



IPO Note

Manba Finance Limited

Recommendation: **NEUTRAL!**

Company Background –

- **Incorporation:** Manba Finance Limited was originally formed and incorporated on May 31, 1996. The registered office is located at Mumbai, Maharashtra.
- **Business Activity:** The company offers financial solutions for New two wheelers (2Ws,) three wheeler (3Ws), electric two wheeler (EV2Ws), electric three wheeler (EV3Ws), Used Cars, Small Business Loans and Personal Loans.
- **Revenue Stream:** The major revenue stream for the company is two wheeler loans amounting to Rs. 171.60 Cr for FY2024 which accounted for 89.55% of the total revenue.
- **Human Resource:** The company had 1,344 permanent employees as of March 31, 2024.

Promoters Name –

Manish Kiritkumar Shah, Nikita Manish Shah, Monil Manish Shah, Manba Investments and Securities Private Limited, Avalon Advisory and Consultant Services Private Limited, Manba Fincorp Private Limited, Manba Infotech LLP and Manish Kiritkumar Shah (HUF)

Objects of the Issue –

- Augmentation of the capital base to meet future capital requirements

Rationale for recommendation –

- ✓ The PE ratio post-issue is 19.12 which makes it slightly high.
- ✓ The top line and bottom line have increased over the years.
- ✓ The company has maintained CRAR (%) above minimum threshold.
- ✓ The GNPA and NNPA ratio was the highest among peer companies.
- ✓ The company's credit ratings have improved.
- ✓ The management of the company is satisfactory.
- ✓ The company has good experience in the industry.

IPO Details

Opening Date	Sep 23, 2024
Closing Date	Sep 25, 2024
Allotment Date	Sep 26, 2024
Listing Date	Sep 30, 2024
Stock Exchange	BSE, NSE
Lot Size	125 Shares
Issue Price Per Share	₹114 to ₹120
Issue Size	150.84 Cr.
Fresh Issue	150.84 Cr.
Offer for Sale	-
Application Amt	₹ 15,000 – ₹ 1,95,000 (125 to 1,625 shares)

INDUSTRY - Finance & Investments

P/E Average - 13.45

KPI's	KPIs		
	FY 22	FY 23	(In Crores) FY 24
Revenue	106.59	133.32	191.70
EBITDA	56.31	83.85	125.32
Net Profit	9.74	16.58	31.53
RoNW	6.42%	9.84%	15.66%
RoA	1.74%	2.46%	3.57%
P/E	46.33	27.27	14.39

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
100.00%	74.98%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	8.37	6.28
BVPS	53.25	69.95
P/E	14.34	19.12
P/BV	2.25	1.72
Mkt Cap (In Cr)	452.03	602.87

Lead Managers –

Hem Securities Limited

Registrar –

Link Intime India Private Limited

Business Overview –

Manba Finance Limited is a Non-Banking Financial Company-Base Layer (NBFC-BL) providing financial solutions for New two wheelers (2Ws), three wheeler (3Ws), electric two wheeler (EV2Ws), electric three wheeler (EV3Ws), Used Cars, Small Business Loans and Personal Loans. The company operates out of 66 locations connected to 29 branches across six (6) states in western, central and north India. Also, they have established relationship with more than 1,100 Dealers, including more than 190 EV Dealers, across Maharashtra, Gujarat, Rajasthan, Chhattisgarh, Madhya Pradesh and Uttar Pradesh who refer and recommend the Company to customers who are in the process of purchasing a new 2Ws/3Ws/EV2Ws/EV3Ws.

The company secures funding from diversified sources including term loans and cash credit facilities from public sector banks, private sector banks, small finance banks & other financial institutions and PTC and issuance of privately placed listed and unlisted NCDs to meet their capital requirements.

Their target customers are mainly (i) salaried; and (ii) self-employed. They customise their offerings as per each of these categories of customers and prepare tailor-made schemes to attract them to avail loans from them. They fund up to 85% of the purchase price and prefer the customer to pay the rest of the balance.

