

Manappuram Finance Ltd.

Reduce

Sector: NBFC

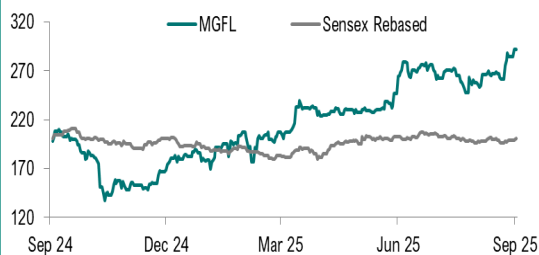
10th September 2025

Key Changes	Target	Rating	Earnings	Target	Rs.260
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	MGFL:IN	81,101	MANAPPURAM	531213	12 Months
				CMP	Rs.291
				Return	-11%

Data as of: 09-09-2025, 18.00 hrs

Company Data			
Market Cap (Rs. cr)	24,729		
52 Week High — Low (Rs.)	297— 138		
Enterprise Value (Rs. cr)	43,128		
Outstanding Shares (cr)	85		
Free Float (%)	64.7		
Dividend Yield (%)	1.0		
6m average volume (cr)	0.8		
Beta	1.1		
Face value (Rs.)	2.0		
Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	35.2	35.2	35.2
FII's	27.0	28.4	29.7
MFs/Institutions	7.9	7.9	8.6
Public	29.9	28.3	26.4
Total	100.0	100.0	100.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	7.9%	40.7%	44.7%
Absolute Sensex	-0.2%	10.4%	-0.5%
Relative Return	8.1%	30.3%	45.2%

*over or under performance to benchmark index



Y.E March (Rs.cr)	FY25A	FY26E	FY27E
NII	6,225	6,073	7,406
Growth (%)	11.2	-2.4	22.0
NIM(%)	15.0	13.4	14.3
Provisions	1963	973	908
PAT Adjusted	1204	1737	2324
Growth (%)	-45.2	44.3	33.7
Adjusted EPS	14.2	18.5	22.5
Growth (%)	-45.22	29.81	21.70
BVPS	147.1	193.5	193.6
Adj BVPS	110.1	166.5	190.6
P/E	13.2	15.8	13.0
P/B	1.3	1.5	1.5
Adj. P/B	1.7	1.8	1.5
ROE(%)	10.0	11.4	12.2

Author: Gopika Gopan, Research Analyst

Yield Pressure Continues, Recovery Gradual

Manappuram Finance Ltd. (MGFL) is one of the leading gold loan NBFCs in India. MGFL has also diversified into other business segments like housing loans, vehicle loans and microfinance, with a branch network size of around 5,000 spread across the country.

- Net Interest Income fell 10% YoY to Rs. 1,380cr in Q1FY26, primarily impacted by a portfolio shift towards lower-yield secured lending and a reduction in high-yield non-gold AUM.
- Gold Loan AUM rose 21.8% YoY to Rs. 28,020cr. Management aims to gradually raise the share of gold loans to 75% of total AUM from the current 65%.
- In Q1, gold loan yields declined to 20.7% (22.2% in Q4), reflecting the company's increased focus on high-ticket borrowers. Management expects yields to progressively settle near 18% over the next 4–6 quarters.
- MFI AUM contracted 45% YoY to Rs. 6,705 cr. The company intends to limit microfinance to 10% of consolidated AUM, aligning with its strategic pivot toward secured lending.
- Consolidated PAT rose to Rs. 132cr in Q1FY26 from a loss of Rs. 203.2cr in Q4FY25, though it remains 76% lower YoY, reflecting persistent stress in the microfinance segment.

Outlook & Valuation

We expect yield compression to persist in the medium term as the company pivots toward secured lending to enhance competitiveness and attract high-value clients. Asset quality in the gold loan segment remains stable, supported by strong gold prices. However, risks in the non-gold portfolio—particularly MFI, MSME, and vehicle finance—remain elevated. Near-term credit cost pressures are likely to continue, though improved employee incentives may support recoveries and offset provisioning risks. As the company navigates its stabilization phase, improvements are expected to unfold gradually. **Given the recent price hike and stretched valuations, we revise our rating to Reduce, with a target price of Rs. 260, based on 1.3x FY27E BVPS.**

Quarterly Financials Consol.

