

Recommendation	Subscribe	
Price Band	Rs 114 – 120	
Bidding Date	23 rd Sep to 25 th Sep 2024	
Book Running Lead Manager	Hem Securities	
Registrar	Link Intime	
Sector	NBFC	
Min Retail Application- Detail At Cut off Price		
Number of Shares	125 Shares	
Minimum Application Money	Rs. 15,000	
Payment Mode	ASBA	
Consolidated Financials	FY23	FY24
Total Income	77	110
Profit Before Provisioning	31	50
Adj PAT	15	30
Valuations (FY 2024)	Upper Band	
Mkt Cap (Diluted, Rs Cr)	603 Cr	
Adj EPS (post issue)	6.3	
P/E (post issue)	19.2	
BVPS (post issue)	70	
P/B (post issue)	1.7	
Post Issue Shareholding Pattern		
Promoters	75%	
Public	25%	
Offer structure for different categories		
QIB (Including MF)	50%	
Non-Institutional	15%	
Retail	35%	
Post Issue Equity (Rs. in Cr)	50.2 Cr	
Issue Size (Rs in Cr)	151 Cr	
Face Value (Rs)	10	

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BACKGROUND

Manba Finance is a Mumbai based NBFC with a focus on new two wheeler (2W), three wheeler (3W), electric two wheeler (EV2Ws), electric three wheeler (EV3Ws), Used Cars, Small Business Loans and Personal Loans with an AUM size of ₹ 937 Cr as on March 31, 2024. About 87% of the loan portfolio comprises of 2W with presence across 1,100 dealers. Manba intends to deliver robust growth by expanding into new states and also focus on leveraging its existing network to further penetrate the market with its newer products like used cars, SBL and PL.

Details of the Issue:

The public issue consists of Fresh Issue aggregating up to Rs 151 Cr.

Investment Rationale:

- Extensive collections infrastructure and processes leading to maintenance of asset quality
- Good scope for increasing penetration in existing markets and diversifying into new markets
- Diversifying into Used Car, Small Business Loans and Personal Loans
- Established relationships with the dealers
- Higher share of New To Credit customers results in lesser competition

Valuation and Recommendation

Being a NBFC focused on the 2W segment, Manba has managed to deliver strong performance despite a weak rural recovery post covid. Manba witnessed its GNPA peak out in FY22 at 4.9% which is much lower compared to other vehicle financiers. Further on the back of a low base and expansion in new geographies, Manba has been able to grow its AUM at 37% CAGR over FY22-24 and has generated ROA/ROE of 2.3%/10.1% which is in line with other listed vehicle financiers, while its valuation appears attractive at FY24 P/B of 1.7x (post issue). Thus we recommend subscribing to the issue.

Financials (Rs. Cr)	FY22	FY23	FY24
Total Income	60	77	110
Growth		28%	43%
Pre Prov Profit	23	31	50
Growth		37%	61%
PAT	10	15	30
Growth		51%	107%
EPS	1.9	3.3	6.3
ROA (Pre IPO)	1.7%	2.5%	2.3% #
ROE (Pre IPO)	6.4%	9.8%	10.1% #
P/B (Post IPO)	-	-	1.7x

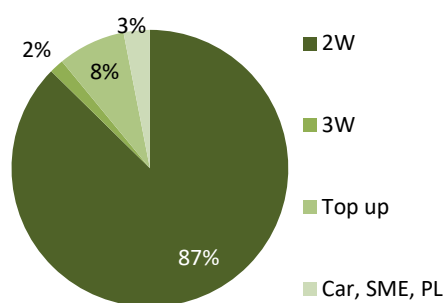
Source: Company data, NBRR

There is one off income from ARC of 11.25 Cr so we exclude that to get the real return ratios

