

21 March 2025

India | Equity Research | Company Update

Manappuram Finance

Gold Loan

New tidings

The definitive agreement of Bain Capital for joint control of Manappuram Finance is a positive strategic step for the company towards the next phase of growth with a potential transformation of leadership, operational efficiency and control. This could, over the years, lead to an increase in business quality as well as growth across key segments which may ultimately boost valuation multiples. Maintain **BUY**. We value the stock based on 1.4x P/B FY27E for gold loans, (implies 1.3x multiple on higher capital base), translating into consolidated multiple of 1.3x P/B FY27E. **Key risks:** Delay in proposed transaction, any adverse regulatory developments as seen in the past, increase in competitive intensity in gold and weakness in asset quality in non-gold segment.

Bain Capital to acquire joint control and invest in Manappuram Finance's next phase of growth

As per the latest exchange filing ([link](#)), Manappuram has informed that Bain Capital has entered into definitive agreements to acquire joint control in Manappuram Finance, through its affiliates i.e., BC Asia Investments XXV Limited and BC Asia Investments XIV Limited (Bain Capital) in partnership with the Existing Promoters who will continue to stay fully invested. This strategic investment aims to fuel the company's next phase of growth and drive transformation by enhancing operations, strengthening leadership, and expanding its presence across key segments.

As part of the transaction, **Bain Capital will be investing ~INR 43,850mn to acquire an 18% stake on a fully diluted basis** via preferential allotment of equity & warrants at a price of INR 236 per share which is at a premium of ~30% over the 6-month average trading price. The transaction will **trigger a mandatory open offer for the purchase of an additional 26% stake in the company on an expanded capital basis** (excluding warrants). The open offer price has been fixed at INR 236 per share. Based on the open offer subscription, Bain Capital's stake post the investment will vary between 18% to 41.7% on a fully diluted basis (including shares to be issued pursuant to exercise of warrants). **Existing Promoters will hold 28.9% stake in the company post the investment on a fully diluted basis** (including shares to be issued pursuant to exercise of warrants). The transaction is subject to customary closing conditions and regulatory approvals.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Interest Income (NII)	55,889	64,489	66,378	75,762
PAT (INR mn)	21,975	17,892	22,321	27,854
EPS (INR)	26.0	21.1	26.4	32.9
% Chg YoY	46.5	(18.6)	24.8	24.8
P/E (x)	8.4	10.3	8.2	6.6
P/BV (x)	1.6	1.4	1.3	1.1
Gross Stage - 3 (%) (SA)	1.9	2.5	2.3	2.1
Dividend Yield (%)	1.5	2.2	2.6	3.1
RoA (%)	5.1	3.6	3.9	4.3
RoE (%)	20.7	14.6	16.2	17.6

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Market Data

Market Cap (INR)	184bn
Market Cap (USD)	2,132mn
Bloomberg Code	MGFL IN
Reuters Code	MNFL.BO
52-week Range (INR)	230 /138
Free Float (%)	64.0
ADTV-3M (mn) (USD)	31.4

Price Performance (%)	3m	6m	12m
Absolute	20.1	5.8	30.6
Relative to Sensex	22.3	15.5	24.7

ESG Score	2023	2024	Change
ESG score	74.4	NA	NA
Environment	55.6	NA	NA
Social	75.6	NA	NA
Governance	78.3	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.  
Source: SES ESG, I-sec research

Previous Reports

14-08-2024: [Q1FY25 results review](#)  
27-05-2024: [Q4FY24 results review](#)

## Transaction rationale

*As per Bain Capital: "This collaboration leverages deep expertise and commitment to sustainably expanding India's financial services sector, while democratizing access to financial products that foster entrepreneurship and wealth creation across the country".*

