
Market cap (Cr)	23,285
Avg. daily vol. (6m) Shrs.	51,40,992
No. of shares (Cr)	84.6

### Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	35.3	35.3	35.3
FII's	28.4	29.7	30.2
MFs / UTI	6.6	6.8	6.9
Others	29.9	28.2	27.6

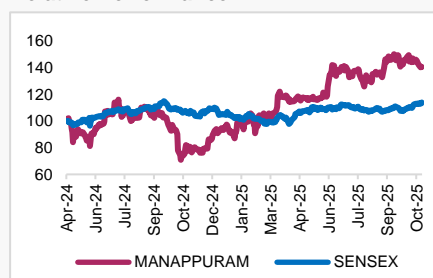
### Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
NII	5,646	6,628	7,880
PPOP	2,742	3,418	4,316
Net Profit	1,048	1,980	2,549
EPS (Rs)	11.2	19.2	24.7
ABV (Rs)	156.4	178.0	196.2
P/ABV (x)	1.8	1.5	1.4
RoA (%)	2.0	3.3	3.6
NNPA (%)	2.5	2.2	2.2

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E	FY28E
NII	-3.2	0.5	1.4
PPOP	-4.7	1.7	2.7
PAT	-10.4	1.8	2.8

### Relative Performance



Source: Ace Equity, Axis Securities Research

### Results Gallery

[Q1FY26](#)

[Q4FY25](#)

[Q3FY25](#)

[Q2FY25](#)

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## Key Highlights

**Gold Loan Yield Revision To Dampen NIMs:** With Manappuram's intent to align lending rates with peers, it reduced its gold lending rate by ~80 bps QoQ, bringing the total to ~200 bps over H1. The company intends gold yields to settle at 18-18.5% vs 19.7% currently. However, some respite is expected from the CoF, with MCLR-linked bank borrowings repricing downwards, which should help offset the impact of yield decline. The management expects a similar 12 bps decline as seen in Q2 to continue over Q3 and Q4. **However, we expect NIMs to settle significantly lower at 11.6-12.2% over FY26-28E vs 13.6% in FY25, primarily due to gold yield rationalisation.**

**Setting Out Priorities to Ensure Sustainable Growth:** The management has chalked out its priorities to get the growth momentum back and ensure sustainable growth on a steady state basis. These include: (1) Accelerating Gold Loan growth by taking quick actions including strengthening the branch infrastructure, building on digital capabilities, enhancing digital acquisition channel and leveraging co-lending opportunities, (2) Following the consolidate to growth strategy in the non-gold portfolio with additional focus on strengthening collection mechanism, (3) Infusing specialised talent at group level to improve operational controls and bring in cost optimization and efficiency, (4) Reviewing the tech architecture and analysing the opportunities for new product, by leveraging the existing branch network.

## Outlook

We revise our AUM growth estimates lower for FY26, assuming a delay in growth resumption in the non-gold businesses while factoring in strong growth in the gold book. Given a sharp decline in gold yields and a slight moderation continuing in the near term, we cut our NII/EPS estimates by ~3/10% for FY26, while making minor tweaks to our NII/EPS FY27-28E estimates, resulting in an upward revision of 1-3% each. We anticipate Manappuram's RoA/RoE to settle at 3.3-3.6%/11-12% over FY27-27E vs 2.0/7.3% in FY26, and expect Manappuram to deliver AUM/NII/Earnings growth of 18/18/56% CAGR over FY25-28E.

## Valuation & Recommendation

**We believe the stock 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 1.6x FY27E to arrive at a target price of Rs 285/share, implying a upside of 4% from the CMP. **We maintain our HOLD recommendation on the stock.**

## Key Risks to Our Estimates and TP

- A slowdown in overall credit growth, which could potentially derail our earnings estimates.
- The scalability of new products and any asset quality concerns 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	5,646	6,628	7,880	5,833	6,597	7,768	-3.2	0.5	1.4
PBP	2,742	3,418	4,316	2,879	3,361	4,201	-4.7	1.7	2.7
Provisions	1,341	770	907	1,315	760	884	2.0	1.3	2.6
PAT	1,048	1,980	2,549	1,170	1,946	2,481	-10.4	1.8	2.8