Company Background

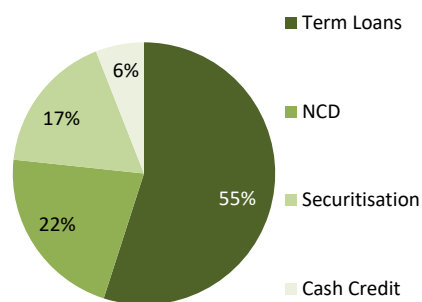
Manba Finance is a Mumbai based NBFC with a focus on new two wheeler (2Ws), three wheeler (3Ws), electric two wheeler (EV2Ws), electric three wheeler (EV3Ws), Used Cars, Small Business Loans and Personal Loans with an AUM size of ₹ 937 Cr as on March 31, 2024. About 98% of the loan portfolio comprises of New Vehicle Loans with an average ticket size (ATS) of around ₹ 80,000 for two-wheeler loans and an average ticket size (ATS) of around ₹ 1,40,000 for three-wheeler loans. Manba provides financial solutions to target customers who are looking for a quick turnaround time (TAT) for loan sanction and disbursement.

AUM Mix (FY24)



Source: RHP

Borrowing Mix (FY24)



Source: RHP

Manba commenced its business in 1998 and scaled up its operations from 2009 by way of growth in number of branches and locations across states. Manba operates out of 66 Locations connected to 29 branches across six (6) states in western, central and north India. Manba has established relationships with more than 1,100 Dealers, including more than 190 EV Dealers, across Maharashtra, Gujarat, Rajasthan, Chhattisgarh, Madhya Pradesh and Uttar Pradesh. Manba has recently expanded its loan portfolio to Used Car Loans, Small Business Loans and Personal Loans and it intends to leverage its existing network to further penetrate the market with its new products.

Name of the State	Number of Dealers
Maharashtra	502
Gujarat	248
Rajasthan	160
Chhattisgarh	138
Madhya Pradesh	49
Uttar Pradesh	7
Total	1,104