- Spearheading the next phase of growth in core segments with a well-structured strategic plan for the next 4-5 years.
- Leveraging company's strong foundation in gold loans and accelerating growth in other high potential segments.
- Providing growth capital and strengthening of balance sheet with infusion of ~INR 44bn.
- Building out a professional management team with Mr. Nandakumar stepping into a 'non-executive chairman and mentor' role.
- Based on the open offer subscription, Bain Capital's stake in the company will vary between 18.0% and 41.7% on fully diluted basis
- Transaction is expected to close by Q2-Q3FY26, subject to receipt of necessary approvals.
- Bain Capital will be classified as Promoter of the company post investment and will jointly control the company with Existing Promoters.
- Bain Capital will have the right to nominate certain members of the Executive Management like CEO and other key managerial personnel for Manappuram Finance and group companies.
- Bain will have the right to materially influence the strategic decision making at Manappuram post the transaction.
- Transaction doesn't involve sale of any shares by Existing Promoters- will hold 28.9% stake on a fully diluted basis.
- Board will be reconstituted and will include 2 nominee directors of Bain Capital.
- Transaction is subject to customary closing conditions and receipt of necessary approvals from relevant authorities.

## Bain's shareholding will vary between 18-41.7% depending on open offer uptake

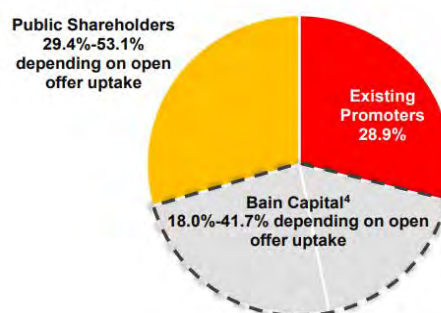
Bain Capital will invest ~INR 43,850mn to acquire 18% stake on a fully diluted basis via preferential allotment of equity & warrants at a price of INR 236 per share; ~30% premium to 6-month average trading price. The transaction will trigger a mandatory open offer for purchase of additional 26% of the company (on the basis of extended capital) at a price of INR 236 per share. Infused fund will be used for onward lending, investment in subsidiaries and general corporate purpose.

**Exhibit 1: Shareholding pattern- pre transaction (as of Dec'24)**



Source: I-Sec research, Company data

**Exhibit 2: Shareholding pattern- post transaction on fully diluted basis**



Source: I-Sec research, Company data

## RBI direction on gold loan practices to create level-playing field

- RBI had issued a circular on 30th Sep'24 to further streamline the practices on gold loan. Lenders have been instructed to review their policies and practices in this regard to identify gaps and implement corrective measures. Company expects these to be good measures from the perspective of systemic stability and operational efficiency. The company is in the process of strengthening LTV monitoring, renewal of loans after due dates and monitoring end use of gold loans.
- Management has taken two steps: one is LTV monitoring and the other is rolling over of pledges. On LTV monitoring at specific LTV ratios, company is sending SMS, letters, etc., and there will be an accelerated auction. During the tenure of gold loan, the rollovers with partial servicing of interest will be introduced. Beyond maturity, repledges will only be with full repayment of interest. These changes have been implemented. There has been some resistance from customers in the first few days.
- Opening of new branches: Manappuram and other NBFCs had a meeting with the regulator in Mumbai and had a discussion with RBI officials. Management hopes it will get the permission for opening branches without much delay. It is also doubtful why this restriction on branch opening is only for gold loan companies. The officials mentioned they will examine the branch opening restriction.
- Management stated that regulation will be successful only when it understands the regulated NBFC's challenges as well. Management is expecting regulators will hold such meetings periodically at national level, regional level, sectoral level and bank level; it believes regulators will understand stakeholders in ensuring an effective regulation.

## Maintain BUY with TP of INR 260 (unchanged)

Our SoTP-based target price for Manappuram stands at INR 260 (unchanged) based on 1.4x P/B for gold, 1x P/B for MFI and 1.1x P/B for home finance/other business on FY27E BV. We factor in AUM growth of ~16%/12%/12% in gold on standalone basis in FY25/26E/27E (~14% end-to-end growth in 9MFY25). For MFI, we factor in a decline of 14% in FY25E (decline of ~16% end-to-end in 9MFY25) and growth of ~12% each for FY26/27E. For home finance business, AUM growth of 25%/22%/20% in FY25E/26E/27E (~18% AUM growth in 9MFY25). We factor in AUM growth of ~9%/14%/13% on consolidated basis for FY25/26E/27E (vs CAGR of 17.8% in FY18-FY24 and 5% in 9MFY25). We model in standalone 'NIM/opex/credit cost' to AUM estimates at 14.5%/5.9%/0.5% for FY26E and 14.4%/5.7%/0.4% for FY27E. This leads to standalone RoAE of ~16.8%/17.3%/17.6% in FY25/26E/27E (RoAE at 17.2%/16.7%/17.4%/16% in FY24/Q1/Q2/Q3FY25). For Asirvad, we factor in RoAE of -4.6%/0.5%/8.9% for FY25/26E/27E (RoAE of 18.2%/13.1%/-33.6% in Q1/Q2/Q3FY25). This results in consolidated interest income/pre-provisioning profit/PAT CAGR of 11.3%/7.7%/8.2% between FY24-27E (vs CAGR of 16.6%/19.1%/18.8% between FY19-FY24). Consolidated RoAE stands at 14.6%/16.2%/17.6% for FY25/26E/27E, respectively.

