

Opening Date	Closing Date	Allotment Date	Listing Date
23-Sep-24	25-Sep-24	26-Sep-24	30-Sep-24
Issue Size @120	(Rs Mn)	Shares (Mn)	%
Fresh Issue	1,508	12.6	100.0%
Offer for Sale	-	-	-
Total Offer	1,508	12.6	100.0%
Issue Breakup @120	(Rs Mn)	Shares (Mn)	%
QIB Portion	754	6.3	50.0%
NII Portion	226	1.9	15.0%
Retail Portion	528	4.4	35.0%
Total	1,508	12.6	100.0%
Use of Net Proceeds			Rs Mn
Augmentation of its capital base to meet its future capital requirements			1,388

BRLM & Registrar | Hem Securities Ltd, Link Intime India Pvt Ltd

Shareholding (%)	Pre Issue	Post Issue
Promoter	100.0%	75.0%
Public	-	25.0%
Total (Mn Shares)	37.7	50.2
Market Cap (Rs. Mn)		6,029

(Rs Mn)	FY22	FY23	FY24	CAGR FY22-24
NII	474	683	865	35.1%
Total Income	600	767	1,098	35.2%
PPoP	227	311	502	48.7%
PAT	97	166	314	79.6%
NIMs (%)	8.4%	8.7%	8.9%	-
BVPS (Rs)	60.2	63.5	70.0	-
P/B (x)	2.0x	1.9x	1.7x	-
RoA (%)	1.4%	1.8%	2.8%	-
RoE (%)	3.2%	5.2%	8.9%	-

Product wise Market Share (FY24)	Banks	NBFC
2W Loans	35.0%	65.0%
3W Loans	55.0%	45.0%
Used car Loans	45.0%	45.0%
Small Business Loans	65.0%	35.0%
Personal Loans	76.0%	24.0%

Valuation & View:

At the upper price band, on post issue basis, Manba Finance Ltd is valued at P/Bx of 1.7 on FY24 BVPS. The issue is reasonably priced with room for upside. Its NII / Total Income / PPoP / PAT / AUM has grown at a CAGR of 35.1% / 35.2% / 48.7% / 79.6% / 37.5% over FY22-24. We have a **"Subscribe"** rating on the company on account of (1) Company's strong relationship with dealers for vehicle financing. (2) Company's foray into diversified products & geographies in order to mitigate concentration risk. (3) Improving asset quality & diversified funding mix.

Price Band	Recommend
Rs. 114-120	SUBSCRIBE



2W financing player focused on diversification

Business Overview

- **Manba Finance Limited** is a Non-Banking Financial Company-Base Layer (NBFC-BL) providing financial solutions for New 2Ws, 3Ws, EV2Ws, EV3Ws, Used Cars, Small Business Loans and Personal Loans with target customers mainly salaried and self-employed.
- **AUM:** In FY24, AUM was Rs. 9.36bn which grew 47.8% YoY. 97.9% of the AUM comprises of New Vehicle Loans with an ATS of Rs. 80,000/- for 2W and an ATS of around Rs. 1,40,000 for 3W. The AUM split is 2W (92%), 3W (1%), Personal (1%), Small business (1%), Top-up loans (5%).
- **Gross loan book:** The gross loan book for the company was Rs. 7.98bn in FY24. The GLB split is 2W (90%), 3W (1%), Personal (1%), Small business (1%), Top-up loans (6%). 98.2% of the book is secured.
- **Disbursement:** The company disbursed loans of Rs. 6.33bn in FY24 at a 48.3% YoY.
- **Asset Quality:** In FY24, Gross/Net NPA for the company was 3.95%/3.16%.
- **Capital Adequacy:** The company CRAR is 25.2% with RWA of Rs. 7.96bn as on Mar-24.
- **Borrowing Profile:** In FY24, Total Borrowings for the company is Rs. 7.52bn with average cost of borrowing of 11.98% and average tenure of borrowings of 27 months. Fixed rate borrowings form 66% of the total borrowings. The company borrows from Banks, NBFC and Financial Institutions. 77% of the borrowings are Secured.
- **Network:** The company is based out of Mumbai, Maharashtra. It operates in 66 locations across 6 states i.e. Maharashtra (41%), Gujarat (21%), Rajasthan (18%), Chhattisgarh (14%), Madhya Pradesh (5%) and Uttar Pradesh (2%). The company has relationship with 1,104 dealers including 190 EV dealers. Around 82% of the dealers are placed in Maharashtra, Gujarat & Rajasthan.
- The company has recently expanded loan portfolio to Used Car Loans, Small Business Loans and Personal Loans and it intends to leverage existing network to further penetrate the market with new products.
- Manba Finance funds up to 85% of the purchase price (on road price) of the vehicle proposed to be acquired by the customer. Also the company sanctions more than 85% loans on the same day of the application.

