MANBA FINANCE LIMITED

September 20, 2024

SMC Ranking

★ ★ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	NBFC
Fresh Issue (Shares)	1,25,70,000
Net Offer to the Public	1,25,70,000
Issue Size (Rs. Cr.)	143-151
Price Band (Rs.)	114-120
Offer Date	23-Sep-24
Close Date	25-Sep-24
Face Value	10
Lot Size	125

Issue Composition

	In shares
Total Issue for Sale	1,25,70,000
QIB	62,85,000
NIB	18,85,500
Retail	43,99,500

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	100.00%	74.98%
QIB	0.00%	12.51%
NIB	0.00%	3.75%
Retail	0.00%	8.76%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The Company proposes to utilize the Net Proceeds towards augmenting the capital base to meet the Company's future capital requirements.

Book Running Lead Manager

- ICICI Securities Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Established in 1998, Manba Finance Limited is a non-banking finance company (NBFC-BL) offering financial solutions for new two-wheelers (2Ws), three-wheelers (3Ws), electric two-wheelers (EV2Ws), electric three-wheelers (EV3Ws), used cars, small business loans and personal loans. The company's target customers are mainly (i) employees and (ii) the self-employed. The Company tailors its offerings to each of these customer categories and creates customized programs. The Company typically finances up to 85% of the purchase price (on-road price) of the vehicle the customer wishes to purchase and prefers the customer to contribute the balance. The company has branches in urban, semi-urban and metropolitan cities and towns serving the surrounding rural areas. The company has established relationships with more than 1,100 dealers, including more than 190 EV dealers in Maharashtra, Gujarat, Rajasthan, Chhattisgarh, Madhya Pradesh and Uttar Pradesh.

Strength

Established Relationships with Dealers: Manba Finance has cultivated strong partnerships with over 1,100 dealers, including 190 dedicated to electric vehicles, across six states in India. The company maintains a physical presence at dealer premises to assist potential customers in purchasing 2-wheelers, 3-wheelers, electric two-wheelers, and electric three-wheelers. Dealers serve as crucial sales channels for Manba Finance. Recognizing the importance of dealer relationships in the vehicle financing landscape, Manba Finance offers tailored incentives, organizes conferences, and fosters open communication to strengthen existing bonds and forge new partnerships.

Expansion into New Geographies: Since its inception in 2009, Manba Finance has expanded its operations from Maharashtra to six states in western, central, and northern India. Before entering a new market, the company conducts thorough market research to assess factors such as population demographics, financial literacy, banking accessibility, competition, dealer networks, demand for specific OEM products, and existing financial institution partnerships. Manba Finance leverages its dealer network for growth, while its branches follow a hub-and-spoke model for operational efficiency. Branches are established only in markets with significant potential.

Access to Diversified and Cost-Effective Funding: Manba Finance secures funding from various sources, including public and private sector banks, small finance banks, other financial institutions, and the issuance of privately placed listed and unlisted NCDs. The company has cultivated long-

term relationships with these lenders to meet its capital requirements. Manba Finance utilizes diverse financial instruments to achieve cost-effective borrowing and optimize financial management. In 2024, 2023, and 2022, Manba Finance's total borrowings were Rs. 752.27 crore, Rs.595.93 crore and Rs.394.40 crore, respectively. The average cost of borrowing during these fiscal years was 11.98%, 11.19%, and 11.61%.

Technology-Driven and Scalable Operating Model: Manba Finance has implemented robust systems and processes across sales, risk management, and collections. Many of these systems are developed in-house or licensed from reputable providers, ensuring quality control and reducing turnaround times for loan approvals, sanctions, and disbursements. The company utilizes a cloud-based CRM platform for business operations and has partnerships with credit bureaus and KYC verification providers. Manba Finance employs marketing automation tools, e-NACH and Aadhaar-enabled e-sign for auto-debit, Power BI for data analysis, an in-house LMS for data monitoring, and a LAS for branch-level profitability assessment. Additionally, the company uses IT service management software to support customer service.