**Exhibit 3: Standalone dupont**

Dupont (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Interest Income	16.2	17.3	16.6	16.0	17.9	17.9	18.1	18.1	17.5	17.5	18.0
Interest Expense	5.2	5.1	5.4	5.2	5.6	5.6	5.9	5.9	5.9	6.0	6.3
Net Interest Income	11.0	12.1	11.2	10.8	12.2	12.3	12.2	12.2	11.6	11.5	11.7
Other Income	0.2	0.2	0.2	0.6	0.5	0.7	0.5	0.1	0.1	0.2	0.1
Total Net Income	11.2	12.3	11.5	11.4	12.8	12.9	12.8	12.3	11.7	11.7	11.8
Operating Expenses	5.3	5.4	5.5	5.7	5.5	5.3	5.3	5.3	4.9	4.7	4.9
Pre Provision Operating Profit	5.9	6.9	5.9	5.7	7.2	7.6	7.5	7.1	6.8	7.0	6.9
Provisions	0.1	0.3	0.1	0.1	0.3	0.4	0.3	0.3	0.6	0.5	0.8
PBT	5.7	6.6	5.8	5.6	6.9	7.2	7.1	6.8	6.2	6.5	6.2
Tax	1.5	1.7	1.5	1.4	1.8	1.8	1.9	1.6	1.6	1.7	1.6
Reported PAT	4.3	4.9	4.3	4.2	5.2	5.3	5.2	5.2	4.5	4.8	4.6
Leverage (avg. assets/avg. equity)	3.4	3.5	3.4	3.3	3.2	3.3	3.3	3.3	3.5	3.6	3.5
RoE	14.4	16.8	14.8	14.0	16.7	17.7	17.5	16.8	16.0	17.4	16.0

Source: I-Sec research, Company data

**Exhibit 4: Consolidated dupont**

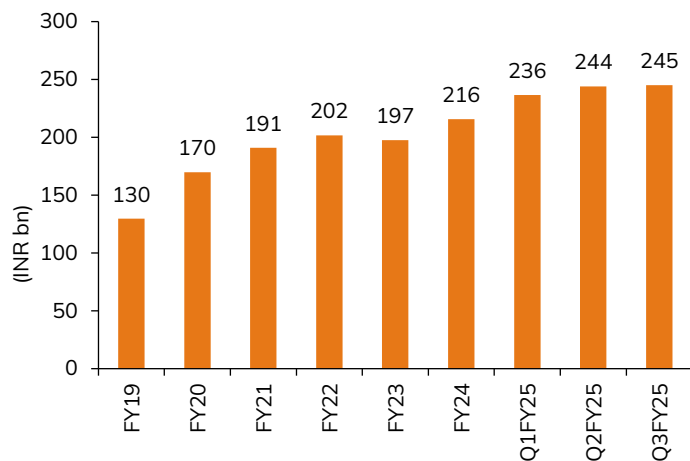
Dupont (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Interest Income	17.3	18.2	17.8	17.8	19.4	19.4	19.8	19.9	19.5	19.5	19.4
Interest Expense	6.0	6.0	6.1	6.1	6.5	6.5	6.7	6.8	6.9	6.9	7.1
Net Interest Income	11.3	12.2	11.7	11.7	12.9	12.8	13.1	13.1	12.6	12.5	12.3
Other Income	0.5	1.2	0.8	0.9	1.2	1.2	1.1	0.8	0.9	0.7	0.4
Total Net Income	11.8	13.4	12.5	12.5	14.1	14.1	14.2	13.9	13.5	13.3	12.6
Operating Expenses	5.8	6.2	6.2	6.2	6.1	5.9	5.8	5.7	5.5	5.3	5.5
Pre Provision Operating Profit	6.0	7.1	6.3	6.4	8.0	8.2	8.4	8.2	7.9	7.9	7.2
Provisions	1.5	0.9	0.5	0.5	1.2	1.1	1.3	1.6	1.9	2.0	4.3
PBT	4.5	6.2	5.8	5.9	6.8	7.1	7.1	6.5	6.1	5.9	2.9
Tax	1.2	1.6	1.6	1.6	1.8	1.8	1.9	1.6	1.6	1.5	0.8
Reported PAT	3.3	4.6	4.2	4.3	5.0	5.3	5.2	4.9	4.5	4.4	2.2
Leverage (avg. assets/avg. equity)	4.0	4.0	4.1	4.1	4.0	4.1	4.1	4.0	4.2	4.3	4.1
RoE	13.3	18.7	17.3	17.6	20.2	21.7	21.3	19.9	18.9	18.6	8.8