Loan Portfolio –

- (i) New Vehicle Loans** – The company's 97.90% of loan portfolio comprises of New Vehicle Loans with average ticket size of Rs. 80,000 for 2 wheelers and Rs. 1,40,000 for 3 wheelers. They also offer top-up loan as additional credit that can be availed by the customer at the end of their repayment schedule and who have paid the instalments on time.
- (ii) Personal Loans** - They launched this segment on July 2023. They offer loans upto Rs. 1 lakh to salaried and self-employed individuals who require funds on an immediate basis.

- (iii) Small Business Loans (Manba Vyapaar)** – These are currently offered in Mumbai to MSME business which include kirana stores, medical stores, carpenters, small manufacturing units, tailors etc. The loan starts from Rs. 0.75 lakhs to Rs. 10 lakhs for a tenure of 12 to 48 months.

- (iv) Used Car Loans** - The used car must not be more than 12 years old and the funding tenure is between 12 to 48 months. The average ticket size for the same is Rs. 2 lakhs to Rs. 6 lakhs which is around 75% of the car value.

Product-wise revenue bifurcation -

(Amt in Crores)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Two Wheeler	104.61	98.12	129.11	96.84	171.60	89.55
Three Wheeler	-	-	0.02	0.02	1.18	0.61
Personal Loan	-	-	-	-	1.36	0.71
Small Business Loan	-	-	-	-	0.36	0.19
Used Two Wheeler	0.03	0.03	0.26	0.19	0.72	0.38
Used Car Loan	-	-	-	-	0.04	0.02
Other Operating Income	1.94	1.82	3.93	2.95	16.33	8.52
Other Income	0.03	0.03	0.01	0.01	0.05	0.02
Total	106.62	100.00	133.32	100.00	191.63	100.00

Loan Process –

Loan Application

Credit Approval

Disbursement

Loan Collection

Monitoring

Competition -

- 1. Market Competition:** The NBFC industry is highly competitive where the key factor of competition primarily comprises of product offerings, interest rates, fees and customer service, as well as for skilled employees.
- 2. Players:** The company faces competition from established commercial banks, NBFCs, small finance banks, local money lenders in urban areas and the private unorganized and informal financiers who principally operate in the local market and micro, small and medium enterprises who are also focused on lending to low and middle income segments.
- 3. Barriers to entry:** Moderate barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies -

1. They plan to increase penetration in existing markets and diversify into new markets.
2. They intend to continue to focus on vehicle finance and the EV3Ws space which is growing at a fast pace.
3. The company aims to expand their loan portfolio and have recently introduced used car loans, small business loans and personal loans.
4. The company plans to launch web-based app to provide dedicated logins for business correspondents across Branches and Locations using a pre-determined set of business rules for acquiring customers that will enable them to track their existing borrowing facility as well as apply for new loans.
5. They are also working on a WhatsApp based messaging system for existing customers to enable them to enquire about their loan application status, statement of accounts, payment links, raise queries and request for NOC and loan related services.

Risk Factors -

The company's significant portion of new vehicle loans business is derived from dealers which accounted to 89.13%, 89.48% and 83.56% for FY2024, 2023 and 2022 respectively of the total new vehicle loans disbursed.

The company's 97.90% of the loan portfolio is constituted of new vehicle loans.

The company's operations are concentrated in 6 states of India with Maharashtra having the largest share accounting to 64.63%, 68.91% and 78.50% for FY2024, 2023 and 2022 respectively.

The NNPA of 3.16% and GNPA of 3.95% for FY2024 of the company is quite high.

The company has 9 cases against it for tax and civil matters amounting to Rs. 2.27 Cr and have filed 4 cases regarding criminal matters amounting to Rs. 0.57 Cr.

The company's promoters have 7 outstanding cases against it regarding tax matters amounting to Rs. 1.04 Cr.

The company had negative cash flow from operations for FY 2023 and 2024 and may continue to do so in the future.

