

Manappuram Finance

- Gold Loan Digital Se



Aug 31, 2018

Manappuram Finance

One of India's leading gold loan NBFCs with legacy of 26 years, Manappuram manages asset under management of 166bn. It has 4207 branches across 28 states and live customer base of 39 lacs. As effects of twin problem (demonetization and drought in southern region) subsides, company looks adequately capitalized to benefit from improving gold loan demand via strategic geographical presence and techno-driven business approach. Also, with shift towards short tenure loans, company has successfully reduced portfolio exposure to gold price volatility and has consistently maintained healthy yields of 24% on loans. Furthermore, we expect induction of cellular technology coupled with aggressive collection policy to support profit margins and improve return ratios. We value stock at 1.9x FY20 BV and arrive at a target price of INR 134 providing an upside potential of 34%.

Agricultural and Consumption based loan to drive gold loan portfolio

Company has outstanding gold loan AUM of 125bn. Within gold loan AUM, agricultural-based, micro loans and consumer based loans contribute one-third each in portfolio. With revival in business & rural economy (due to government initiative, normal monsoon in many regions), we expect agricultural and micro based loan to drive pace and consumption-based loans to continue its robust growth. We expect disbursement to grow at 64%/41% YoY in FY19E/FY20E. However, with strong recovery (due to 3month loan tenure and regular auction policy), we expect AUM growth of 10%/11% in FY19E/FY20E.

Robust demand of micro-finance loans (Asirvad), commercial vehicle loans ; Cross selling opportunities across product lines

Asirvad reported an average quarterly growth rate of 30% from Q4FY15 to Q3FY17, post which growth moderated to an average quarterly growth rate of 8% due to twin problems. We expect Asirvad AUM to grow in line with industry and report 28%/29% growth in FY19E/FY20E.

Commercial vehicle loans: 90% loans are for used CV financing. We expect CV AUM to grow at 73%/63% YoY in FY19E/FY20E as compared to 136%/104% YoY growth in FY17/FY18.

Cross-selling Synergy: We also expect company to realize significant opportunities in non-gold loan segment from existing gold loan customer portfolio. As of date, 50%/20% of two-wheeler/Commercial vehicle loan portfolio is contributed from existing gold loan customers. Gold loan customer base stood at 23 lac as on Q1FY19.

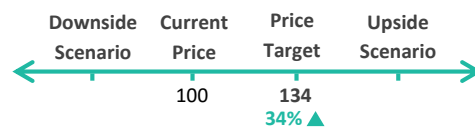
Cellular storage technology to increase operational efficiency

During Q3FY17 and Q4FY17, reports of theft were reported in various branches. Management addressed the concern by deploying more security guards in all branches (3331) which resulted in spike of security expense from 3cr in Q1FY17 to 41cr in Q1FY18. Company has now sought Godrej to install cellular storage technology by which company expects to reduce quarterly security expense to 12cr. We expect Opex to AUM ratio to scroll down from 8.2% in FY18 to 8.0% in FY19.

Low out-of-the-money risk

Within, gold loan AUM, company provides three month tenure loans. This significantly reduces volatility concerning gold collateral and out-of-the-money risk. It has been observed, in most cases, borrower continues the loan by repaying full interest of 3 months and extra fees adjusted for gold price movement. Thereafter LTV gets readjusted and borrower continues with the loan. Average tenure of loan turns out to be 5.4 months (3month *1.8).

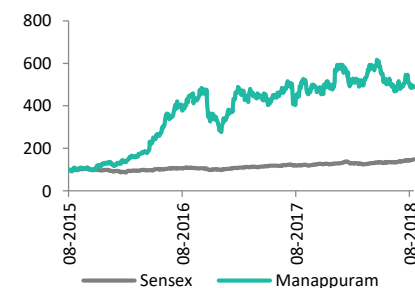
STRONG BUY*



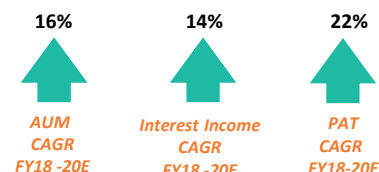
Stock Details	
Industry	BFSI
Sensex	38645
Nifty	11680
Bloomberg Code	MGFL:IN
Eq. Cap. (Rs. Cr)	169
Face Value (Rs.)	2
52-w L/H	92/130
Market Cap (Cr)	8,425

Valuation Data	FY18A	FY19E	FY20E
Yield on Gold loan	24.3%	24.0%	24.0%
RoA%	4.0%	4.8%	4.8%
Book value	46	59	71
P/BV	2.5x	1.7x	1.4x

Manappuram Vs SENSEX



Shareholding Pattern (%)	Jun'18	Mar'18	Jun'17
Promoters	34.6	34.6	34.5
FII's	37.8	37.8	33.1
MF	6.7	6.1	4.9
Retail	15.5	16.5	20.2
Others	5.3	5.0	14.3
	100.0	100.0	100.0



* Read last page for disclaimer & rating rationale



Low concentration risk with viability

Company has consciously reduced geographical concentration in Southern & Western region from 81% in Q1FY16 to 70% in Q1FY19. Meanwhile branch count only increased by 38 to 3331. So company basically consolidated (or closed) unviable branches in western region and passaged into Northern & Eastern region. Going ahead, company is looking to cap branch count and AUM contribution from any particular state to 5% and 10%.

Robust collection efficiency

Due to conservative approach, in case of non-repayment of gold loan, company auction the gold within 6-7 months of loan disbursement date, realizing quick and strong recovery of principal and interest from all loans. In case of Asirvad (MFI business), collection efficiency stood at close to 100%. Also, company has provided 100% provision. PAR 90 stood at 1.73%.

Company is confident of passing rate hike; however with lag effect

During the quarter, in case of gold loan portfolio, borrowing cost moved up by 20bps. This resulted in upward revision of interest yield on gold loan by 25bps for next quarter. For microfinance loans, company has ballpark spread of 10%. So, if current quarter witnesses uptick in rate, company would revise rate in proportional manner and pass it to the customer. Although, since both gold loan and MFI loan rate is passed with a delay, during rising interest rate regime, company might witness pressure on NIMs in accounting parlance. However, on almost all loans, company earns almost fixed spread.