Source: RHP

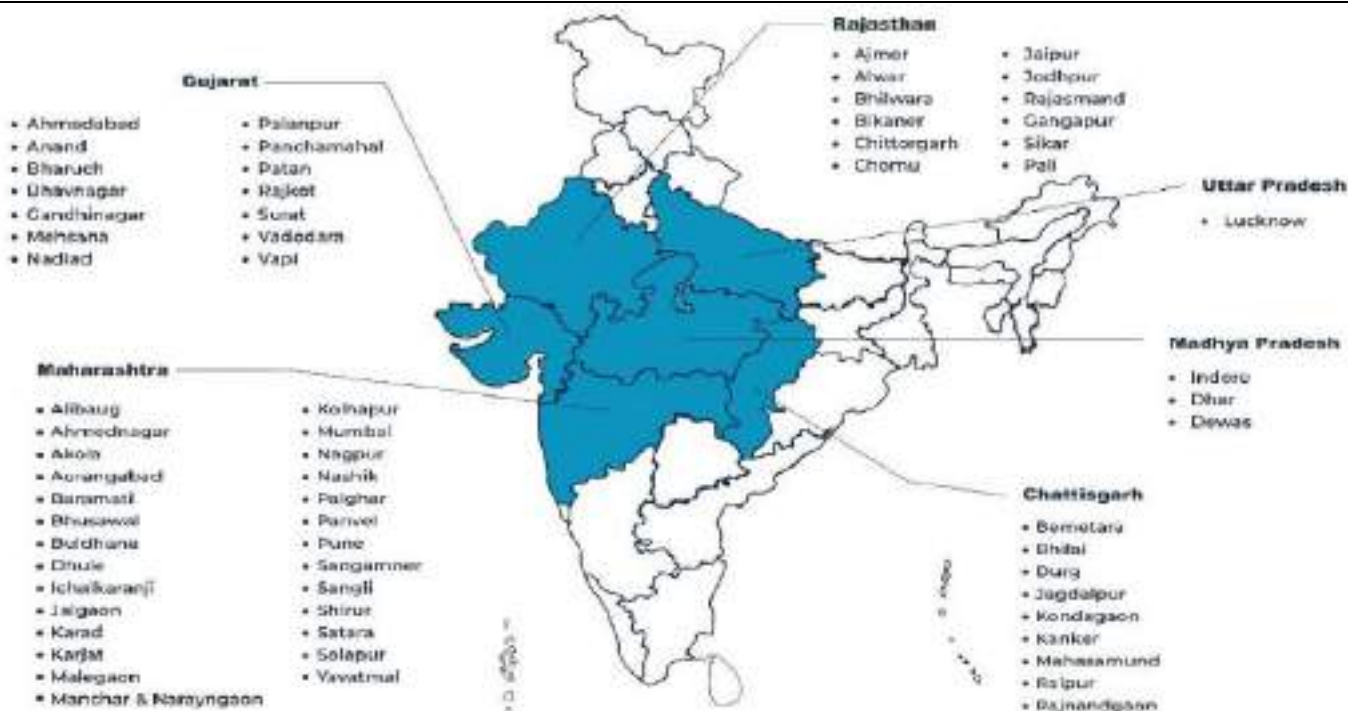
Investment Rationale

Good scope for increasing penetration in existing markets and diversifying into new markets

Manba scaled up its operations from 2009 with vehicle financing and presently operates out of 66 Locations across six (6) states, Maharashtra, Gujarat, Rajasthan, Chhattisgarh, Madhya Pradesh and Uttar Pradesh. Manba intends to further penetrate its existing markets by not only offering 2Ws/3Ws/EV2Ws/EV3Ws loans but also diversify its loan portfolio to new products such as Used Car Loans, Small Business Loans and Personal Loans to customers.

Manba launched its new product offerings in Gujarat in the year 2018. It entered Rajasthan in the year 2020 and then expanded to Chhattisgarh in the year 2022. Manba has recently launched its operations in Madhya Pradesh and Uttar Pradesh. Manba identified Madhya Pradesh and Uttar Pradesh for expansion considering the size of the market in these states as well as the geographical vicinity to its existing markets and operations.

Geographical Spread: Maharashtra, Gujarat and Rajasthan together constitute 82% of Manba’s dealers



Source: RHP

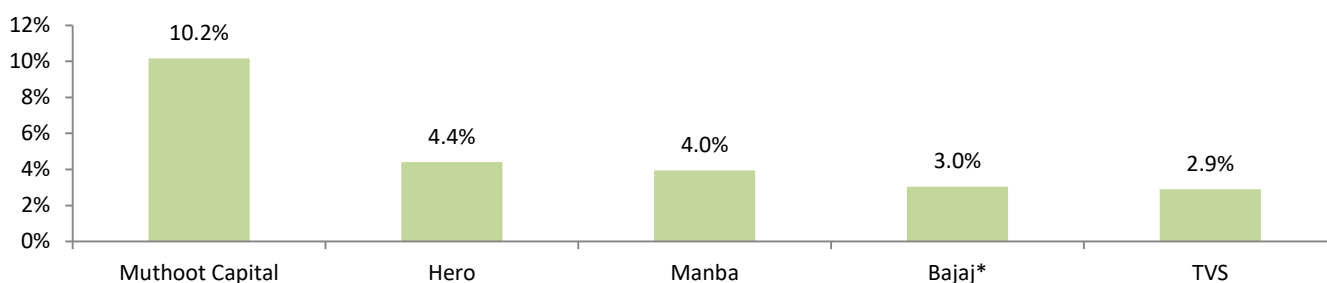
Diversifying into Used Car Loans, Small Business Loans and Personal Loans

Manba intends to offer Used Car Loans with a ticket size of ₹ 2.00 Lakh to ₹ 6.00 lakhs. It intends to offer this product to its aspirational 2Ws/EV2Ws vehicle finance customers who desire to upgrade or add a car to their existing vehicle with this loan. Manba has also started offering Small Business Loans in Maharashtra under its product MANBA Vyaapaar loans. It intend to offer Small Business Loans having a ticket size of ₹ 0.75 lakhs to ₹ 10.00 lakhs and Personal Loans upto ₹ 1.00 lakh. It is first offering these products to its existing vehicle finance customers.