Strengths

- Strong established relationships with the dealers
- Ability to expand to new underpenetrated geographies
- Access to diversified and cost-effective long-term borrowing
- Technology driven and scalable operating model with quick turnaround time for loan processing
- Extensive collections infrastructure and processes leading to robust asset quality

Strategies

- Increase penetration in existing markets and diversifying into new markets.
- Continue focus on vehicle finance and the growing 2Ws/3Ws/EV2Ws/EV3Ws market.
- Diversify portfolio into Used Car Loans, Small Business Loans and Personal Loans.
- Leverage existing branch and location setup by addition of new products.
- Continue investing in technology and digitization initiatives to enhance operating model and improve customer experience.
- Enhance brand recall & attract new customers.

Risks

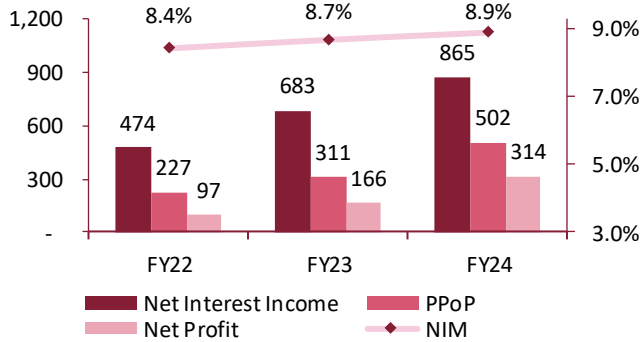
- **Risk from dealer relationship:** 89.1% of the disbursement are sourced through dealer relationships with incentives paid at 0.57% in FY24. Business contribution from Top 5/10 dealers in FY24 is 6.4%/10.8% respectively.
- **Diversification Risk:** New Vehicle Loans form 97.9% of the total AUM. Recently the company has diversified into Used Car Loans, Small Business Loans and Personal Loans.
- **Credit ratings risk:** Downgrade in credit ratings can increase borrowing costs. Care Rating, Acuite, Crisil and India Rating Research have BBB+ (Stable), A-/A (Stable), A+, IND A2 ratings on company's debt instruments.
- **Remuneration risk:** Increase in remuneration demands can affect operations. Attrition rate for permanent/temporary employees is 34%/16% in FY24.
- Any disruption in sources of funding could have an adverse effect on business.
- **Concentrated exposure to states:** Operations are concentrated in 5 states namely Maharashtra/Gujarat/Rajasthan/Chhattisgarh/MP which account for 64.6%/23.2%/6.6%/5.1%/0.6% of the Gross Loan Book in FY24.
- Any deterioration in the performance of any pool of receivables securitized and assigned to banks may adversely impact financial performance. (In FY24, Securitized assets is Rs. 1.6bn and Loans from PTC transactions is 84% of securitized assets)
- Cash collections form 8.8% of the total collections in FY24.
- Increased risk from first time borrowers. 43.2% of the total disbursement is given to New to Credit persons in FY24.