Extensive Collections Infrastructure: While Manba Finance's underwriting model ensures suitable customer onboarding, the company has also invested in a comprehensive collections infrastructure to maintain asset quality. Over 80% of monthly collections are received through NACH on the scheduled EMI date. Manba Finance's in-house collections team proactively identifies potential defaults, contributing to low gross NPAs. The company employs a three-tier collections strategy, including telecalling, field collection, and legal recovery, and may also engage external collection agencies as needed. The collections strategy is tailored to different loan stages and payment default scenarios.

Strategy

Expanding Market Presence and Diversification: Manba Finance, established in 1998 as an NBFC in Mumbai, Maharashtra, has grown significantly since 2009, focusing on vehicle financing. Today, it operates in 66 locations across six states: Maharashtra, Gujarat, Rajasthan, Chhattisgarh, Madhya Pradesh, and Uttar Pradesh, catering to salaried and self-employed customers. The company aims to deepen its presence in these markets by continuing to offer loans for two-wheelers (2Ws), three-wheelers (3Ws), electric two-wheelers (EV2Ws), and electric three-wheelers (EV3Ws), while also expanding its portfolio to include new products like Used Car Loans, Small Business Loans, and Personal Loans. Leveraging its years of market knowledge, Manba Finance is well-positioned to penetrate untapped areas in these regions. Since launching new products in Gujarat in 2018, the company has disbursed over Rs. 700 crore by 2024. It entered Rajasthan in 2020, disbursing more than Rs. 120 crore, and expanded to Chhattisgarh in 2022 with over Rs. 45 crore in disbursements. Recently, Manba Finance has also ventured into Madhya Pradesh and Uttar Pradesh, identifying these states as key growth markets due to their demand for vehicle credit and proximity to its existing operations.

Focus on Vehicle Finance and the Growing EV Market: With 97.90% of its total assets under management (AUM) in new vehicle loans, Manba Finance remains

committed to vehicle financing, particularly for 2Ws, 3Ws, and the evolving EV market. The company has established itself as a leading NBFC in this sector, especially as customers increasingly prefer EV2Ws and EV3Ws due to rising fuel prices. The demand for EV3Ws is particularly strong in the commercial segment, where small businesses and private transporters are adopting EV3Ws for local transport to reduce fuel costs and improve margins. Manba Finance has partnered with over 190 EV dealers and offers various incentives to customers purchasing EV2Ws and EV3Ws.

Diversifying into Used Car, Small Business, and Personal Loans: Manba Finance plans to introduce Used Car Loans ranging from Rs. 2.00 lakhs to Rs. 6.00 lakhs, targeting its existing 2W and EV2W customers looking to upgrade to cars. It is also forming partnerships with used car dealers to finance their customers. In addition, the company has recently introduced MANBA Vyaapaar Loans for small businesses in Maharashtra, with loan amounts ranging from Rs. 0.75 lakhs to Rs. 10.00 lakhs, and Personal Loans of up to Rs. 1.00 lakh. These products are initially being offered to existing vehicle finance customers, leveraging the company's knowledge of their creditworthiness and repayment history. Manba Finance has also recruited professionals with extensive experience in MSME lending and personal loans to support these new product lines.

Leveraging Branch Network to Launch New Products: Operating in 66 locations across six states, Manba Finance aims to utilize its extensive branch network to introduce Used Car Loans, Small Business Loans (MANBA Vyaapaar Loans), and Personal Loans. The company believes that expanding its product offerings through its existing branches will accelerate growth. The Small Business Loans, available for amounts ranging from Rs. 0.75 lakhs to Rs. 10.00 lakhs, target MSMEs such as kirana stores, medical stores, and small manufacturers, with loan tenures between 12 and 48 months. Manba Finance launched its Personal Loan product in July 2023, offering up to Rs. 1.00 lakh to salaried and self-employed customers needing quick access to unsecured loans. Additionally, the company funds used cars up to 12 years old, with loan tenures between 12 and 48 months. These new products were initially launched in the Mumbai market in December 2023 and expanded to other areas in Maharashtra and Gujarat in April 2024.