Extensive collections infrastructure and processes leading to maintenance of asset quality

Manba has focused on creating an extensive on-ground collections infrastructure to ensure that it maintains an appropriate asset quality. More than 80% of its monthly collection are received through NACH on the scheduled EMI date. It has an in-house collections team of 446 personnel, responsible for detecting likely default early, thereby keeping a check on low Gross NPA. It has a three-tier collections infrastructure, comprising of (i) tele-calling; (ii) field collection; and (iii) legal recovery in order to optimize collections and minimize NPAs. Additionally, it deploys external collection agencies to assist its in-house collections team in the collection or recovery of outstanding dues from customers. Manba's asset quality reflects its superior underwriting skills compared to various industry players focussed on the 2W space.

GNPA comparison of 2/3W NBFCs



Source: NBRR

* Bajaj GNPA represents only the 2/3W segment

Established relationships with the dealers

Manba commenced its business in 1998 as a NBFC from Mumbai, Maharashtra and scaled up operations from 2009 with vehicle financing. Manba has established strong relationships with more than 1,100 Dealers, including more than 190 EV Dealers, across Maharashtra, Gujarat, Rajasthan, Chhattisgarh, Madhya Pradesh and Uttar Pradesh, where its employees are present at the dealer's premises to attend to the prospective customer who comes for the purchase of a 2Ws/3Ws/2EVWs/3EVWs. Its dealer network acts as a point of sale as per its business model. The dealer is therefore a critical source for the company as he generates the lead on the funding requirements of the customer. Its strong relationship with the dealers enables immediate access to the information on the funding requirements of the customer and helps in responding to these requirements by its representatives present at the dealer's premises and inform the customers about the quick TAT in the sanction and disbursement of the vehicle loan.

Dealers prefer to refer and recommend finance companies who have the ability and capacity to turnaround the process from the loan origination to sanction and disbursement in the fastest possible time. To ensure quick processing of the lead generated by the dealer, Manba has equipped its representatives with mobile phones and tablets which are connected to its systems at its Corporate Office through software for a quick turnaround of the loan processing once basic KYC details are provided by the customer. To become the preferred finance company of the dealer, Manba provides support in the form of customer specific schemes, dealer incentives & trade advances and other marketing & branding support to enable increased sales by the dealer.

Higher share of New To Credit customers results in lesser competitive intensity

Around 43% of Manba's disbursements during FY24 were to customers who are first-time borrowers from the formal secured lending ecosystem. The figure has been consistently maintained above 40% in last few years. Although such customers are perceived to be riskier, Manba has demonstrated robust underwriting skills and has been able to maintain decent asset quality. Thus, targeting this segment has benefitted Manba in terms of lower competition and higher yields.

Concerns

High dependence on 2W which is one of the most risky segments within secured products: Almost 87% of Manba's AUM is derived from 2W financing. In case of a prolonged downturn in the industry, Manba's growth prospects could get impacted. Also, during an economic slowdown, cash flows of middle to low income borrowers, especially self-employed borrowers (58% mix in case of Manba) gets impacted severely, leading to an increase in NPAs.

Excessive concentration in a few states: Maharashtra and Gujarat constitute 65% and 23% of the total AUM. Any natural calamity like drought, floods, earthquakes could disrupt the normal functioning of these states.

Valuation and Recommendation

Being a NBFC focused on the 2W segment, Manba has managed to deliver strong performance despite a weak rural recovery post covid. Manba witnessed its GNPA peak out in FY22 at 4.9% which is much lower compared to other vehicle financiers. Further on the back of a low base and expansion in new geographies, Manba has been able to grow its AUM at 37% CAGR over FY22-24 and has generated ROA/ROE of 2.3%/10.1% which is in line with other listed vehicle financiers, while its valuation appears attractive at FY24 P/B of 1.7x (post issue). Thus we recommend subscribing to the issue.