Source: Axis Securities Research

## Results Review (Consolidated)

(Rs Cr)	Q2FY26	Q2FY25	% YoY	Q1FY26	% QoQ	H1FY26	H1FY25	% YoY
Net Interest Income	1,376	1,635	-15.9	1,380	-0.3	2,756	3,173	-13.1
Non-Interest Income	34	96	-64.5	29	16.5	63	222	-71.4
Operating expenses	739	698	5.8	749	-1.4	1,487	1,381	7.7
Staff Cost	444	448	-0.7	474	-6.3	919	894	2.8
Pre-provision profits	671	1,033	-35.0	661	1.6	1,332	2,014	-33.9
Provisions and contingencies	369	260	41.8	559	-34.0	929	489	89.9
PBT	302	773	-60.9	102	197.5	404	1,525	-73.5
Provision for Tax	85	201	-57.8	-31	-373.6	54	397	-86.5
PAT	217	572	-62.0	132	64.1	350	1,129	-69.0

### Business Performance

<b>AUM</b>	<b>45,889</b>	<b>45,716</b>	<b>0.4</b>	<b>44,303</b>	<b>3.6</b>	<b>45,889</b>	<b>45,716</b>	<b>0.4</b>
-- Gold Loans	31,505	24,365	29.3	28,802	9.4	31,505	24,365	29.3
-- Microfinance Loans	4,848	10,970	-55.8	5,542	-12.5	4,848	10,970	-55.8
-- Housing Loans	1,900	1,692	12.3	1,901	-0.1	1,900	1,692	12.3
-- Vehicle Loans	4,057	4,848	-16.3	4,492	-9.7	4,057	4,848	-16.3
-- Other Loans	3,207	3,025	6.0	3,156	1.6	3,207	3,025	6.0

Blended Yields	18.4	20.2	-180bps	18.7	-28bps	18.5	20.1	-161bps
Cost of Funds (%)	9.2	9.4	-17bps	9.3	-7bps	9.3	9.4	-13bps
NIMs (%) - Calc.	11.2	13.0	-176bps	11.5	-29bps	11.4	13.0	-159bps
Cost-Income ratio (%)	52.4	40.3	1205bps	53.1	-73bps	52.8	40.7	1208bps

### Asset Quality

Gross NPA (%)	3.0	2.4	53bps	3.0	0bps	3.0	2.4	53bps
Net NPA (%)	2.6	2.2	41bps	2.6	0bps	2.6	2.2	41bps
PCR (%)	13.5	11.5	199bps	13.5	0bps	13.5	11.5	199bps

Source: Company, Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Net Interest Income</b>	<b>6,225</b>	<b>5,646</b>	<b>6,628</b>	<b>7,880</b>
Non-Interest Income	275	201	267	331
<b>Total Income</b>	<b>6,500</b>	<b>5,847</b>	<b>6,895</b>	<b>8,211</b>
Operating Expenses	2,872	3,104	3,477	3,895
<b>Pre-Provision Profits</b>	<b>3,628</b>	<b>2,742</b>	<b>3,418</b>	<b>4,316</b>
Provisions	1,963	1,341	770	907
<b>PBT</b>	<b>1,665</b>	<b>1,402</b>	<b>2,647</b>	<b>3,408</b>
Tax	462	353	667	859
<b>Profit After Tax</b>	<b>1,204</b>	<b>1,048</b>	<b>1,980</b>	<b>2,549</b>

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	15,255	18,973	20,962
<b>Net Worth</b>	<b>12,432</b>	<b>15,442</b>	<b>19,180</b>	<b>21,168</b>
Borrowings	36,077	36,829	42,403	51,347
Other Liabilities	696	933	1,099	1,294
<b>Total Liabilities</b>	<b>49,205</b>	<b>53,204</b>	<b>62,682</b>	<b>73,809</b>
Cash & Bank balances	3,808	2,681	3,158	3,719
Investments	788	1,277	1,505	1,772
Loans	42,252	46,590	54,890	64,634
Fixed Assets & Others	2,358	2,656	3,129	3,684
<b>Total Assets</b>	<b>49,205</b>	<b>53,204</b>	<b>62,682</b>	<b>73,809</b>