Industry data	FY21	FY24	FY27E	CAGR FY21-24	CAGR FY24-27
2W sales volume (in Mn)	15.1	18.5	23.9	7.0%	8.9%
2W sales value (Rs Bn)	929	1,277	1,864	11.2%	13.4%
2W disbursements (Rs Bn)	360	541	820	14.5%	14.9%
3W sales volume (in Mn)	0.2	0.7	NA	46.7%	NA
3W disbursements (Rs Bn)	35	83	228	33.4%	40.1%
Used Car financing market (Rs Bn)	602	1,004	1,487	18.6%	14.0%
Outstanding MSME credit (Rs Bn)	19,000	35,000	59,000	22.6%	19.0%
Small Business loans (Rs Bn)	7,950	13,110	19,830	18.1%	14.8%
Personal loans outstanding (Rs Bn)	6,707	13,197	NA	25.3%	NA

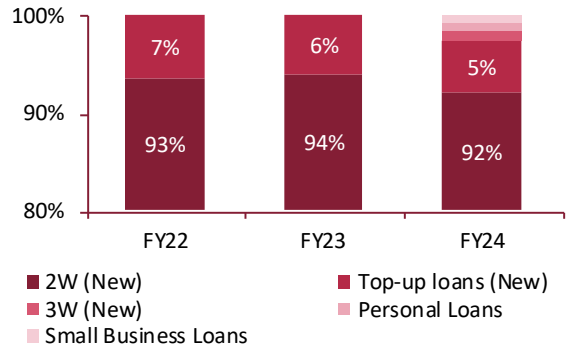
Peer Comparison (Rs Mn)	MAS	ARMANFIN	MANBA	BAIDFIN
AUM	1,07,219	26,390	9,369	3,657
AUM per Branch	567	66	144	81
AUM per Employee	67.4	6.9	8.3	16.3
Disbursement	NA	22,970	6,329	1,790
Net Interest Income	4,304	3,276	865	333
Total Income	6,390	3,961	1,098	433
PPoP	4,303	2,932	502	202
Profit After Tax	2,540	1,736	314	129
NIM (%)	4.9%	11.2%	9.8%	8.7%
Cost to Income (%)	23.0%	38.7%	54.4%	32.6%
Opex (%)	1.7%	4.9%	6.8%	3.7%
Credit Cost (%)	1.10%	1.00%	1.30%	0.60%
GNPA (%)	2.30%	2.90%	4.00%	2.60%
NNPA (%)	1.50%	0.30%	3.20%	0.40%
Capital Adequacy Ratio (%)	24.1%	62.7%	25.2%	45.6%
Avg Yield on Avg AUM (%)	11.2%	25.9%	21.4%	16.9%
Avg Cost of Borrowings (%)	10.0%	16.4%	12.0%	11.2%
Spread (%)	1.3%	9.5%	9.5%	5.7%
Product wise AUM mix (%)	Micro-Enterprise -47% SME - 37% 2W - 7% CV - 5% Salaried Personal - 4%	MFI - 82% MSME -13% 2W - 3% Individual Business -2%	2W - 92% Top up - 5% Personal - 1% Small Business - 1% Used Vehicle & 3W-1%	MSME & Mortgage-88% Vehicle -12%

Valuation	MAS	ARMANFIN	MANBA	BAIDFIN
Price (Rs)	299	1,792	120	15
Mcap (Rs Mn)	54,200	18,773	6,029	1,852
BVPS (Rs)	98.2	775.6	70.0	13.9
P/B (x)	3.0x	2.3x	1.7x	1.1x
RoA (%)	2.7%	6.6%	2.8%	3.0%
RoE (%)	14.2%	21.4%	8.9%	7.7%

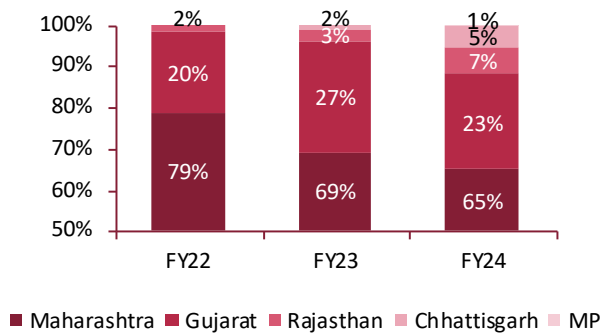
NII, PPOp, Net Income (Rs. Mn) & NIMs (%)