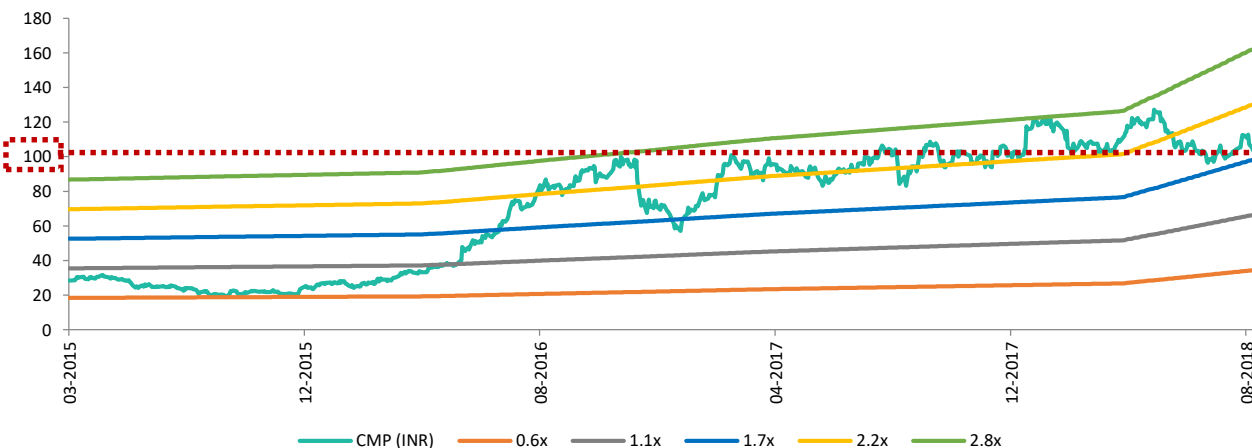
Adequately capitalized

Capital adequacy ratio for Manappuram finance stood at 25.5%, for Asirvad at 20.2%. Manappuram had cash balance of 443cr (3.5% of its FY18 AUM). Asirvad had cash balance of 506cr (20.6% of its FY18 AUM). We believe company is well capitalized to gain benefit from rising loan demands.

Valuation

With adequate capital, improving operational efficiency, company looks well poised to capture growing loan demand of customer. Also due to regular auction policy of company, we expect no liquidity/working capital constraint issues. We also expect Asirvad to return to profitability and group to realize significant cross-selling synergies going ahead. Company’s focus on becoming a diversified player (with regard to product line and geographical-concentration) augurs well in terms of risk management for the company. We expect AUM CAGR of 16% over FY18-FY20E. We value stock at 1.9x P/BV FY20 and arrive at a target price of INR134 giving an upside potential of 34%.

(INR Crores)	FY16	FY17	FY18	FY19E	FY20E
Interest Income	2,202.7	2,998.0	2,916.9	3,196.0	3,614.4
Growth%	12%	36%	-3%	10%	13%
Net Interest Income	1,318.8	1,995.5	2,125.9	2,267.2	2,573.6
Growth%	21%	51%	7%	7%	14%
PAT	337.2	726.0	700.2	807.0	916.9
Growth%	25%	115%	-4%	15%	14%
BVPS (INR)	32.8	39.9	45.5	58.8	70.7
ABVPS (INR)	31.9	37.3	45.0	57.9	69.7
P/B (x)	1.0	2.4	2.5	1.7	1.4
P/ABV (x)	1.0	2.6	2.5	1.7	1.4



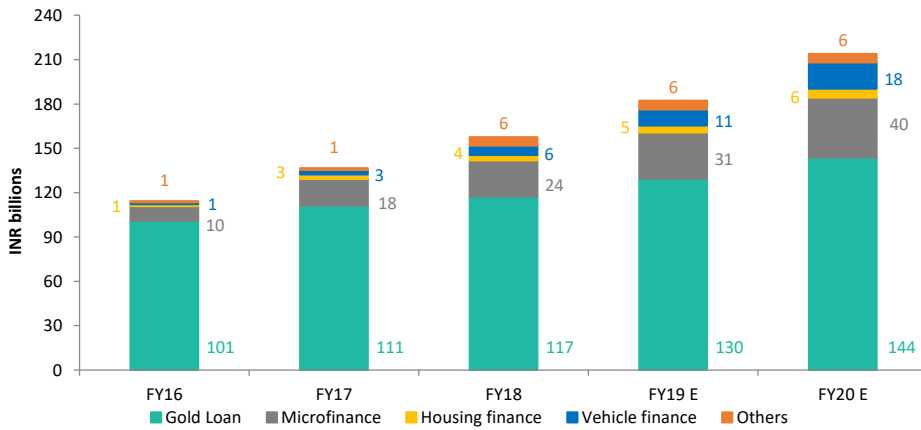
Source: Company, NSPL Research



Investment Rationale

1. Agricultural, Consumption based loan to drive gold loan portfolio

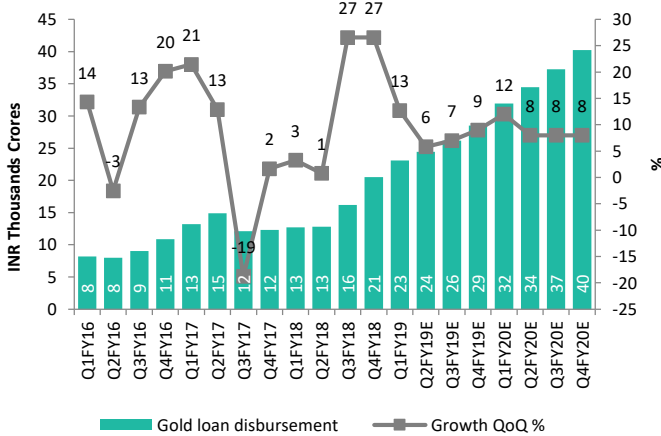
Asset Under Management



Company’s consolidated AUM registered growth CAGR of 17% during FY16-18 driven by 56%/71%/120% CAGR in microfinance/housing/vehicle finance business verticals. Notably, share of gold loan in total AUM came down from 88% in FY16 to 74% in FY18. We further expect share of gold loan to reduce to 67% by FY20E. We believe company is moving in line with their aim of becoming a fully diversified company by having 50% AUM share from non-gold loan portfolio. We expect consolidated AUM to report growth CAGR of 16% over FY18-20E led by 11%/29%/28%/68% CAGR in gold loan/microfinance/housing finance/ vehicle finance loans. Others include two-wheeler loans of ~30cr and remaining (~560cr) are loans given NBFCs at an average yield of 14%.

Gold Loan Asset Under Management

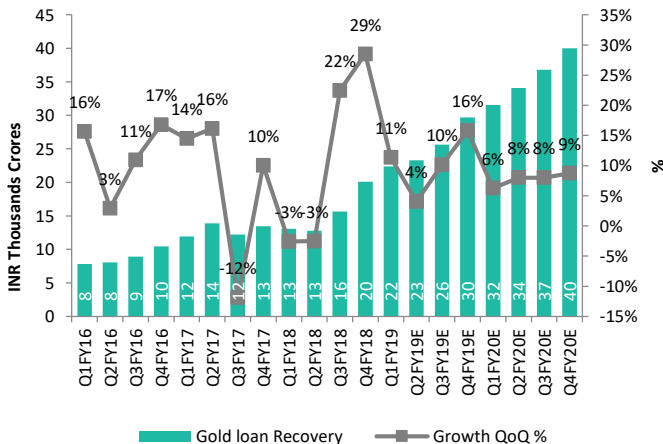
Gold Loan Disbursement



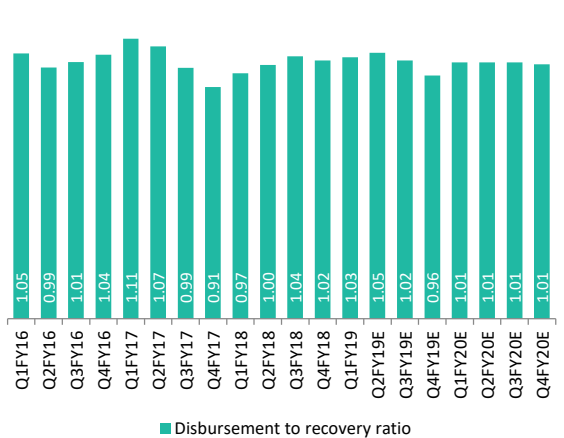
Disbursement have grown at a strong rate of 13%+ QoQ pre-demonetization. Post demonetization, growth looked arrested for few quarters. However, strong revival seems evident due to 27%+ growth for two consecutive quarters. We believe company would be able to maintain its average growth rate of 9% for next two fiscals. Although, because of Kerala floods, we expect growth rate to prune down to 5.8% in Q2FY19 since Kerala branches are 7% of total branches and 8% contributor in AUM.