Source: I-Sec research, Company data

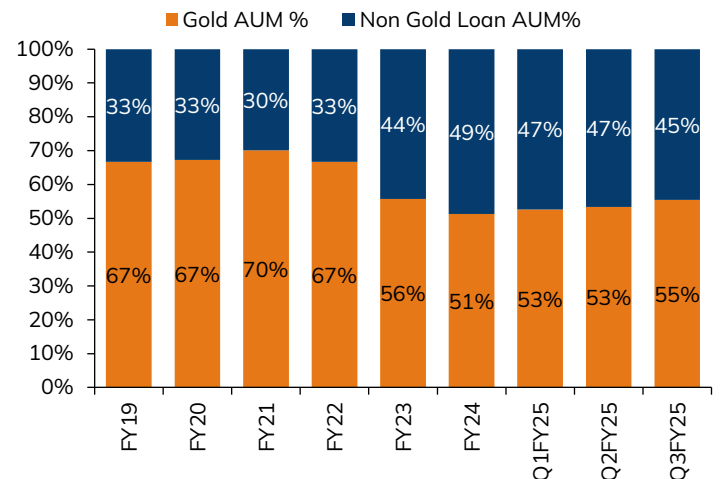
**Exhibit 5: Consolidated AUM mix**

Mix (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Consl AUM (INR mn)</b>	3,07,595	3,06,650	3,18,834	3,54,523	3,70,606	3,89,507	4,03,852	4,20,696	4,49,323	4,57,163	4,42,174
<b>Gold</b>	66.6%	62.6%	58.4%	55.7%	55.6%	53.4%	51.4%	51.3%	52.6%	53.3%	55.4%
MFI	21.3%	23.2%	25.3%	26.2%	25.1%	25.9%	26.5%	26.0%	25.0%	24.0%	20.7%
HFC	2.8%	3.0%	3.2%	3.1%	3.2%	3.4%	3.5%	3.6%	3.5%	3.7%	4.0%
VEF	5.7%	6.1%	6.6%	6.9%	7.5%	8.1%	8.9%	9.8%	10.1%	10.6%	11.5%
On-lending	0.1%	0.9%	1.6%	2.5%	2.2%	2.4%	2.5%	2.3%	2.0%	1.8%	1.5%
MSME & Allied	3.5%	4.2%	4.9%	5.6%	6.4%	6.9%	7.2%	7.0%	6.7%	6.6%	6.9%
<b>Manappuram Finance -SA</b>	74.4%	72.0%	69.7%	68.6%	69.4%	68.5%	67.9%	68.2%	69.1%	69.7%	73.3%
Gold	65.2%	60.9%	56.7%	53.7%	53.4%	51.3%	49.3%	49.2%	50.3%	50.7%	53.6%
Non-gold	9.2%	11.1%	13.0%	14.9%	16.0%	17.2%	18.6%	19.0%	18.8%	19.0%	19.8%
- VEF	5.7%	6.1%	6.6%	6.9%	7.5%	8.1%	8.9%	9.8%	10.1%	10.6%	11.5%
- On-lending	0.1%	0.9%	1.6%	2.5%	2.2%	2.4%	2.5%	2.3%	2.0%	1.8%	1.5%
- MSME & Allied	3.5%	4.2%	4.9%	5.6%	6.4%	6.9%	7.2%	7.0%	6.7%	6.6%	6.9%
<b>Asirvad AUM</b>	22.8%	25.0%	27.1%	28.3%	27.4%	28.1%	28.6%	28.2%	27.4%	26.6%	22.6%
Gold	1.4%	1.6%	1.7%	2.0%	2.2%	2.1%	2.1%	2.0%	2.3%	2.5%	1.8%
Non-gold	21.4%	23.4%	25.4%	26.3%	25.2%	26.0%	26.5%	26.2%	25.1%	24.0%	20.8%
<b>Manappuram Home AUM</b>	0.0%	0.0%	0.0%	2.4%	2.4%	2.4%	2.5%	2.6%	2.7%	2.9%	3.2%