Investing in Technology and Digitization: Technology and digitization are core to Manba Finance's business operations, and the company continues to invest in technological advancements. Manba Finance plans to introduce a web-based app providing business correspondents with dedicated logins, customer acquisition tools, and real-time updates. A customer-facing app will also be launched, allowing users to track their loan accounts, apply for new loans, and submit important documentation, including GPS-tagged photos of their residence or office. The app's integration with the company’s back-end systems will streamline the loan underwriting process and enhance customer service. The company is also working on a WhatsApp-based messaging system that will allow customers to check their loan status, request statements, make payments, and access other loan-related services. For field staff, Manba Finance is introducing Android-based devices with built-in printers for cash collections, complementing its existing GPRS-enabled cash collection devices.

Strengthening Brand Recall to Attract New Customers: In a competitive NBFC market, Manba Finance recognizes the importance of building a strong brand to

attract and retain customers and dealers. The company plans to continue enhancing brand recall through advertising, including hoardings, bus ads, dealer gate panels, and in-store promotions. It also has a customer referral program in place to incentivize existing clients to bring in new customers. Manba Finance spent Rs. 0.34 crore, Rs. 0.68 crore, and Rs. 0.59 crore on marketing and promotions in Fiscals 2024, 2023, and 2022, respectively, accounting for 0.18%, 0.51%, and 0.55% of its operating revenue. To further strengthen its brand, the company plans to engage with customers through events, festivals, and digital media campaigns, which will help broaden its public reach. A strong brand will not only drive customer acquisition but also improve employee recruitment and retention, boosting overall organizational morale.

Risk Factor

- The business and future prospects could get adversely affected if it is not able to maintain relationships with its dealers from whom it derive significant portion of its New Vehicle Loans business.
- New Vehicle Loans constitute 97.90% of its AUM. Lack of diversity in its loan products may affect its growth, prospects and financial condition
- The operations could be adversely affected by strikes or increased remuneration demands by its employees or any other kind of disputes with its employees.
- It has experienced negative cash flows from operating activities in Fiscals 2024 and 2023 and may continue to do so in the future and the same may adversely affect its cash flow requirements, which in turn may adversely affect its ability to operate its business and implement its growth plans, thereby affecting its financial condition.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Baid Finserv Limited	66.02	10.37	0.86	18.76	1.16	13.89	2.00	16.13	193.67
Arman Financial Services Limited	696.37	164.94	157.40	11.35	2.30	775.56	10.00	1786.55	1872.07
MAS Financial Services Limited	1356.53	265.85	14.65	20.20	2.35	125.80	10.00	296.00	5371.02
Manba Finance Limited	191.59	31.42	6.25	19.19	1.72	69.95	10.00	120.00	602.87

***Peer companies financials are TTM based**
****Arkade Developers Limited is based on FY24**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.120, the stock is priced at pre issue P/E of 14.39x on FY24 EPS of Rs.8.34. Post issue, the stock is priced at a P/E of 19.19x on its EPS of Rs.6.25. Looking at the P/B ratio at Rs.120 pre issue, book value of Rs. 53.25 of P/Bvx 2.25x. Post issue, book value of Rs. 69.95 of P/Bvx 1.72x.

Considering the P/E valuation, on the lower end of the price band of Rs.114, the stock is priced at pre issue P/E of 13.67x on FY24 EPS of Rs.8.34. Post issue, the stock is priced at a P/E of 18.23x on its EPS of Rs.6.25. Looking at the P/B ratio at Rs.114 pre issue, book value of Rs. 53.25 of P/Bvx 2.14x. Post issue, book value of Rs. 69.95 of P/Bvx 1.63x

Industry overview

CRISIL MI&A expects domestic two-wheeler sales to record a compound annual growth rate (CAGR) of 8-10% from fiscal 2024 to fiscal 2027 post a robust recovery in

fiscal 2023 and fiscal 2024. Scooters are expected to witness higher penetration in the rural market (scooters have an urban market share of ~65-75%) which will drive growth. The consumer preference shifting towards higher 'cc' scooters (125cc) is also likely to aid demand.