Overall, we expect disbursement to grow at 64%/21% in FY19E/FY20E.

Gold Loan Recovery



Recovery Efficiency



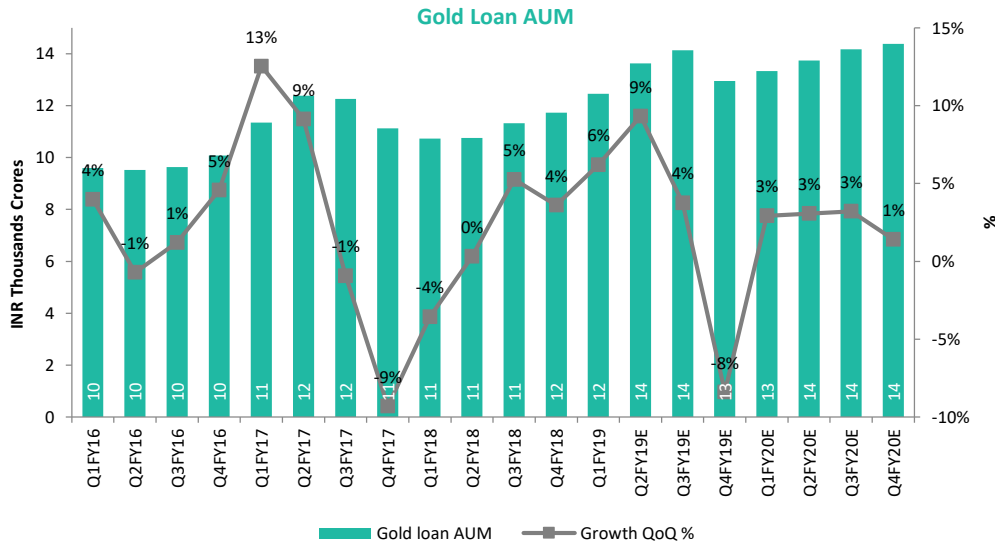
Source: Company, NSPL Research



Due to regular auction policy, company’s recovery rate has been quite robust. In fact, post demonetization (in Q4FY17), disbursement grew by 2% QoQ while recovery grew at 10% QoQ. Although, this led to 9% drop in AUM.

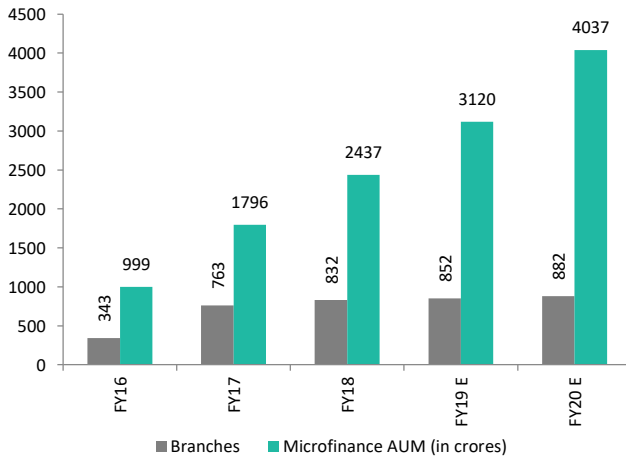
Kerala Floods: We estimate higher recovery in Q3FY19E, due to impact of Kerala floods, leading to moderate growth in AUM of 4% while disbursement to record growth of 7%.

Further, we estimate AUM to grow by 10%/11% in FY19E/FY20E.



2. Robust demand of microfinance loans, commercial vehicle loans

Asset Under Management



Asirvad contributed 5% in consolidated profit in FY18. Currently, subsidiary has 832 branches and manages AUM of 2437cr in FY18. It had 343 branches and AUM per branch of 2.9 crores in FY16 . During FY17, AUM per branch squeezed to 2.4 crores due to i) demonetization (micro business was most hit of all sectors) resulting in lower utilization per branch ii) drought in Southern states. As per Crisil report, demand in microfinance is pegged at 4 lac crores of which meager 25% has been catered do. Meanwhile, because of stringent credit bureau norms, microfinance borrowers as a whole have become more disciplined than ever.

Although few states remain where political influence can cause recovery concerns, company’s strategy of capping concentration in any particular state to 5% (branches) and 10% (AUM) augurs well. As a result of which, company has significantly brought down its exposure from 79% in Tamil Nadu in Q1FY16 to 49% in Q1FY19.

Also, company is shifting more from these states such as Karnataka, UP, Haryana to states in Eastern & North-eastern belt. We conservatively estimate AUM per branch to increment by 28%/29% in FY19E/FY20E.

Microfinance Loan Highlights

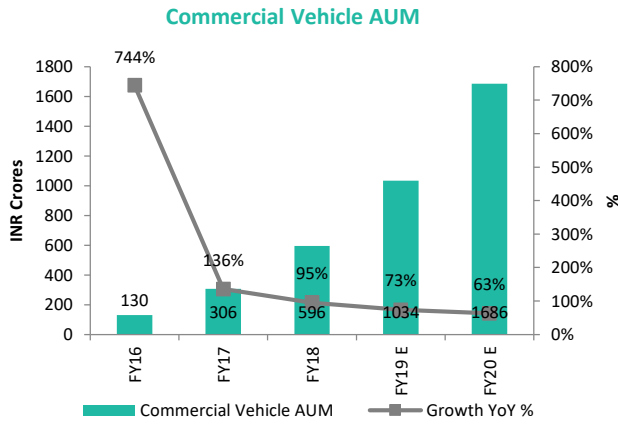
Tenure	18-24 months
Repayment Frequency	Biweekly or monthly
Yield	21%
Customer base	1.51 million
Non-cash disbursement	100%
Par 90	1.73%
Provisions	100%
Average ticket size	INR 16,145

Most of lending is in form of JLG (Joint Lending Group). During demonetization, only few in a group were able to repay and could not bear burden of other non-repaying members leading to failure of JLG model. This resulted in high PAR90. As of now, collection efficiency has improved and reached 99% (pre-demon levels).

Source: Company, NSPL Research



Commercial vehicle loans – 90% of loans are towards used CV



Commercial Vehicle Loan Highlights

AUM (in crores)	717.7
Branch Network	141
Average ticket size (in lacs)	6.9
Average Yield (%)	18.8%
GNPA %	2.9%
NNPA %	1.2%

During FY16-18, commercial vehicle AUM had registered average growth rate of 22% every quarter. During Q1FY19, AUM grew 15% QoQ, we expect this segment to continue its robust growth, leading to 73%/63% YoY growth during FY19E/FY20E. We expect company to maintain yield of 18%. Also, we expect asset quality to improve to levels of 2.3-2.5%.