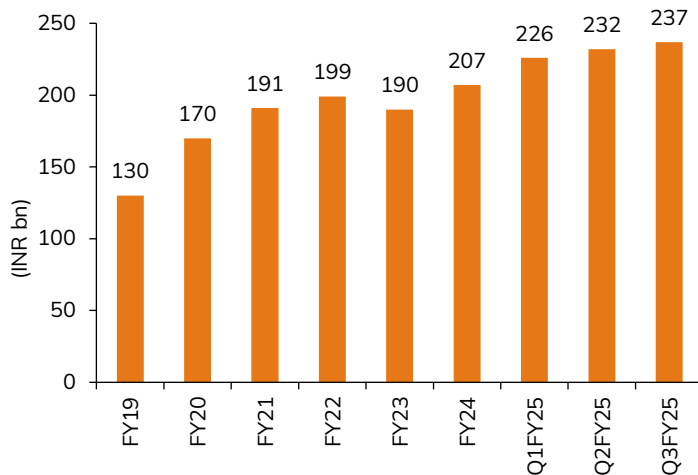
Source: I-Sec research, Company data

**Exhibit 6: Manappuram's gold AUM**


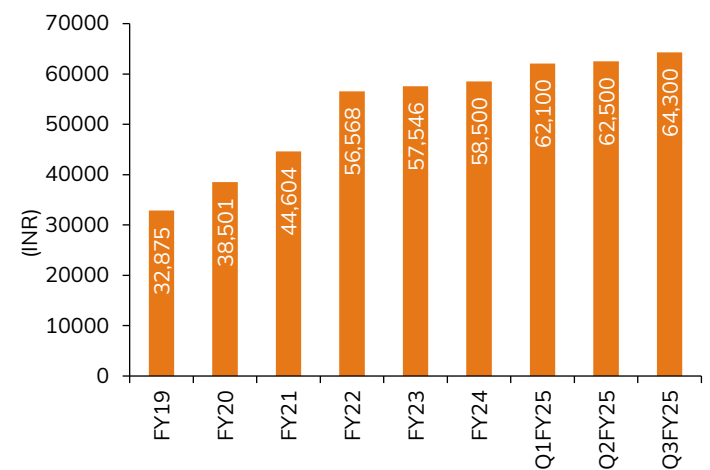
Source: Company data, I-Sec research

**Exhibit 7: Gold AUM as a % of total AUM increased in Q3FY25**


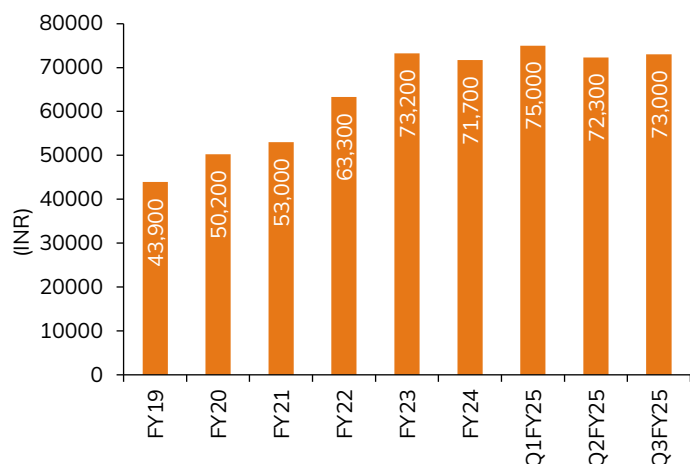
Source: Company data, I-Sec research

**Exhibit 8: Manappuram's standalone gold loan AUM**


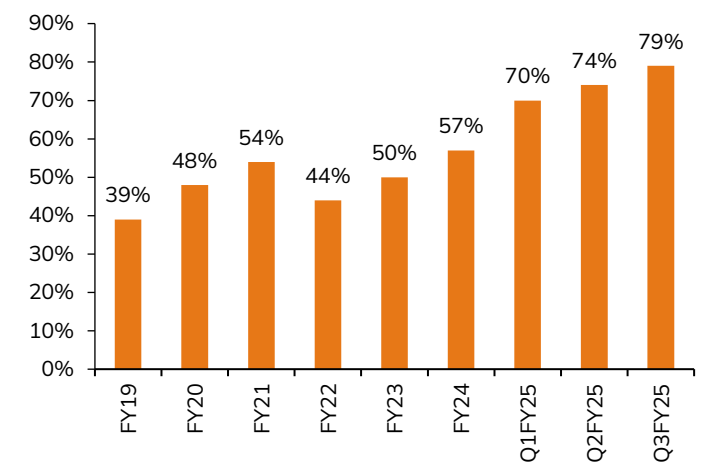
Source: Company data, I-Sec research

**Exhibit 9: Average ticket size of gold loans increased**


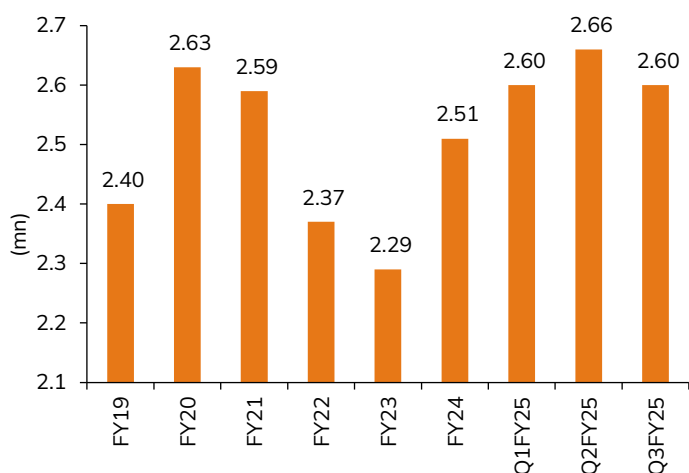
Source: Company data, I-Sec research

**Exhibit 10: Average ticket size for online gold loans remained stable**


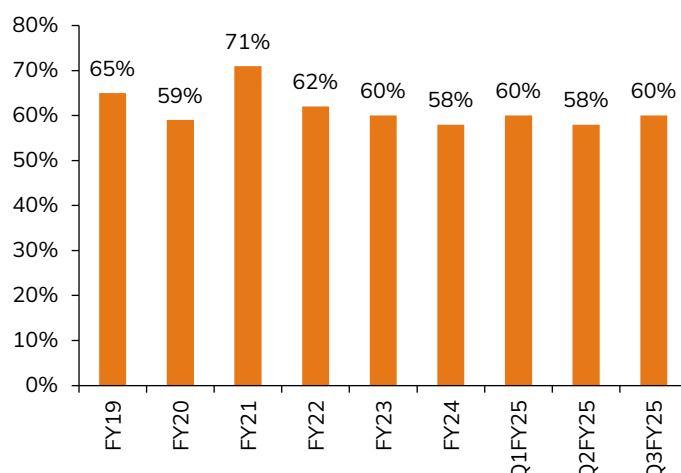
Source: Company data, I-Sec research

**Exhibit 11: ...however, share of online gold loans is increasing in overall gold AUM**


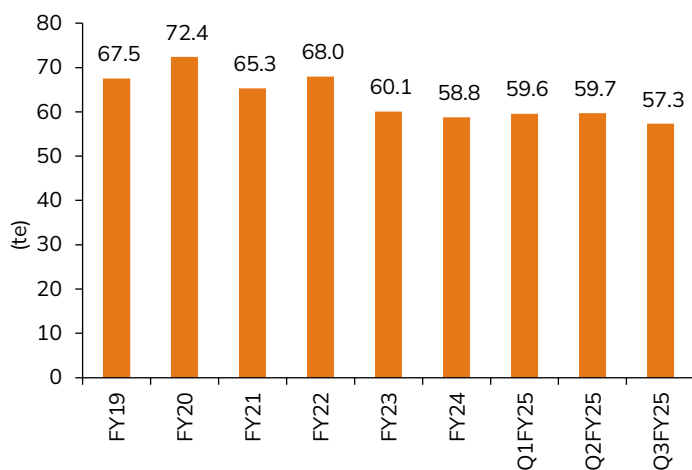
Source: Company data, I-Sec research

