



Company Overview

Manba Finance Ltd. (MFL), headquartered in Mumbai, is a Non-Banking Financial Company that offers financial solutions for new two-wheelers, three-wheelers, electric vehicles, used cars, small business loans, and personal loans. As of March 31, 2024, MFL reported Assets Under Management (AUM) exceeding Rs. 9,000 million, with 97.9% of its loan portfolio focused on new vehicle loans. The company operates across 66 locations in six states, building strong relationships with over 1,100 dealers, including more than 190 electric vehicle dealers. Targeting salaried and self-employed individuals, MFL customizes its offerings to meet diverse customer needs and has recently expanded to include used car loans, small business loans, and personal loans. Typically, MFL finances up to 85% of a vehicle's on-road price, encouraging customers to contribute the remaining balance to foster financial discipline. With a centralized credit team of 1,344 employees, MFL maintains a gross Non-Performing Asset (NPA) ratio of 3.95% for FY24 and reported a profit after tax of Rs. 314.2 million. The company's average cost of borrowings stands at approximately 11.98%. Favorable credit ratings from agencies like CARE and Acuite further emphasize MFL's strong financial health and commitment to effective risk management.

Objects of the issue

The company proposes to utilize net proceeds towards augmenting the capital base to meet the company's future capital requirements.

Investment Rationale

Comprehensive collections infrastructure ensures strong asset quality metrics

The company has established a robust collections infrastructure to maintain asset quality, supported by a three-tier system of tele-calling, field collections, and legal recovery. With over 80% of monthly collections processed via NACH on scheduled EMI dates, an in-house team of 446 personnel ensures timely monitoring and early detection of defaults to minimize Gross NPAs, which have been steadily improving (3.95% in FY24, down from 4.94% in FY22). The company also engages external collection agencies as needed, adhering to RBI guidelines. Its tech-enabled collections team efficiently manages customer data and prioritizes overdue accounts, using soft collections strategies like SMS reminders and tele-calls in early delinquency stages. Legal action is initiated for accounts classified as NPAs when other recovery methods fail, showcasing a comprehensive and proactive approach to maintaining financial health.

Strong dealer relationships and diversified funding drive sustainable growth

The company, having started as an NBFC in 1998, built strong relationships with over 1,100 dealers, including 190 EV dealers, across six states. These dealers act as critical touchpoints for vehicle financing, helping to generate leads and facilitating quick loan turnarounds through tech-enabled processes. The company supports its dealer network with customer-specific schemes, incentives, and marketing initiatives. It has expanded operations to 66 locations with a focus on underpenetrated markets, driving growth in its AUM from Rs. 4,958.3 million in FY22 to Rs. 9,368.6 million in FY24 at a CAGR of 37.5%. Its funding is sourced from a diversified base of public and private sector banks, NBFCs, and NCD issuances. Additionally, a co-lending arrangement with Muthoot Capital Services further enhances its capital access. With a disciplined approach to cost-effective borrowing and market expansion, the company is well-positioned for sustained growth.

Issue Details

Offer Period	23 rd Sept, 2024 - 25 th Sept, 2024
Price Band	Rs. 114 to Rs. 120
Bid Lot	125
Listing	BSE & NSE
Issue Size (no. of shares in mn)	12.6
Issue Size (Rs. in bn)	1.5
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM Hem Securities Ltd.