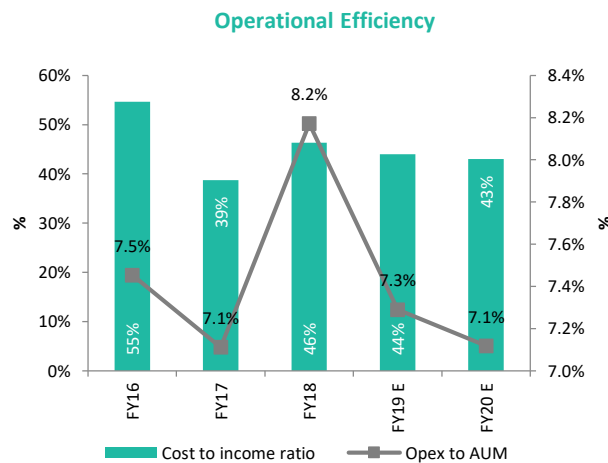
Housing loans

Particulars*	
AUM (in crores)	406.5
Branch Network	35
Average ticket size (in lacs)	11
Average Yield (%)	14.90%
GNPA %	4.60%
NNPA %	2.20%

Housing loan subsidiary contributed 0.2%(negative because of losses) in consolidated profit in FY18. We expect company to become profitable in FY19, although, we do not expect more than 1% contribution in consolidated profit.

Company has undergone management change. New management is focused on improving collection efficiency & cleaning books while simultaneously improving quality of new loan disbursement. Company specifically caters to mid-level affordable housing segment with average ticket size of 11lac.

3. Cellular storage technology to increase operational efficiency



Source: Company, NSPL Research

We expect operational efficiency ratio to return to pre-crisis levels. During Q3FY17 and Q4FY17, reports of theft were reported in various branches. Management addressed this concern by deploying more security guards in all branches (3331) which enhanced security expense from 3cr in Q1FY17 to 41cr in Q1FY18.

Company has now sought Godrej to install cellular storage technology by which company expects to reduce quarterly security expense to 12cr.

We expect Opex to AUM ratio to scroll down from 8.2% in FY18 to 7.3% in FY19E and 7.1% in FY20E resulting in cost to income of 44% and 43% in FY19E and FY20E.



Technological initiatives to stay ahead

EKYC & AEPS	(a) Employee punching (b) Additional authentication for Gold Loan from customers & Employees (c) KYC Validation (d) Aadhaar Enabled Payment System	CRM	(a) Solution for Customer 360 view (b) Lead Management (c) Campaign Management (d) Customer Service Management	Litigation App	(a) App supports for end to end management of Litigation processes at MAFIL Group level (b) Alerting and sending notification to relevant stakeholders
UPI	(a) Enabling UPI solution for Collection (b) Bank Account confirmation (c) Enabling additional disbursement solution (d) Support for multi-bank transfer facility	eNACH	(a) E Mandate Registration (b) Automatic Collection of Interest and Principle from the customer Bank Account and crediting to the Loan A/c	LMS	(a) Learning through mobile Platform (b) development of curriculum for continuous learning exercise (c) Integrated platform Training Result Assessment
Bots	(a) Person less Calling solution for repeated follow up calls (b) Person less addressing customer queries as part of Customer Service	DMS & Digital Work Flows	(a) Centralized DMS System for management of Images (b) Implementation of digital work flows	AML/ AFS	(a) Solution for customer Risk Profiling, (b) Transaction Monitoring, (c) Suspicious/ Fraudulent Transaction Monitoring (d) Real time case Management
MDM	(a) Single Source of data (b) Data Governance (c) Source for HR/Sales/ Market/Customer Analytics (d) building Cross Sell/Up Sell opportunities	eSign	(a) Paper less legal documentation (b) Reduced TAT for Loan processing (c) Digital Onboarding for OGL Customers	GRC	(a) Platform for category wise enterprise risk Reporting (b) Platform for Measurement and treatment of Enterprise Risk (c) Tracking Governance, Risk & compliance

■ MAJOR BUSINESS DIFFERENTIATORS
■ ENTERPRISE LEVEL APPS

4. Low out-of-the-money risk

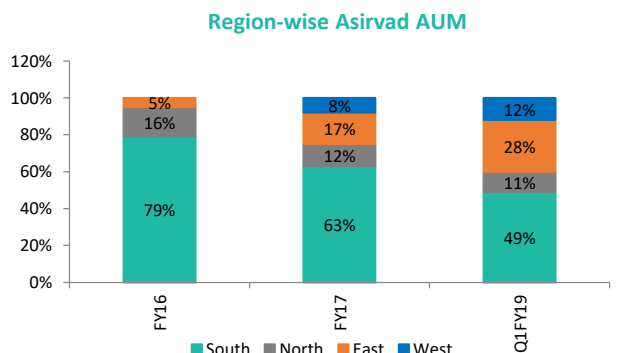
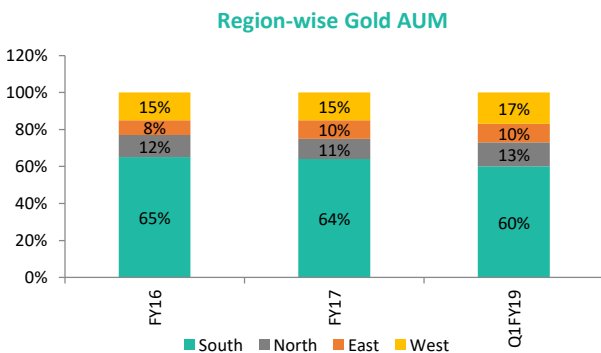
When gold prices fall (inversely related to dollar strengthening), long tenure loan faces this risk. When sum of accrued interest (in case of non-repayment) and principal becomes more than market price of pledged gold collateral. This results in out-of-the-money risk because it becomes beneficial for borrower to not repay the loan and put lender at severe risk.

Company addressed this issue by focusing on short tenure loan products and following policy of regular auctions. In case of 3-month loan, if a customer is unable to repay. Company auctions the gold within 6-7 months of loan disbursement date. On the other hand, if customer wants to extend the loan, then every three month (3 month loan tenure), LTV is re-adjusted as per then market price of gold. This way company eliminates out-of-the-money risk.

It was observed, in most cases, borrower continues the loan by repaying full interest of 3 months and extra fees adjusted for gold price movement. Thus, average tenure of loan turned out to be 5.4 months (3month *1.8).

5. Low concentration risk with viability

Company is planning to achieve its target of having less than 5% branch exposure and less than 10% AUM exposure in any particular state. In line with this strategy, within gold loan business, company has reduced AUM exposure in Southern region from 65% in FY16 to 60% in Q1FY19. Branches stood at 3331 in Q1FY19 as compared to 3293 in FY16.



During 12 quarters company has net added 38 branches by consolidating (even closing) unviable branches and opening new branches in Eastern belt. Branches in Karnataka/Kerala/AP went down from 577/538/341 in FY16 to 570/486/333 in Q1FY19.

