

Manappuram Finance Q2FY21

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)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	1294	1077	20.15%	1226	5.55%	2520	2028	24.26%
PBT	544	428	27.10%	495	9.90%	1039	763	36.17%
PAT	406	336	20.83%	369	10.03%	775	556	39.39%
Consolidated Financials (In Crs)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	1578	1390	13.53%	1516	4.09%	3094	2591	19.41%
PBT	544	548	-0.73%	492	10.57%	1037	955	8.59%
PAT	405	433	-6.47%	368	10.05%	773	700	10.43%

Detailed Results:

1. The company had a mixed quarter with consolidated revenues rising 13.5% YoY and consolidated PAT falling 6.5% YoY.
2. Standalone numbers were very good with revenue & profit growth of 20% YoY in Q2 and 24% & 39% YoY respectively in H1.
3. RoA for the quarter came in at 5.1% while consolidated RoE came in at 26%.
4. Total AUM grew 18.6% YoY to Rs 26903 Cr while gold AUM grew 30.1% YoY, highlighting excellent growth in standalone business.
5. The company has a borrowing cost of 9.13% in the quarter. The cash and undrawn bank lines of the company were at Rs 5440 Cr as of Q2.
6. The share of new businesses in revenues was at 26.6% in Q2.
7. The book value per share was at Rs 76.2 at the end of Q2.
8. The company also raised fresh borrowing of Rs 2484 Cr through NCDs, and bank loans.
9. In the gold loan business, the Opex to AUM has risen slightly to 5.5% from 5.4% in the last quarter while security costs have gone down 85.1% YoY.
10. Gold AUM per branch rose significantly to Rs 5.6 Cr per branch vs Rs 4.6 Cr per branch a year ago.

11. The standalone business has GNPA and NNPA of 1.1% and 0.7% respectively while maintaining a CAR of 24.8%.
12. The online gold loan's share of total gold AUM was stable 61% in Q2.
13. In Asirvad MFI, AUM was up 5% YoY & down 1% QoQ while RoE has crashed for the subsidiary to -0.9% in Q2.
14. The GNPA's for Asirvad has risen to 2.53% in Q2 vs 2.1% in Q1. The NNPA is still due to the company's good provisioning. Asirvad maintained a CAR of 25.7%. The cost of funds for Asirvad was at 11% in Q2.
15. Collections are back to 90% with only 9% doing no repayment in Oct.

Investor Conference Call Highlights

1. Commercial Vehicle AUM fell 20% YoY.
2. Gold loan AUM constitutes 73% of consolidated AUM.
3. The gold loans' average ticket size and the average duration were INR 46,499 and 47 days.
4. The weighted average LTV stands at INR 2,869 per gram or 61% of the current gold price.
5. Collection for Asirvad in WB was at 75%. The reason for this lower collection is the uneven state lockdowns in WB which have hampered business activities.
6. Collections in Karnataka have seen a temporary blip and should come back to normal.
7. In Asirvad, the loan breakup is term loans of close to 60%, debentures of 12%, and securitization of 25%.
8. The number of customers in gold loans is at 26 lacs.
9. The yields in the gold loan business have not been affected since the loans are small in size of up to rs 50,000 and of 2 months duration and thus the demand for the instant loan stays stable.
10. The management expects to see at least 10% QoQ growth in Q3 & Q4 for gold loan AUM.
11. The company has added headcount in Asirvad for collection to reduce pressure on the existing personnel and this has resulted in higher employee costs in Q2.
12. The company will not be requiring any additional capital for Asirvad currently.
13. Collection in commercial vehicles has been steadily rising from 59% in July to 81% in Oct.
14. Vehicle Finance provision stands at INR 78 crore.
15. The management shall continue to keep a conservative approach and keep higher provisions than required by regulation.
16. The management has stated that the gap in the collection as compared to pre-covid figures is not due to delinquency but due to delay in payment schedule and lags in collections.

17. The management expects collections to come back to pre-covid levels in Q4.
18. The stagnation in collections from Sep to Oct is mainly on account of the festival period and temporary lockdown coming up in the country.
19. The tonnage has gone down as people can now take bigger loans for smaller amounts of gold due to high gold prices. Once gold prices come down, the situation will reverse.
20. Gold loan growth has been primarily pushed by the Online Gold Loan facility during the pandemic.
21. In Q2, gold loan disbursement was at INR 93,368 crore vs INR 68,390 crore in Q1 & INR 50,250 crore in Q2FY20.
22. Only 5% of loan customers are new and the rest are repeat customers.

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 leading gold loan providers by growing its core business consistently. The company's current quarter performance has been decent with 18% YoY overall AUM growth despite QoQ decline in Asirvad AUM. The company has also seen good traction in the online gold loan which has been the primary driver of the standalone business and now accounts for 61% 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 collections have slowly improved to 90% in Oct. It remains to be seen how the company's collections will be affected in the near future 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 Asirvad Microfinance, Manappuram Finance seems like a pivotal finance stock to watch out for.

If you found this report useful and would like to receive more such investing insights, you can [subscribe to our updates.](#)

Subscribe



Click here to Subscribe
on WhatsApp