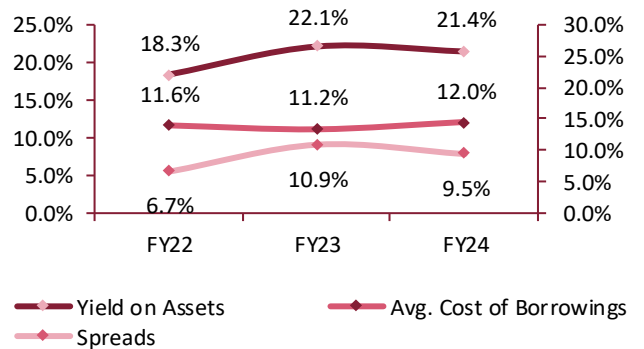
AUM break-up by product mix (%)



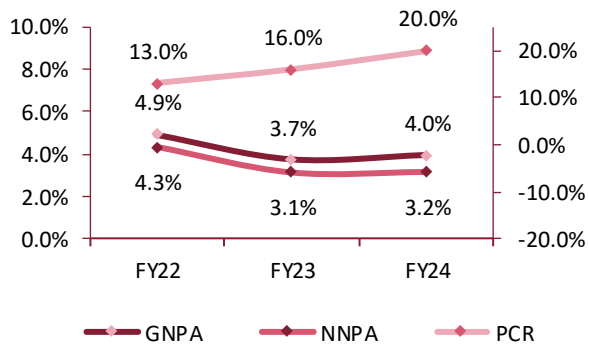
State-wise Gross Loan Book (%)



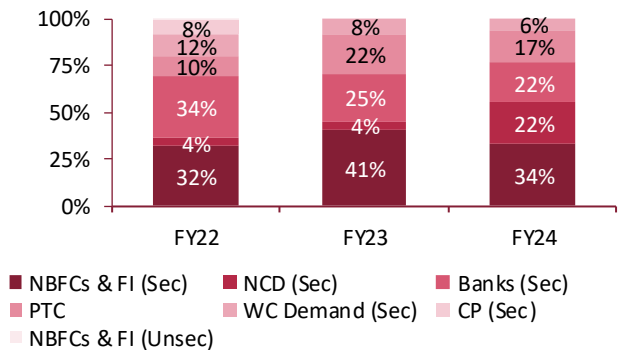
Yields, Cost & Spreads (%)



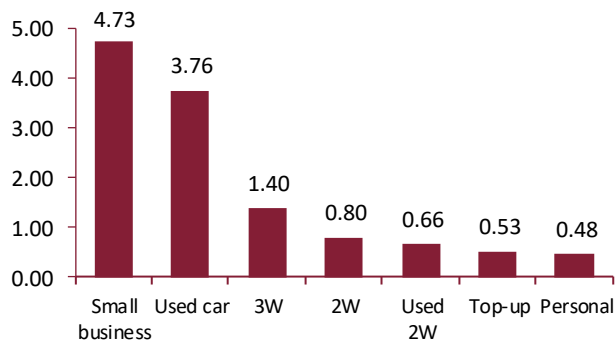
Asset Quality (%)



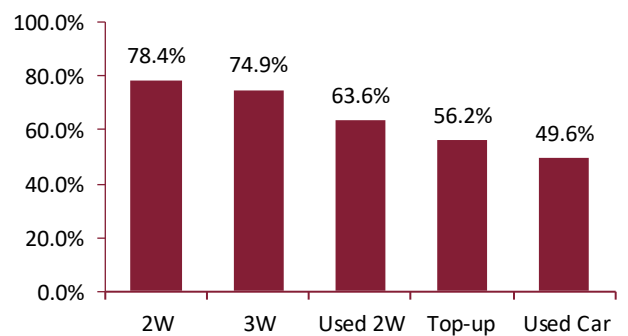
Borrowing Profile Mix (%)



FY24 Product wise Average ticket size (Rs.)



FY24 Product wise Loan-to-value (%)



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

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