

BLAZING PICKS

FREQUENCY	ALLOCATION	DURATION	APPROX RETURNS	RISK	MAX OPEN CALLS
Every Monday	20% of capital on every call	3 months	15-20%	<10%	5

SALIENT FEATURES:

- 👍 Allocation based product – 20% of capital on every call
- 👍 For Short to Medium term clients
- 👍 Mid Cap & Large Cap quality stocks
- 👍 Company with growth prospects and compliance free
- 👍 Moderate risk product

Key Data

NSE / BSE Code	MANAPPURAM/ 531213
Sector	Finance
Industry	Finance - NBFC
Face value / Book Value (₹ per share)	2 / 52.1
Dividend yield	1.6
52 H/L (₹)	142 / 66
Market Cap. (₹ mn)	120,573
Shares Outstanding (mn)	842.8
6M Avg Traded Volume	2,022,841

Key Ratios

	Mar16	Mar17	Mar18	Mar19
P/E (x)	44.4	33.9	15.9	13.0
P/B (x)	4.6	4.4	3.6	3.1
EV/Sales	10.1	8.5	5.9	4.9
EV/EBITDA	15.0	13.0	8.4	7.3
ROA	2.9%	5.4%	4.2%	5.0%
ROE	10.6%	12.6%	24.8%	22.2%

Earnings Summary

(In ₹ mn)	Mar15	Mar16	Mar18	Mar19
Net Sales	23,602	33,854	34,234	41,163
Sales Growth	18.8%	43.4%	1.1%	20.2%
EBITDA	15,406	23,741	20,233	27,595
EBITDA Margin	65.3%	70.1%	59.1%	67.0%
PAT	3,552	7,585	6,684	9,295
PAT Margin	15.0%	22.4%	19.5%	22.6%
EPS (₹)	4.2	9.0	8.0	10.9

Manappuram Finance Ltd. CMP: 142

► Manappuram Finance Limited is a non-banking financial company (NBFC). The Company is engaged in offering gold loans, microfinance, housing loans and commercial vehicle loans. The Company operates in financing segment. Its geographical segment includes domestic. Its activities include Gold Loan/Loan Against Gold, Money Transfer, Domestic Money Transfer, Foreign Exchange, SME & Loan Against Property, Depository Services and Commercial Vehicle Loans.

► **Robust Q4 growth:** Q4 saw Manappuram Finance Q4FY19 performance was primarily led by robust growth in the non-gold business and lower provisions. Overall AUM growth of 23% YoY was led by ~60% growth from non-gold business. Share of non-gold loans in total AUM rose 380 bps QoQ to 1/3rd of portfolio and 1/4th of capital employed. NIMs have dropped by 56bps sequentially to 15.7%, resulting in limited NII growth of 18%. PAT on a lower base has grown by 41%. GNPA has eased by 20bps sequentially to 0.5% with improvement seen across segments.

► **Business and Loan growing sequentially:** New lines of business, mainly non-gold, have started delivering on their potential. The company stated that 10% growth in gold tonnage will be driven by a number of factors such as promoting OGL and opening new branches. The company expects 60-70% growth in the CV finance business in FY20 and it aims to maintain the asset quality at current levels. The company is aiming for a 50% share of the non-gold loan business in another 2 years. The company is targeting a growth of 5-10% in OGL customer acquisition.

► **Improving Liquidity:** Indian financial services industry has gone through some liquidity crunch in last 2 quarters. However, the company stated it hasn't faced any significant issues. The company has raised long term funds during the quarter from IFC and NABARD for 3 years and 5 years respectively. The company expects further reduction in CoF on account of benefit from RWA linkage to credit ratings and also on account of reduction in policy rates and transmission thereof. The company has received board approval to raise Rs. 10 bn worth of public NCDs, of which Rs. 4 bn has already been raised in 2 tranches.

► Pick-up in AUMs, stable asset quality, benign gold price and favorable regulatory environment will be positive for the company. The company is trading at P/E of 11x for FY19. Hence, we recommend **buy on Manappuram Finance Ltd.** with a price target of **Rs 167** Per share.

Source: Company, ACE Equity, Dealmoney Research

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