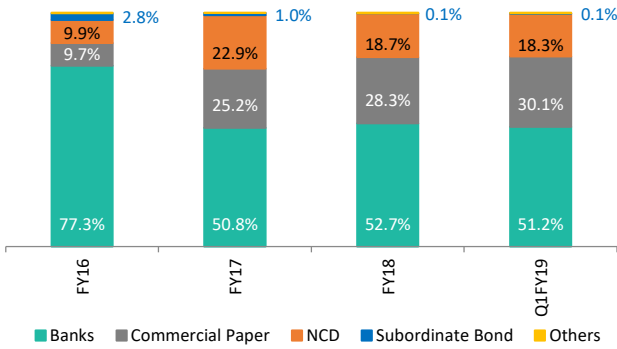
Asirvad has reduced AUM exposure of Southern region from 79% in FY16 to 49% in Q1FY19. Branches have increased from 346 in FY16 to 840 in Q1FY19. Also, company is consciously reducing its exposure in politically sensitive states like Karnataka, UP, Haryana and Maharashtra. Company is focusing on Eastern and North-eastern belt to further grow its business and disbursement.

Source: Company, NSPL Research



Financial Highlights

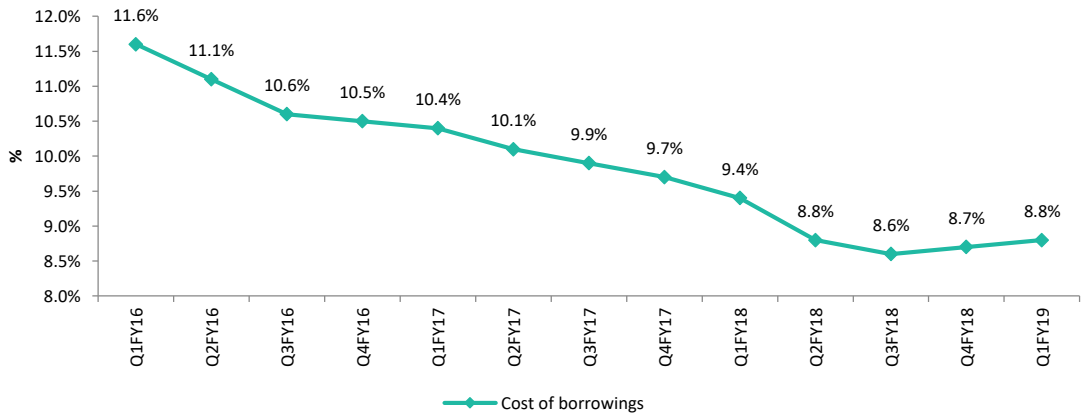
Borrowing Profile



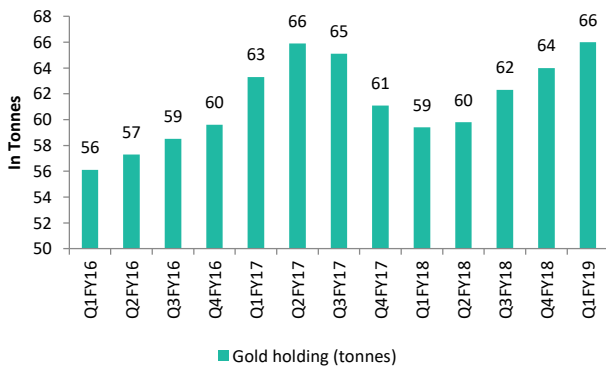
Company has focused on reducing its dependence on bank borrowings from 77.3% in FY16 to 51.2% in Q1FY19. Also, share of short term (commercial paper) is increased to 30.1% from 9.7% in FY16.

On the cost of borrowing front, company has experienced continuous reduction in their borrowing cost from 11.6% in Q1FY16 to 8.6% in Q3FY18. Due to rise in interest rate regime, cost of borrowings witnessed uptick of 20bps to 8.8% in current quarter. As of date, incremental cost of borrowings stand at 8.94%. Resultant, we expect slight pressure on net interest margin from 17.4% in FY18 to 16.5% in FY19E.

Cost of borrowings

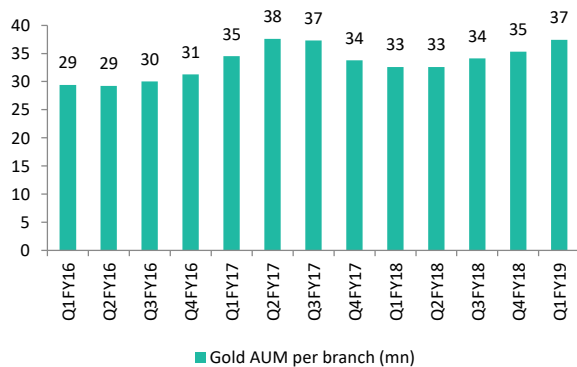


Gold Holdings



Company's gold holding grew at an average rate of 3.3% per quarter from 57 tonnes in Q1FY16 to 66 tonnes in Q2FY17. From Q3FY17 onwards twin crisis (demonetization & water scarcity) hit the company and growth revival took 3 quarters. From Q2FY18 onwards, gold holding have grown at an average rate of 2.7% (back to normal) to 66 tonnes in current quarter. This is reflective of the proposition that worse is over for the company.

Gold AUM



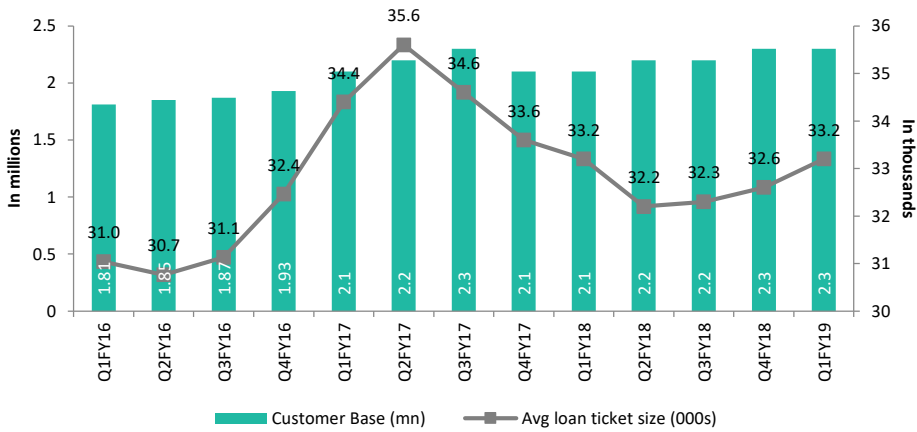
Gold AUM per branch in Q2FY17 was 3.7cr on branch network of 3293. Ratio has moved up to its pre-crisis level in spite of net addition of 38 branches. We expect ratio to touch 4.3cr by Q4FY20E.

As of date, live customer base in gold loan is 2.3 million with an average ticket size of INR 33,200. Typically, borrowers repay full interest of 3 months and continue the loan leading to average tenure of loan to 5.4 months.