Listed Comparable Peers

FY24	Muthoot Capital	Mahindra Finance	Shriram Finance	Manba Finance
Loan Book (Rs Cr)	2,018	1,02,597	2,24,862	937
Loan CAGR FY22-FY24	-2%	26%	18%	37%
2/3W Mix in Loan Book	88%	3%	6%	97%
Auto Mix in Loan Book	89%	93%	81%	98%
Yield	20.1%	13.3%	16.9%	21.4%
COF	9.9%	7.2%	8.6%	12.0%
Spread	10.2%	6.1%	8.3%	9.5%
Cost/Income	59.0%	41.4%	27.4%	60.5%
ROA (pre IPO)	2.3%**	1.7%	3.1%	2.3% #
ROE (pre IPO)	7.1%**	10.0%	15.6%	10.1% #
GNPA	10.2%	3.4%	5.5%	4.0%
NNPA	3.4%	1.3%	2.7%	3.2%
P/BV Trailing (Post IPO)	0.9x	2.2x	2.7x	1.7x

Source: NBRR

** Normalised for one off sale to ARC

There is one off income from ARC of 11.25 Cr so we exclude that to get the real return ratios

Financial

P&L (Rs. Crs)	FY22	FY23	FY24	Bal. Sheet (Rs. Crs)	FY22	FY23	FY24
Interest earned	94	125	168	Equity capital	12.6	12.6	37.7
Interest expended	47	57	82	Reserves & surplus	139	156	163
NII	47	68	86	Net worth	152	168	201
Non interest income	13	8	23	Borrowings	395	608	763
Total income	60	77	110	Other liab and prov	14	11	10
<i>Growth</i>		28%	43%	Total liab and equity	561	787	974
Total Op. expenses	37	46	60	Cash & Bank Balance	50	109	125
<i>Growth</i>		22%	31%	Investments	0	18	27
Staff costs	23	28	38	Net Advances	483	623	783
Other Op Exp	14	18	21	<i>Growth</i>		29%	26%
Profit before prov	23	31	50	Other assets	29	37	39
<i>Growth</i>		37%	61%	Total assets	561	787	974
Provisions	10	8	11	Asset Quality	FY22	FY23	FY24
Share of loss from Associates				GNPA ratio	4.94%	3.74%	3.95%
Profit before tax	12.7	22.8	38.9	NNPA ratio	4.30%	3.14%	3.16%
Taxes	3	6	7	Credit Cost	1.96%	1.47%	1.44%
Net profit	9.7	16.6	31.4	Other Parameters	FY22	FY23	FY24
<i>Growth</i>		70%	89%	Gross Loan Portfolio	496	634	937
Per Share Data	FY22	FY23	FY24	<i>Growth</i>		28%	48%
EPS (Diluted)	1.9	3.3	6.3	Yield on Advances	18.3%	22.1%	21.4%
BVPS	120.8	134.1	53.3	Cost of Borrowings	11.6%	11.2%	12.0%
BVPS (Post IPO)	-	-	70.0	Spread	6.7%	10.9%	9.5%
				NIM	9.3%	12.3%	11.2%
Valuation Ratios	FY22	FY23	FY24	Tier 1	31.4%	27.0%	25.2%
P/E	61.9	36.4	19.2	Cost / Income Ratio	62.2%	59.5%	54.3%
P/BV	-	-	2.3	ROA (pre IPO)	1.7%	2.5%	2.3% #
P/BV (Post Issue)	-	-	1.7	ROE (pre IPO)	6.4%	9.8%	10.1% #

Source: Company data, NBRR

There is one off income from ARC of 11.25 Cr so we exclude that to get the real return ratios

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