Registrar Link Intime India Pvt. Ltd

Particulars	Pre Issue %	Post Issue %
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Promoter & Promoter Group	100.0%	75.0%
Public	0.0%	25.0%
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Valuation

The NBFC industry in India is poised for robust growth across segments such as two-wheelers, three-wheelers and MSME lending, driven by increasing finance penetration and consumer demand. With projected market share of 65% in two-wheeler financing and 35% in MSME loans, NBFCs are enhancing their competitiveness through digital initiatives and improved customer experiences, despite challenges like high default rates. Manba Finance Ltd. operates primarily in the funding business for two-wheelers and three-wheelers and has recently expanded its services to include personal loans, business loans, and used car loans. The company offers its services through over 1,100 dealers across six states. The company's assets under management (AUM) grew from Rs. 4,958.3 million in FY22 to Rs. 9,368.6 million in FY24, reflecting a CAGR of 37.5%. Profit after tax rose from Rs. 97.4 million in FY22 to Rs. 314.2 million in FY24, with RoCE margins improving from 6.42% to 15.66%. Net NPA also decreased from 4.30% to 3.16%. With an average borrowing cost of 11.98% and lending rates above 20%, the company plans to use current issue proceeds to expand its offerings further. **The current issue is priced at a P/BV of 2.3x based on FY24 book value, indicating a fair valuation. With its strategic focus on customer satisfaction and innovative products, Manba Finance is well-equipped to meet evolving market needs. We recommend a "SUBSCRIBE" rating for the issue with a medium to long-term investment perspective.**

Key Risks

- ⇒ **Intensifying competition in the financial sector:** The company faces growing competition from established players like Arman Financial Services, MAS Financial Services, and Baid Fin-serv, alongside new entrants in the lending space including e-commerce and payment platforms. With a higher cost of borrowing and regulatory challenges, competitors may offer more attractive lending rates. This increasing competition may impact profitability, market share, and the ability to implement cost-effective growth strategies, potentially adversely affecting the company's financial condition, operational results, and cash flows.
- ⇒ **Lack of product diversification:** New vehicle loans constitute 97.9% of the company's assets under management, reflecting a heavy reliance on a single product segment. Despite recent diversification efforts into used car loans, small business loans, and personal loans, the company may struggle to achieve significant growth in these areas. This lack of diversity could limit future growth prospects and adversely affect financial stability if the new vehicle loan market does not perform as expected.
- ⇒ **Negative cash flows and operational vulnerabilities:** The company faced negative cash flows from operating activities of Rs. 1,411.4 million in FY24 and Rs. 1,240.3 million in FY23, primarily due to increased loan disbursements, which may continue to impact financial stability and growth plans. Additionally, reliance on cash recoveries exposes the business to risks of fraud and theft. Contingent liabilities, including disputed taxes of Rs. 22.7 million, further threaten financial health, highlighting the need for effective risk management strategies.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Revenue from operations			
Interest Income	940	1,250	1,684
Interest Expense	466	566	819
Net Interest Income	474	683	865
Other income	126	84	232
Net Revenue	600	767	1,097
Other income	0	0	0
Total income	600	767	1,098
Operating expenses	474	539	709
Impairment on financial instruments	100	83	113
Employee expenses	229	280	384
Depreciation and amortization	38	44	45
Other expenses	107	132	166
PBT	127	228	389
Tax	29	62	75
PAT	97	166	314
Diluted EPS	2.6	4.4	8.3

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Cash Flow from operating activities	473	(1,240)	(1,411)
Cash flow from investing activities	(7)	(189)	11
Cash flow from financing activities	(103)	2,015	1,563
Net increase/(decrease) in cash and cash equivalents	363	586	163
Cash and cash equivalents at the beginning of the period	138	500	1,086
Cash and cash equivalents at the end of the period	500	1,086	1,249

Source: RHP, BP Equities Research

Manba Finance Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
ASSETS			
Fixed Assets	128	217	198
Loans	4,827	6,233	7,831
Investment	1	184	267
Cash and bank balance	500	1,086	1,249
Other assets	159	153	194
Total assets	5,615	7,872	9,738
CAPITAL & LIABILITIES			
Share capital	126	126	377
Reserves & surplus	1,392	1,559	1,629
Net worth	1,517	1,684	2,006
Borrowings	3,794	5,694	5,897
Other liability & provisions	303	495	1,834
Total Equities and Liabilities	5,615	7,872	9,738

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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