Outlook

Manba Finance Limited is a leading Non-Banking Financial Company-Base Layer (NBFC-BL), offering a diverse range of financial solutions. It specializes in financing new and used two-wheelers (2Ws), three-wheelers (3Ws), electric vehicles (EVs), small businesses, and personal loans. With a robust network of over 1,100 dealers, including more than 190 EV dealers, across multiple states in India, it has a strong market presence. It has recently expanded its loan portfolio to include used car loans, small business loans, and personal loans. Its commitment to customer satisfaction is evident in its tailored financial solutions. It offers customized offers to salaried and self-employed individuals to meet its specific needs. While its business is largely dependent on its dealer network, it is actively working to diversify its revenue streams and reduce its reliance on any single channel. For long-term investors, its strong market position, growing product offerings, and focus on customer satisfaction make it an attractive investment opportunity.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
IPO Open Date	Monday, September 23, 2024
IPO Close Date	Wednesday, September 25, 2024
Basis of Allotment	Thursday, September 26, 2024
Initiation of Refunds	Thursday, September 26, 2024
Credit of Shares to Demat	Friday, September 27, 2024
Listing Date	Monday, September 30, 2024

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Interest Income and other operating income	191.59	133.32	106.59
Interest expanded	81.87	56.62	46.59
Net Interest Income	**109.72**	**76.70**	**60.00**
Other Income	0.05	0.00	0.03
Total Income	**109.76**	**76.70**	**60.03**
Other expenses	66.38	49.47	43.58
PBDT	**43.38**	**27.23**	**16.46**
Depreciation	4.49	4.45	3.79
Restated Profit before tax	**38.89**	**22.79**	**12.66**
Tax	7.47	6.21	2.92
PAT	**31.42**	**16.58**	**9.74**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-24	As on 31-Mar-23	As on 31-Mar-22
Financial Assets			
Cash and cash equivalents	37.34	62.38	31.98
Bank balance other than cash and cash equivalents	87.58	46.25	18.06
Loans	783.05	623.32	482.67
Investments	26.67	18.36	0.08
Other financial assets	12.19	9.33	10.80
Total Financial Assets	**946.84**	**759.63**	**543.60**
Non- financial Assets			
Current tax assets (net)	1.15	0.00	0.20
Deferred tax assets (net)	0.70	1.47	2.02
Property, plant and equipment	9.48	9.70	11.32
Other intangiable assets	0.83	0.80	0.54
Right of use of assets	9.45	11.18	0.93
Other non-financial assets	5.31	4.47	2.86
Total Non- financial Assets	**26.92**	**27.62**	**17.86**
Total Assets	**973.75**	**787.25**	**561.46**
Financial Liabilities			
Trades Payable - MSME	0.11	0.00	0.00
Trades Payable - MESE	7.14	7.48	12.01
Debt securities	162.56	26.57	15.00
Borrowings	589.71	569.36	379.40
Lease liabilities	10.51	11.67	1.04
Other financial assets	0.97	0.95	0.59
Total Financial Liabilities	**771.01**	**616.03**	**408.04**
Non-Financial Liabilities			
Current tax liabilities (net)	0.00	0.46	0.00
Provisions	1.26	1.17	0.95
Other non-financial liabilities	0.88	1.16	0.72
Total Non- Financial liabilities	**2.14**	**2.79**	**1.67**
Total liabilities	**773.15**	**618.82**	**409.71**
Net worth represented by:			
Equity Share Capital	37.67	12.56	12.56
Other equity	162.94	155.87	139.19
Net Worth	**200.61**	**168.43**	**151.74**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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