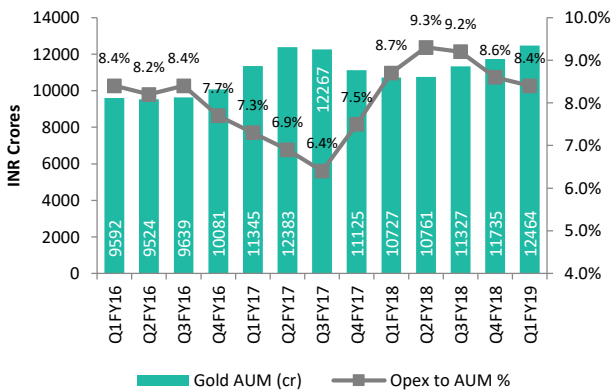
Source: Company, NSPL Research



Customer Base & Average ticket size



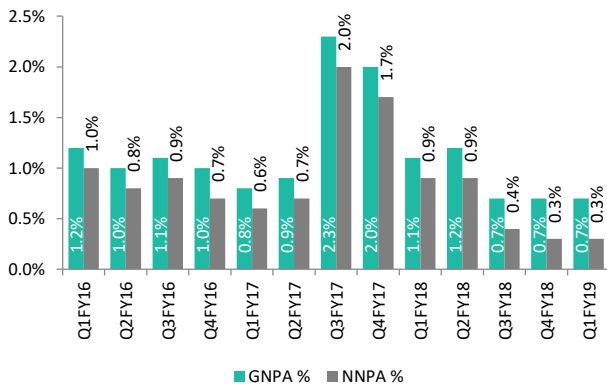
Operational Efficiency



Company registered Opex to AUM ratio of 6.4% in Q3FY17, post which ratio expanded due to a) rise in security expense from yearly ~50cr to ~200cr, b) base effect (AUM decreased from 123bn to 107bn in Q2FY18.

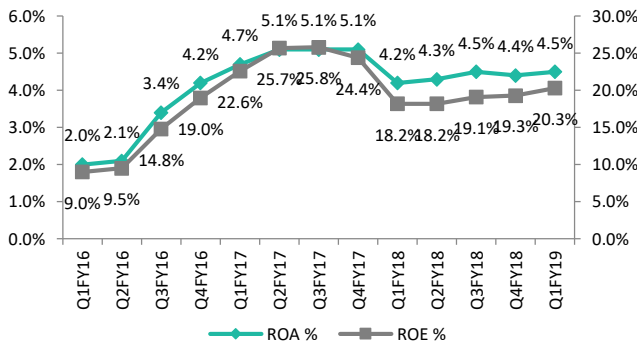
Currently, ratio is 8.4%. We expect a) adoption of cellular storage technology to improve operating expenses in absolute terms and b) rise in asset under management to improve operating expenses in relative terms. We arrive at ratio of 7.3%/7.1% for FY19E/FY20E.

Asset Quality



Company follow policy of regular auctioning resulting in low NPA ratios. We expect GNPA/NNPA ratio of 0.6%/0.4% going ahead.

Return Ratios



Manappuram finance reported RoA of 5.0% and RoE of 19.7% in FY18. Although, on consolidated level RoA/RoE went down to 4.0%/17.8% in FY18 due to losses reported by Asirvad subsidiary and housing subsidiary.

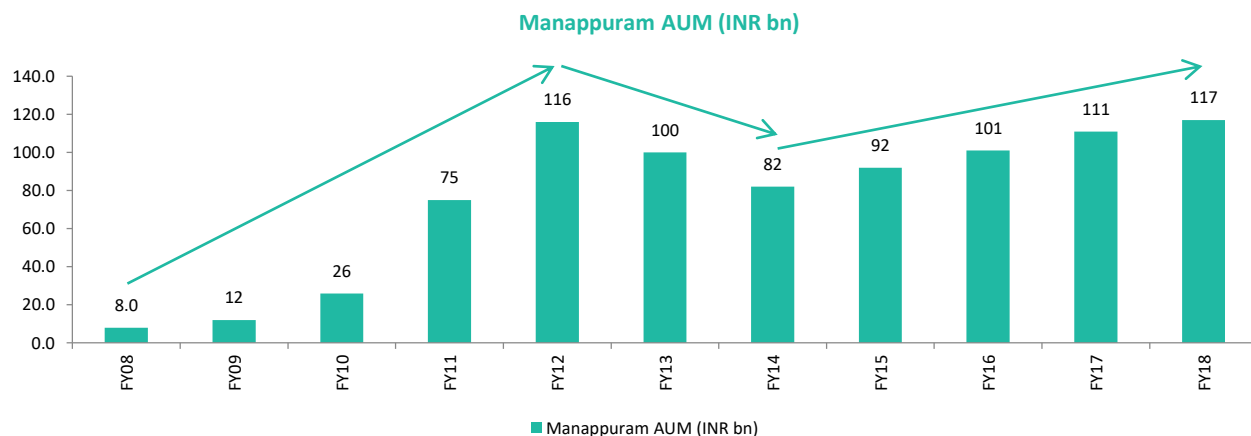
We expect standalone business to report RoA/RoE of 5.2%/19.1% and 5.3%/18.0% in FY19E and FY20E.

Also, we expect consolidated RoA/RoE to be 4.8%/20.0% and 4.8%/18.4% in FY19E and FY20E.

Source: Company, NSPL Research



Industry



During FY08-12, gold loan NBFCs were allowed higher LTV of 85% and also had lower cost of borrowing because of priority sector status. This increased disbursement of gold loans, resulting in robust growth of gold loan AUM from NBFCs. Manappuram, being a big player, got benefitted and registered AUM CAGR of 95% over FY08-12.

During Mar'12, RBI introduced a slew of stringent norms for gold NBFCs such as i) capping of LTV ratio to 60%. This provided banks (LTV > 80%) more competitive edge over NBFCs ii) Removal of gold loan from PSL category which led to higher borrowing cost. Furthermore, decline in gold prices escalated out-of-the-money risk of long tenure loans. Thereby, during FY12-14, Manappuram witnessed 29% fall in AUM in two years.

During Sept'13, RBI provided leeway to NBFCs by increasing maximum LTV for gold loan NBFC from 60% to 75%. During June'14, Manappuram shifted its strategy from long tenure loans to short tenure loans (3month to 9month) to reduce gold price volatility risk. These changes resulted in 23% rise in AUM within two years. AUM touched 101bn by FY16.

During Q3FY17 & Q4FY17, demonetization and drought like situation in Southern states led to disbursement issues and recovery issues. Meanwhile, company continued to follow policy of regular auctioning which improved recovery but also resulted in negative net addition (disbursement less recovery) to AUM, thus impacting AUM growth.