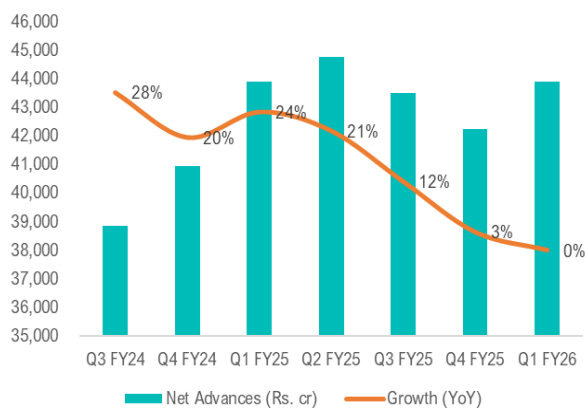
Rs.cr	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Interest Income(NII)	1,380	1,538	-10.2	2,339	-41.0
Total Income	1,410	1,664	-15.3	1,468	-4.0
Expenditure	749	682	9.7	785	-4.6
Pre-Provision Profit	661	981	-32.7	683	-3.3
Provision	559	229	144.7	919	-39.1
PBT	102	753	-86.5	-236	143.0
Reported PAT	132	557	-76.2	-203	165.2
Adjusted PAT	132	557	-76.2	-203	165.2
Diluted EPS(Rs)	1.6	6.6	-76.2	-2.4	165.2



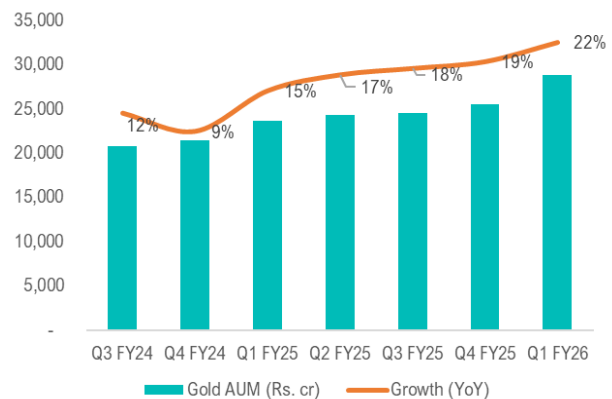
Key concall highlights

- Management reiterated its target to increase gold loan share to 75% of AUM and reduce microfinance exposure to below 10% by FY26-end.
- High-ticket gold loans (₹5 lakh+) rose to 19.1% of the portfolio (vs. 15% in Q4). The target is to reach 25–30% in line with peers.
- Bain Capital's 18% stake acquisition (9% equity + 9% warrants) is progressing; CCI approval is in place, with NSE/BSE and RBI approvals expected shortly.
- Co-lending partnerships are being explored, especially via Asirvad's 1,600-branch network, to expand gold loan reach and leverage relaxed qualifying asset norms.
- Microfinance credit costs halved QoQ; a further 30% reduction is expected in coming quarters. Profitability in Asirvad is expected to return by Q4 FY26.
- Branch expansion is currently on hold pending RBI approval; management expects clearance post-Bain transaction and noted that draft RBI guidelines may remove the need for prior approval in the future.

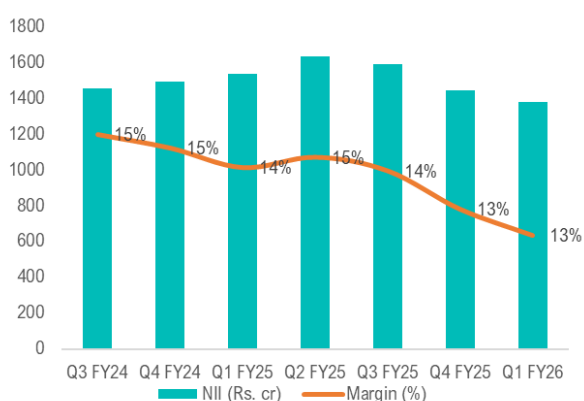
Net Advances



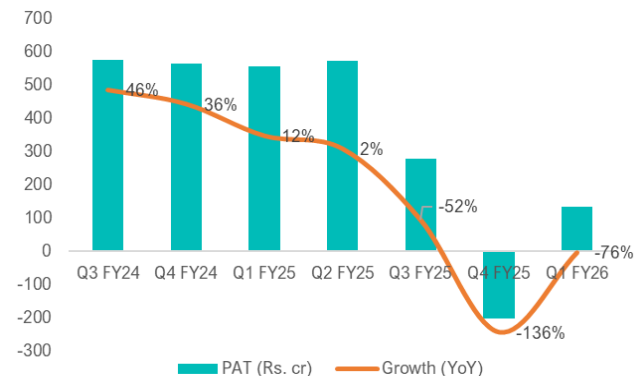
Gold AUM



Net Interest Income



PAT



Change in Estimates

Year / Rs cr.	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income (NII)	6,532	7,412	5,919	7,059	-9.4	-4.8
Net Interest Margin (%)	14.8	15.1	13.4	14.3	-144bps	-81bps
Pre-Provision Profit	3,642	4,269	3,093	3,844	-15.1	-10.0
Adj. PAT	1,945	2,488	1,603	2,204	-17.6	-11.4
Diluted EPS (Rs)	20.7	24.1	17.1	21.4	-17.6	-11.4