**Exhibit 12: Customer base has declined for last 3 years and is now steadily increasing**


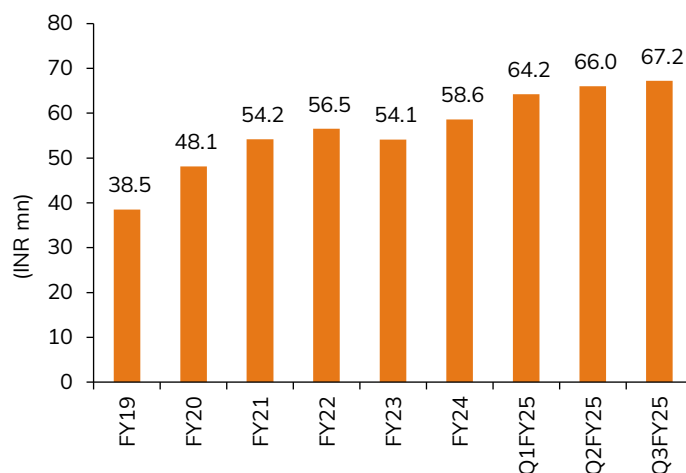
Source: Company data, I-Sec research

**Exhibit 13: LTV for gold loans reduced with increase in gold price**


Source: Company data, I-Sec research

**Exhibit 14: Gold holdings have declined**


Source: Company data, I-Sec research

**Exhibit 15: AUM per branch increased in Q3FY25**


Source: Company data, I-Sec research

**Exhibit 16: Shareholding pattern**

%	Jun'24	Sep'24	Dec'24
Promoters	35.2	35.3	35.3
Institutional investors	41.5	41.3	34.9
MFs and others	7.6	9.5	6.9
FIs/Banks	0.6	0.4	0.6
Insurance	1.2	1.1	0.4
FIIIs	33.0	30.4	27.0
Others	23.3	23.4	29.9

Source: Bloomberg, I-Sec research

**Exhibit 17: Price chart**


Source: Bloomberg, I-Sec research



## Financial Summary

### Exhibit 18: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Interest Income	84,546	99,156	1,04,047	1,16,461
Net gain on fair value changes	-	-	-	-
