

Pick of the Day (Short Term Delivery Call)

Company Name: Manappuram Finance Ltd

NSE code	MANAPPURAM
BSE code	531213
Market Cap (Rs Cr)	15,638
Promotor holding (%)	35.20
PE(x) TTM	8.36
Industry PE (x)	22.4
EV/EBITDA (x)	8.31
P/PB (x)	1.53

CMP (Rs): 186 | Buy Range: 180-186 | Target Price: 215 | Upside: 15%

Duration of recommendation: 1 to 3 months

About Company: Manappuram Finance operates as a Non-Banking Finance Company (NBFC) offering a diverse array of financial services, including gold loans, vehicle loans, insurance, mutual fund distribution, and money exchange services. Its operations are divided into three segments: asset finance, gold loans, other loans, and fee-based services.

Investment Rationale

Business Outlook:

Company has well diversified product portfolio mainly Gold, microfinance, housing finance, vehicle finance, On-lending, MSME. Gold loan portfolio has 53% of weightage, followed by 26% Microfinance, Vehicle finance 8%, MSME 7%. Gold loan has increased at a CAGR of 6% over the last 5 years. Non-gold loan segment is reporting significant growth their overall share at 47% in Q2FY24.

Expanding Product Portfolio: #2 lender in gold loans in India (core product), with a trusted brand and nation-wide reach. Company did a strategic acquisition and diversified its portfolio beyond gold. This has further solidified the company's position as a leading financial institution with a top credit rating.

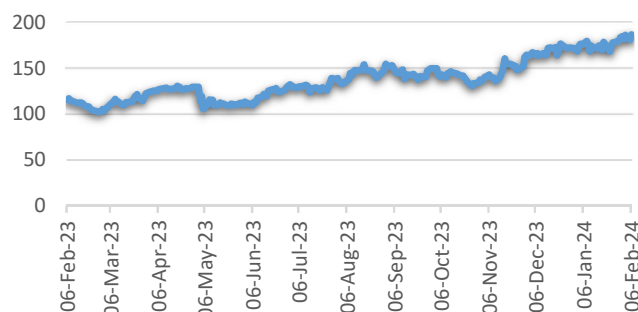
Strong Financial Position: Revenue has grown at a CAGR of 14.33% over FY18-23 period from Rs. 3421 crores in FY18 to Rs. 6684 crores in FY23. Operating margins hovers around 30%-35%. PAT has grown at a CAGR of 17.28% from Rs. 676 crores in FY18 to Rs. 1500 crores in FY23. Company's ROE/ROCE are 16.6 & 11.7 respectively. AUM has grown CAGR 17.57% over FY18-

Q2FY24 Results: Company presented strong set of numbers during the quarter with consolidated NII/EBITDA/PAT increasing by 25.5%/36.8%/36.9% YoY respectively. Net interest margins up by 24 bps improving from 14.7% in Sept 2022 to 15.0% in September 2023. On QoQ basis, NII/EBITDA/PAT have been +5.2%/+8%/+12.6% respectively. Management maintained its forecast for 8-10% year-over-year growth in gold loans. As economic activity improves for NBFC gold loan clients, the company anticipates returning to a growth trajectory of 10-12% in gold loans after a couple of quarters.

Our Valuation & Recommendation: Stock is currently trading at 1.37x its FY24E Book value (Rs. 136), which puts valuation on fair side. Given Q2FY24 strong performance and management guidance of 8-10% growth in Gold loan book, **we recommend BUY in price range of 180-186 with target price 215 (based on 1.6x FY24E book value), upside 15%.**

Key risks: Higher interest cost due to high competitive industry & delay in asirvad microfinance listing.

Price Performance



Shareholding Pattern %