Comparative highlights

Parameter	Gold Loan NBFC	Banks	Moneylenders
LTV	Up to 75%	Lower LTV than NBFCs	Higher than 75%
Interest charge	18% to 24% pa	12% to 15% pa	Usually in range of 36% to 60% pa
Working hours	Open beyond banking hours	Typical banking hours	Open beyond banking hours
Turnaround time	10 minutes	1-2 hours	10 minutes
Documentation Requirement	Minimal documentation, ID Proof	Entire KYC compliance	Minimal documentation
Repayment Structure/Flexibility	Borrowers can pay both interest and principal at closure. No pre-payment charges	EMI compulsorily consists of interest and principal. Pre-payment penalty is charged.	-

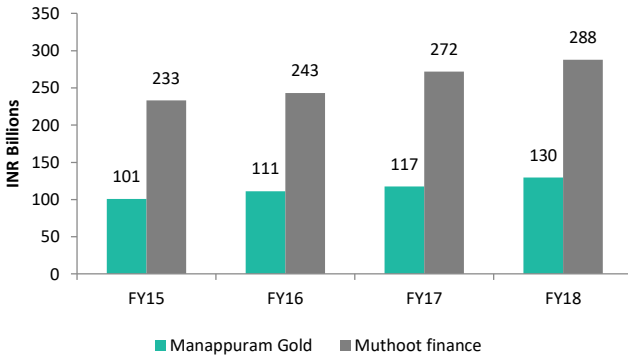
Source: Company, NSPL Research



Peer Comparison

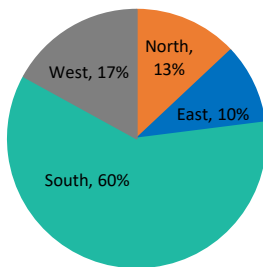
In the gold loan industry, top 5 players in terms of branch count is HDFC bank, Muthoot finance, Manappuram finance, Federal bank and IIFL. Muthoot finance, Manappuram finance and Federal bank has major presence in Southern region. With reference to NBFCs, we compare Manappuram finance and Muthoot finance with regard to asset under management, AUM per branch, AUM distribution region wise, operational efficiency and return ratios.

Gold loan AUM

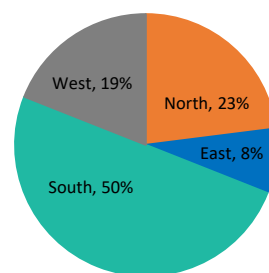


During FY15-18, growth has been impacted due to a) demonetization b) water scarcity in Southern states and c) decline in gold prices. This resulted in mild AUM growth of both companies. Manappuram has registered CAGR growth of 9% during FY15-18, while Muthoot has reported CAGR growth of 7% over the same period. Although, due to Manappuram's focus on diversification, the company has been able to grow at a robust pace of 18%.

Manappuram -Region wise Gold AUM

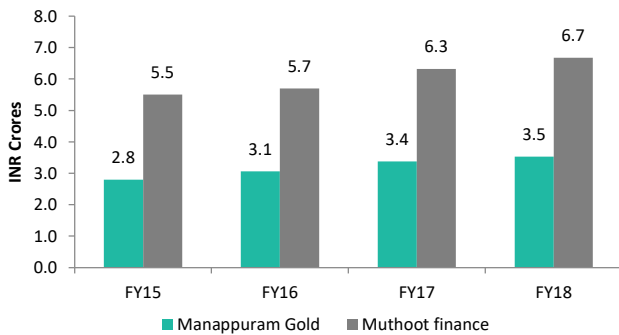


Muthoot -Region wise Gold AUM



Manappuram has 60% Gold AUM share from the Southern region as compared to 50% in the case of Muthoot. Despite water scarcity issues in Southern states, the company has been able to grow at a faster rate. We feel the company's strategy of reducing its AUM exposure to 10% in any particular state is going to reap good benefits for the company going ahead.

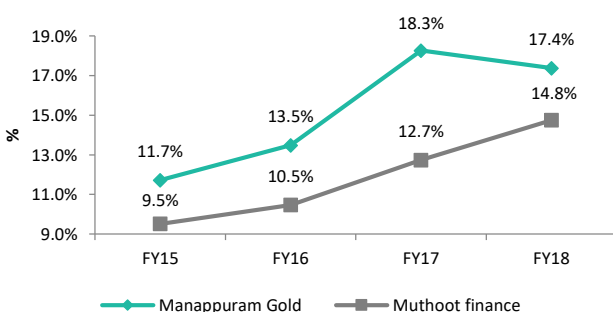
AUM per customer



Manappuram has reported AUM-per-customer CAGR growth of 8% during FY15-18 as compared to 7% CAGR growth reported by Muthoot.

Furthermore, we believe spread to be higher than 1% (8% - 7%) since Manappuram provides short tenure loans while Muthoot provides long tenure loans. In long tenure loans, interest accrued forms a moderate portion of the AUM book.

Net Interest Margin

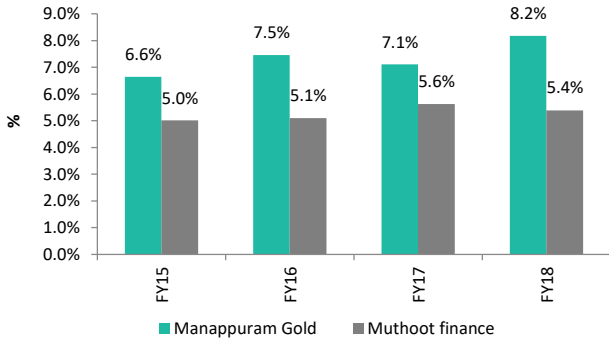


Manappuram has continuously reported higher net interest margins due to short-tenure products. The company's yield on gold advance came at 24.3% in FY18 as compared to 21.7% in Muthoot.

Source: Company, NSPL Research

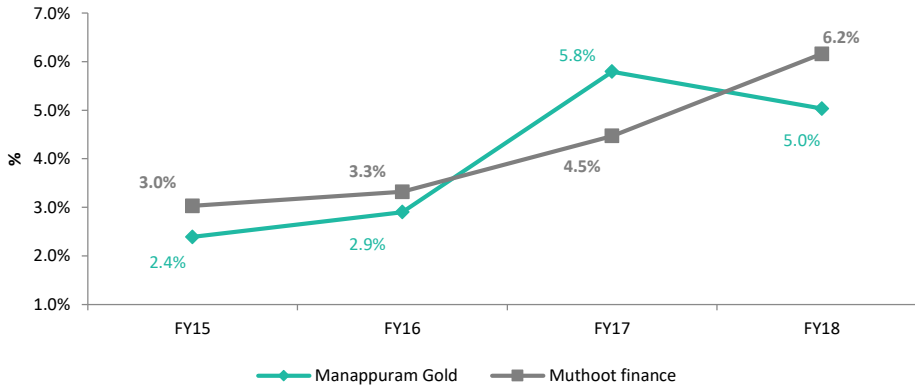


Operational Matrix



Manappuram had increased security expense after reports of theft and robbery were reported in few branches during demonetization. Notably, security expense went up from ~50cr in FY17 to ~200cr in FY18. We expect company to realize reduction in ratio due to a) installment of cellular storage technology b) economies of scale.

Return on average assets



	Manappuram Gold	Muthoot finance
Price (INR)	100	410
Market Cap (cr)	8,425	16,404
Consolidated AUM (cr)	16,618	29,138
Networth (cr)	3986	7842
Book Value Per Share	47	196
P/BV	2.1x	2.1x

Source: Company, NSPL Research



Company Background

Manappuram Finance is one of the India’s leading gold loan NBFCs. It is promoted by Shri. V.P. Nandakumar, the current MD & CEO. It has been a story of unparalleled growth with many milestones crossed. Incorporated in 1992, Manappuram Finance has grown at a rapid pace. Today, it has 4207 branches across 28 states/UTs with assets under management (AUM) of Rs 166 billion.