Interest Expenses	(28,657)	(34,667)	(37,669)	(40,698)
<b>Net Interest Income (NII)</b>	<b>55,889</b>	<b>64,489</b>	<b>66,378</b>	<b>75,762</b>
Other Income	721	456	470	531
<b>Total Income (net of interest expenses)</b>	<b>60,544</b>	<b>65,657</b>	<b>67,733</b>	<b>77,290</b>
Employee benefit expenses	(15,973)	(17,311)	(19,778)	(21,249)
Depreciation and amortization	(2,465)	(2,747)	(2,700)	(3,102)
Fee and commission expenses	-	-	-	-
Other operating expenses	(6,728)	(7,251)	(8,008)	(8,781)
<b>Total Operating Expense</b>	<b>(25,165)</b>	<b>(27,309)</b>	<b>(30,486)</b>	<b>(33,132)</b>
<b>Pre Provisioning Profits (PPoP)</b>	<b>35,379</b>	<b>38,347</b>	<b>37,247</b>	<b>44,158</b>
Provisions and write offs	(5,783)	(14,109)	(7,164)	(6,625)
<b>Profit before tax (PBT)</b>	<b>29,595</b>	<b>24,238</b>	<b>30,083</b>	<b>37,533</b>
Total tax expenses	(7,620)	(6,346)	(7,762)	(9,679)
<b>Profit after tax (PAT)</b>	<b>21,975</b>	<b>17,892</b>	<b>22,321</b>	<b>27,854</b>