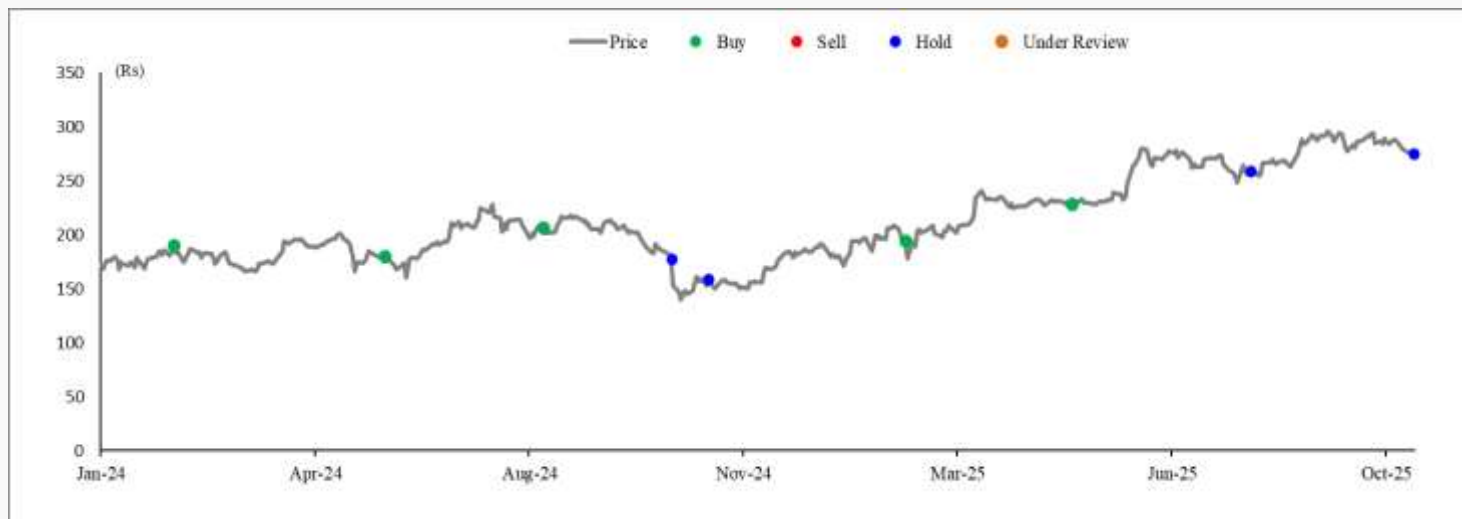
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY25	FY26E	FY27E	FY28E
<b>VALUATION RATIOS</b>				
EPS	14.2	11.2	19.2	24.7
Earnings Growth (%)	-45.2	-21.5	71.9	28.7
BVPS	146.9	164.4	185.8	205.1
Adj. BVPS	138.0	156.4	178.0	196.2
RoA (%)	2.5	2.0	3.3	3.6
ROAE (%)	10.0	7.3	11.1	12.2
P/E (x)	19.3	24.6	14.3	11.1
P/ABV (x)	2.0	1.8	1.5	1.4
<b>PROFITABILITY &amp; OPERATING EFFICIENCY</b>				
NIM (%)	13.6	11.6	12.0	12.2
Cost/Avg. Asset Ratio (%)	6.0	6.1	6.0	5.7
Cost-Income Ratio (%)	44.2	53.1	50.4	47.4
<b>BALANCE SHEET STRUCTURE RATIOS</b>				
AUM Growth (%)	2.3	10.8	17.5	17.8
Borrowings Growth (%)	5.1	2.1	15.1	21.1
Equity/Assets (%)	25.3	29.0	30.6	28.7
Equity/Loans (%)	29.4	33.1	34.9	32.8
<b>ASSET QUALITY</b>				
Gross NPLs (%)	2.8	2.7	2.5	2.4
Net NPLs (%)	2.4	2.5	2.2	2.2
Coverage Ratio (%)	15.5	15.0	15.0	15.0
Provision/Avg. AUM (%)	4.7	3.0	1.5	1.5
<b>ROAA TREE (on Total Assets)</b>				
Net Interest Income	13.0	11.0	11.4	11.5
Non-Interest Income	0.6	0.4	0.5	0.5
Operating Cost	6.0	6.1	6.0	5.7
Provisions	4.1	2.6	1.3	1.3
Tax	1.0	0.8	1.3	1.4
ROAA	2.5	2.0	3.3	3.6
Leverage (x)	4.0	3.7	3.3	3.4
ROAE	10.0	7.3	11.1	12.2

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
31-Oct-25	HOLD	285	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.