

Manappuram Finance Q1FY21

Financial Results & Highlights

Brief Company Introduction

Manappuram Finance Ltd. is one of India's leading gold loan NBFCs. Today, it has 4208 (Includes branches of subsidiary companies) branches across 28 states/UTs.

Standalone Financials (In Crs)					
	Q1FY21	Q1FY20	YoY %	Q4FY20	QoQ %
Sales	1226	951	28.92%	1191	2.94%
PBT	495	335	47.76%	461	7.38%
PAT	369	220	67.73%	340	8.53%
Consolidated Financials (In Crs)					
	Q1FY21	Q1FY20	YoY %	Q4FY20	QoQ %
Sales	1516	1201	26.23%	1618	-6.30%
PBT	492	407	20.88%	534	-7.87%
PAT	368	267	37.83%	398	-7.54%

Detailed Results:

1. The company had a good quarter with consolidated revenues rising 26% YoY and consolidated PAT rising 38% YoY.
2. RoA for the quarter came in at 4.8% while consolidated RoE came in at 25%.
3. Total AUM grew 25.6% YoY to Rs 25345.8 Cr while gold AUM grew 33.4% YoY, highlighting excellent growth in AUM from all businesses.
4. The company has a borrowing cost of 9.4% in the quarter. The cash and undrawn bank lines of the company were at Rs 6025 Cr as of Q1.
5. The share of new businesses in revenues was at 30% in Q1.
6. The book value per share was at Rs 71 at the end of Q1.
7. The company also raised fresh borrowing of Rs 1900 Cr through NCDs, CPs, and bank loans.
8. In the gold loan business, the Opex to AUM has fallen to 5.4% from 6.8% in the last quarter while security costs have gone down 72.8% YoY.
9. Gold AUM per branch rose significantly to Rs 5.03 Cr per branch vs Rs 4.38 Cr per branch a year ago.
10. The standalone business has GNPA and NNPA of 1.3% and 0.7% respectively while maintaining a CAR of 22.9%.

11. The online gold loan's share of total gold AUM has gone up to 63% in Q1.
12. In Asirvad MFI, AUM grew 20% YoY but declined 8.4% QoQ while RoE has crashed for the subsidiary to 0.2% in Q1.
13. The GNPA's for Asirvad has risen to 2.1% in Q1 vs 1.56% in Q4FY20. The NNPA is still due to the company's good provisioning. Asirvad maintained a CAR of 26.9%. The cost of funds for Asirvad was at 11.1% in Q1. Provision of Rs 75 Cr added in Q1 bringing the total provision for COVID-19 up to Rs 130 Cr.
14. Asirvad now boasts of 1041 branches and a customer base of 2.3 million.
15. The Housing and Vehicle finance divisions have shown AUM growth of 15.8% and 3.5% YoY respectively.

Investor Conference Call Highlights

1. The company's gold loan portfolio which accounts for nearly 70% of the total portfolio, has a tenure of fewer than 3 months while all of the company's borrowings are long term in nature. This provides a natural hedge against short-term liquidity mismatches.
2. Growth in gold AUM was driven by a 1% YoY increase in gold holdings and rising gold prices.
3. Online gold loan customers and digital payments were up by 1.2x QoQ in Q1.
4. Average LTV is at 57% vs the RBI limit of 75%.
5. Cash and cash equivalents on a consolidated basis for the company were at Rs 5006 at the end of June. The average duration of liabilities has increased to 452 vs 260 days a year ago. CP exposure has come down to 9% vs 23% last year.
6. There was no moratorium on the gold loan book. Around 26% of non-gold businesses were under moratorium in the stand-alone entity.
7. The majority of MFI customers opted from moratorium in phase 1. Collection efficiency from MFI business was at 55% in June and it is expected to be at 70% in July.
8. 37% of customers opted for a moratorium in phase 1 in the vehicle finance business.
9. In Loan to NBFCs, the portfolio got reduced by 15.5% QoQ.
10. The management believes that collections in Asirvad will return to normal after the moratorium ends.
11. Around 25-30% of customers are still under moratorium at the end of July.
12. The accrued interest in Q1 was at Rs 492 which is 2.7% of AUM.
13. The management believes that the current provisioning is adequate enough to account for aggressive scenarios.
14. GNPA in Vehicle finance is at 10% and for housing finance, it is at 5%. NNPA for the vehicle & housing finance divisions are at 4% and 3.9% respectively.
15. Gold tonnage for Q1 was down by 4.3%. This is because as gold prices have gone up, people use less gold to borrow the same amount rather than use the same amount of gold to borrow more.
16. Overall demand seems to be down by 25%. Around 10% of branches are operating partially.
17. The company made no disbursements in Asirvad in Q1. It started to lend in MFI in July with disbursements of Rs 70-75 Cr in the month. The company is keeping a cautious stance of lending only to customers who have completed at least one cycle.
18. Around 6-7 lacs of customers have not paid in the past 4 months during the moratorium.

19. The management expects normalcy to come back by the start of Q3.
20. The company is still unable to make any collections in 26,000 of its collection centers out of the 2 lac centers.
21. In vehicle finance, the management expects the collection to be at 85% in July with at least 4-5 months to get normalcy back.
22. The management expects a medium to long term CAGR to stay at 20% for the consolidated portfolio. It expects growth in FY21 to be at 10-12% mainly from the gold book.
23. Gold loan is expected to stay at 78-80% of total AUM at the end of FY21. The unsecured MFI portfolio is not expected to grow more than 1% in FY21.
24. In vehicle finance, the company does not have any customers who are currently under moratorium. This is because of a conscious effort on part of the company to convince customers to pay up the EMIs.
25. Overall moratorium book is at 32.83% of the total book.
26. The major contributor to the reduction in OPEX in Q1 was from a waiver of rent in many cases for the company.
27. The management expects that there is no additional manpower requirement at the gold loan branches. Employee costs are expected to come down to 6% by the end of FY21.
28. The management expects slowness in demand for the gold loan as the major reasons for short term gold loans like the requirement for education during the academic seasons, use in festivals, etc are coming down due to COVID-19.
29. Total disbursement for the MFI industry in June was at Rs 100 Cr.
30. Unlike some of the competition for Asirvad, the company is not looking to add additional loans to existing customers like emergency loans and top-up loans more for adjusting the interest, moratorium interest, and the EMIs.

Analyst's View

Manappuram Finance has long been one of the most consistent players in the NBFC sector in India. The company has cemented its position as one of India's gold loan providers in India by growing its core business consistently. The company's current quarter performance has been decent with >20% YoY overall AUM growth despite QoQ decline in Asirvad AUM. The company has also seen good traction in the online gold loan which growing even faster in current times of COVID-19 disruption and is now accounting for 63% of all loans. This brings a significant opportunity for the company to improve its operating model and reduce manpower and physical costs. The company has stayed cautious with Asirvad and has not disbursed any amount in Q1. It remains to be seen how the company's collections will be affected once the moratorium ends and collection for disbursements in FY21 starts and how will things pan out for Asirvad and the MFI industry. Nonetheless, given the company's resilient customer base and gold loan AUM along with the rising star among MFIs in India Asirvad Microfinance, Manappuram Finance seems like a pivotal finance stock to watch out for.



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