Source Company data, I-Sec research

### Exhibit 19: Key Ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Valuations</b>				
EPS	26	21	26	33
BVPS	136	153	173	200
<b>Yields, Interest income &amp; spreads (%)</b>				
Yield on AUM	22	23	21	21
Cost of funding	9	10	9	9
NIM on AUM	14	15	14	14
<b>Operating efficiency (%)</b>				
Cost to income	41.6	41.6	45.0	42.9
Opex to AUM	6.5	6.2	6.2	6.0
AUM per branch (INR Mn)	78.3	90.5	102.3	112.5
<b>Asset Quality (%)</b>				
GNPA	1.9	2.5	2.3	2.1
NNPA	1.6	2.1	1.9	1.8
Credit cost on AUM	0.4	0.8	0.5	0.4
<b>Profitability (%)</b>				
ROAA	5.1	3.6	3.9	4.3
ROE	20.7	14.6	16.2	17.6

Source Company data, I-Sec research

### Exhibit 20: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Share capital	1,693	1,693	1,693	1,693
Reserves & surplus	1,13,788	1,27,611	1,45,055	1,67,223
<b>Shareholders' funds</b>	<b>1,15,481</b>	<b>1,29,304</b>	<b>1,46,748</b>	<b>1,68,916</b>
Borrowings	3,36,535	3,90,875	4,38,457	4,92,602
Provisions & Other Liabilities	15,175	19,341	21,741	24,428
Deferred tax liabilities (net)	-	-	-	-
Current Liabilities and short-term provisions	-	-	-	-
<b>Total Liabilities and Stakeholder's Equity</b>	<b>4,67,479</b>	<b>5,39,841</b>	<b>6,07,378</b>	<b>6,86,518</b>
Cash and balance with RBI	31,813	70,248	70,451	79,835
Fixed assets	5,091	7,376	8,847	10,612
<b>Loans</b>	<b>4,09,491</b>	<b>4,42,631</b>	<b>5,05,471</b>	<b>5,69,975</b>
Investments	7,263	4,324	4,226	4,147
Deferred tax assets (net)	2,015	2,533	3,179	3,907
Current Assets including cash and bank	-	-	-	-
Other Assets	11,450	12,375	14,849	17,686
<b>Total Assets</b>	<b>4,67,479</b>	<b>5,39,841</b>	<b>6,07,378</b>	<b>6,86,518</b>

Source Company data, I-Sec research

### Exhibit 21: Key Metrics

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>DuPont Analysis</b>				
Gross AUM (INR Mn)	4,20,691	4,56,876	5,21,030	5,86,550
Interest Income (%)	19.6	19.7	18.1	18.0
Interest Expense (%)	6.6	6.9	6.6	6.3
<b>Net Interest Income (%)</b>	<b>13.0</b>	<b>12.8</b>	<b>11.6</b>	<b>11.7</b>
Other Income (%)	1.1	0.2	0.2	0.2
<b>Total Net Income (%)</b>	<b>14.0</b>	<b>13.0</b>	<b>11.8</b>	<b>11.9</b>
Operating Expenses (%)	5.8	5.4	5.3	5.1
<b>Pre Provision Operating Profit (%)</b>	<b>8.2</b>	<b>7.6</b>	<b>6.5</b>	<b>6.8</b>
Provisions (%)	1.3	2.8	1.2	1.0
<b>PBT (%)</b>	<b>6.9</b>	<b>4.8</b>	<b>5.2</b>	<b>5.8</b>
Tax (%)	1.8	1.3	1.4	1.5
<b>Reported PAT (%)</b>	<b>5.1</b>	<b>3.6</b>	<b>3.9</b>	<b>4.3</b>
Leverage (average assets/average equity)	4.1	4.1	4.2	4.1
<b>RoE (%)</b>	<b>20.7</b>	<b>14.6</b>	<b>16.2</b>	<b>17.6</b>

Source Company data, I-Sec research

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