Consolidated Financials

Profit & Loss

Y.E March (Rs.cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	6,440	8,465	9,800	9,860	11,613
Interest Expense	2,188	2,866	3,575	3,788	4,207
Net Int. Income	4,253	5,599	6,225	6,073	7,406
% Change	11.1	31.7	11.2	-2.4	22.0
Non Int. Income	310	455	275	286	325
Operating Income	4,562	6,054	6,500	6,359	7,731
% Change	10.9	32.7	7.4	-2.2	21.6
Operating Exp.	2,214	2,517	2,872	3,038	3,683
Pre Prov. Profit	2,348	3,538	3,628	3,320	4,048
Prov. & Conting.	307	578	1,963	973	908
PBT	2,041	2,959	1,666	2,348	3,140
% Change	14.4	45.0	-43.7	41.0	33.7
Tax	541	762	462	610	816
Tax Rate	26.5	25.7	27.7	26.0	26.0
Reported PAT	1,500	2,197	1,204	1,737	2,324
Adj*	0	0	0	0	0
Adj. PAT	1,500	2,197	1,204	1,737	2,324
% Change	12.9	46.5	-45.2	44.3	33.7
No. of shares (cr)	84	84	84	94	103
EPS (Rs)	17.8	26.0	14.2	18.5	22.5
% Change	12.9	46.5	-45.2	29.8	21.7

Balance Sheet

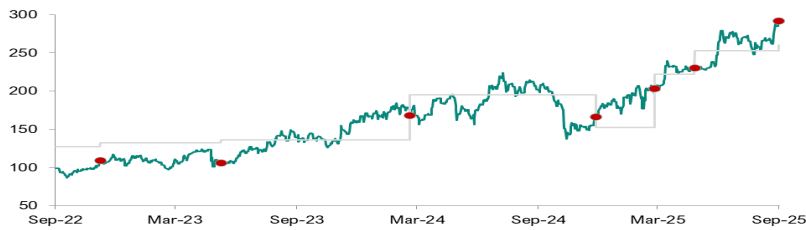
Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	2,500	2,550	1,620	2,259	2,331
Loans & Advances	34,195	40,948	42,252	48,626	55,058
Investments	534	726	788	968	1,096
Gross Fixed Assets	794	892	1,052	1,240	1,495
Net Fixed Assets	432	440	506	571	676
Other Assets	1,843	2,084	4,039	4,914	5,164
Total Assets	39,504	46,748	49,205	57,338	64,325
Deposits	0	0	0	0	0
Borrowings	28,483	33,653	35,404	37,710	42,698
Other Liabilities	1,376	1,546	1,368	1,449	1,641
Equity Capital	169	169	169	188	206
Reserves & Surplus	9,476	11,379	12,263	17,991	19,780
Shareholder's Funds	9,645	11,548	12,432	18,179	19,986
Total Liabilities	39,504	46,748	49,205	57,338	64,325
BVPS (Rs)	114	137	147	194	194
% Change	15.3	19.7	7.7	31.5	0.0
Adj. BVPS (Rs)	90	106	110	166	191
% Change	-4.3	18.2	3.9	51.2	14.5

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitability & Return					
Interest yield (%)	20.4	22.5	23.6	21.7	22.4
Cost of funds (%)	8.3	9.2	10.4	10.4	10.5
Spread(%)	12.1	13.3	13.2	11.3	11.9
NIM (%)	13.5	14.9	15.0	13.4	14.3
ROE (%)	16.7	20.7	10.0	11.4	12.2
ROA(%)	4.1	5.1	2.5	3.3	3.8
Business Growth					
Gold Loan AUM (%)	-2.1	8.9	19.0	29.0	15.0
Total AUM (%)	17.2	18.7	2.3	15.3	13.2
Operating Ratios					
Cost to Income (%)	48.5	41.6	44.2	47.8	47.6
Cost to AUM (%)	6.2	6.0	6.7	6.1	6.6
Asset Quality					
GNPA (%)	1.8	2.5	4.2	3.4	2.0
NNPA (%)	0.7	1.0	1.7	1.4	1.4
Capital Adequacy					
CAR (%)	31.7	30.6	30.6	36.6	35.6
Valuation					
P/E (x)	9.7	7.2	13.2	15.8	13.0
P/B (x)	1.5	1.4	1.3	1.5	1.5
Adj. P/B (x)	1.9	1.8	1.7	1.8	1.5



Recommendation Summary (last 3 years)



Dates	Rating	Target
18.May.23	Buy	136
01.Mar.24	Buy	215
06.Dec.24	Sell	152
05.Mar.25	Accumulate	222
04.Jun.25	Hold	253
10.Sep.25	Reduce	260

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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Geojit Investments Ltd. Registered Office: 7th Floor 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website : www.geojit.com/GIL . For investor queries: customer-care@geojit.com

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