Key initiatives undertaken by the company

Offline Apps	B2C & B2B Apps that work without internet connectivity
Mobility Apps	Restructured Apps that can work without any device, browser, platform dependency
Digital Personal Loan	Paper less digital loans with built in scorecards with quicker disbursement of loans
VAS Portal & Kiosks	Online value added services
BA/BC/Agent/Franchise Portal	Portal that allows BA/BC to offer MAFIL products to customers
Online Lending Market Place	Avail MAFIL group services online

Key Management Personnel

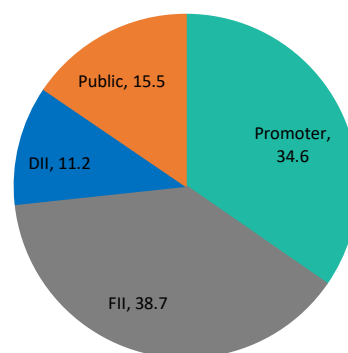
V. P. Nandakumar	Managing Director and CEO
Raja Vaidhyanathan	Managing Director – MFI
Jeevandas Narayan	Managing Director – Housing finance
K. Senthil Kumar	Head – Commercial Vehicle
Jagdish Capoor	Chairman
P. Manomohanan	Independent Director
Amla Samanta	Independent Director
Rajiven V.R.	Independent Director

Fund Holdings

Name of fund	% holding
Baring India Private Equity Fund	8.79%
Quinag Acquisition (FPI)	6.86%
DSP Blackrock Microcap Fund	4.04%
Barclays Merchant Bank Singapore	3.77%
Fidelity Investment Trust	2.52%

Source: Company, NSPL Research

Shareholding Pattern (%)



ANALYST

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Profit & Loss (INR Crores)	FY16	FY17	FY18	FY19E	FY20E
Interest earned	2,202.7	2,998.0	2,916.9	3,196.0	3,614.4
Interest expended	883.9	1,002.6	791.0	928.8	1,040.8
Net interest income	1,318.8	1,995.5	2,125.9	2,267.2	2,573.6
Non-interest income	14.8	10.4	33.0	11.4	12.9
Total income	1,333.6	2,005.9	2,158.9	2,278.6	2,586.6
Operating expenses	729.1	777.2	1,000.0	1,002.6	1,112.2
Pre-provisioning profit	604.5	1,228.7	1,158.9	1,276.0	1,474.3
Provisions	85.6	113.9	92.3	89.3	85.1
Profit before tax (PBT)	518.9	1,114.9	1,066.6	1,186.7	1,389.3
Tax expense	181.7	388.8	366.4	379.7	472.4
Adjusted PAT	337.2	726.0	700.2	807.0	916.9

(INR Crores)	FY16	FY17	FY18	FY19E	FY20E
Share Capital	168.2	168.4	168.5	168.5	168.5
Reserve & Surplus	2,568.6	3,142.4	3,646.0	4,452.9	5,369.8
Shareholder's Fund	2,736.8	3,310.8	3,814.5	4,621.4	5,538.4
Non-current Liabilities					
Long term Borrowings	1,115.1	1,952.9	1,378.6	1,495.8	1,652.8
Total Non-current liabilities	1,238.9	2,066.4	1,447.0	1,564.2	1,721.2
Current Liabilities					
Short term borrowings	6,767.2	6,256.0	7,797.5	8,460.3	9,348.6
Other current liabilities	1,077.9	1,347.9	1,454.6	1,545.1	1,666.4
Total current liabilities	7,935.2	7,769.2	9,414.4	10,167.7	11,177.3
Total Liabilities & Equity	11,910.9	13,146.4	14,675.9	16,353.3	18,436.9
Assets					
Fixed assets	189.8	179.0	265.1	218.1	173.4
Non-current investments	324.2	324.2	375.0	375.0	375.0
Long term loans & advances	210.1	332.4	870.5	1,127.2	1,508.4
Total Non-current assets	861.1	909.6	1,606.3	1,816.0	2,152.6
Current Assets					
Cash & Equivalent	491.9	411.7	443.2	508.7	552.3
Short term loans & advances	10,179.1	11,496.3	12,301.9	13,704.0	15,407.5
Other current assets	378.8	328.7	324.5	324.5	324.5
Total Current Assets	11,049.8	12,236.7	13,069.6	14,537.3	16,284.2
Total Assets	11,910.9	13,146.2	14,675.9	16,353.3	18,436.9

Source: Company, NSPL Research



RATIOS	FY16	FY17	FY18	FY19E	FY20E
Growth rates					
AUM (Manappuram)	11.3%	12.1%	11.9%	12.8%	14.3%
AUM (Asirvad)	225.8%	100.5%	22.5%	28.0%	29.4%
Rev (Manappuram)	12.5%	36.1%	-2.7%	9.6%	13.1%
Rev (Asirvad)	149.0%	136.3%	27.5%	34.5%	30.6%
PAT (Manappuram)	24.6%	115.3%	-3.6%	15.3%	13.6%
PAT (Asirvad)	154.7%	29.6%	-	-	24.5%
Operating efficiency					
Cost/income (Manappuram)(%)	54.7%	38.7%	46.3%	44.0%	43.0%
Cost/income (Asirvad)(%)	45.7%	48.0%	54.9%	51.8%	53.1%
Profitability					
Yield on gold loan	22.3%	27.5%	24.3%	24.0%	24.0%
Yield on CV loan	16.9%	18.5%	17.3%	18.0%	18.0%
Yield on MFI	22.4%	24.2%	20.9%	22.8%	23.2%
Per share data / Valuation					
BV (Rs.)	32.8	39.9	45.5	58.8	70.7
ABV (Rs.)	31.9	37.3	45.0	57.9	69.7
P/BV (x)	1.0x	2.4x	2.5x	1.7x	1.4x
P/ABV (x)	1.0x	2.6x	2.5x	1.7x	1.4x

Source: Company, NSPL Research



Manappuram Finance				Rating Legend	
Date	CMP (INR)	Target Price (INR)	Recommendation	Strong Buy	More than 15%
August 31, 2018	100	134	Strong Buy	Buy	5% - 15%
				Hold	0 – 5%
				Reduce	-5% - 0
				Sell	Less than -5%

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Details of Disciplinary History of NSPL	No disciplinary action is / was running / initiated against NSPL
Research analyst or NSPL or its relatives'/associates' financial interest in the subject company and nature of such financial interest	No (except to the extent of shares held by Research analyst or NSPL or its relatives'/associates')
Whether Research analyst or NSPL or its relatives'/associates' is holding the securities of the subject company	NO
Research analyst or NSPL or its relatives'/associates' actual/beneficial ownership of 1% or more in securities of the subject company, at the end of the month immediately preceding the date of publication of the document	NO
Research analyst or NSPL or its relatives'/associates' any other material conflict of interest at the time of publication of the document	NO
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Has research analyst or NSPL or its associates managed or co-managed public offering of securities for the subject company in the past 12 month	NO
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Has research analyst or NSPL engaged in market making activity for the subject company	NO
Other disclosures	NO