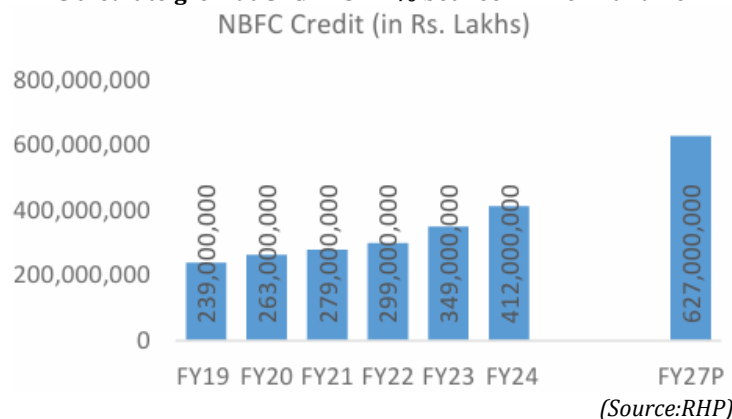
The company has contingent liabilities amounting to Rs. 2.27 Cr.

INDUSTRY OVERVIEW -

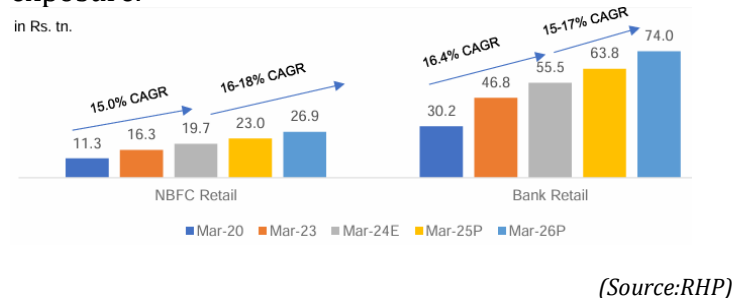
NBFC Market -

The credit growth of NBFCs which has trended above India's GDP growth historically, is expected to continue to rise at a faster pace. Going forward, CRISIL MI&A expects NBFC credit to grow at 15-17% between Fiscal 2024 and Fiscal 2027 driven by growth in retail segment, and MSME loans in the wholesale segment continuing to be the primary drivers.

NBFC credit to grow at CAGR 15-17% between FY2024 and 2027

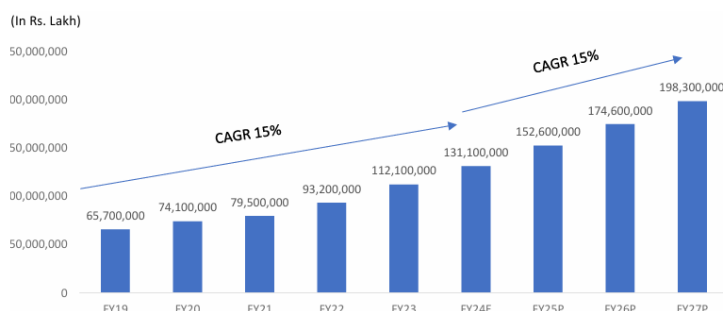


Going forward, growth in the NBFC retail segment is expected at 16-18% from Fiscal 2024 to Fiscal 2026 which will support overall NBFC credit growth, with continued focus on the retail segment and multiple players announcing plans to reduce wholesale exposure.



Small Business Loans -

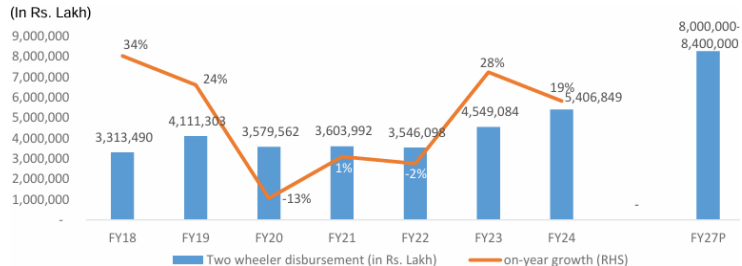
The small business loans are expected to grow at 15% CAGR between fiscals 2024 and 2027 led by both LAP and Non-LAP segments.



Two-wheeler loan Market -

Two-wheeler loan disbursements increased by 9% CAGR between fiscals 2018 and 2024, led by an increase in average vehicle prices, considerable shift of consumer preference towards premium segments (mostly in urban areas), increasing loan-to-value (LTV), and higher finance penetration. The two-wheeler disbursements are expected to grow at 14-16% CAGR from fiscal 2024 to 2027.

Growth in two-wheeler loan disbursements

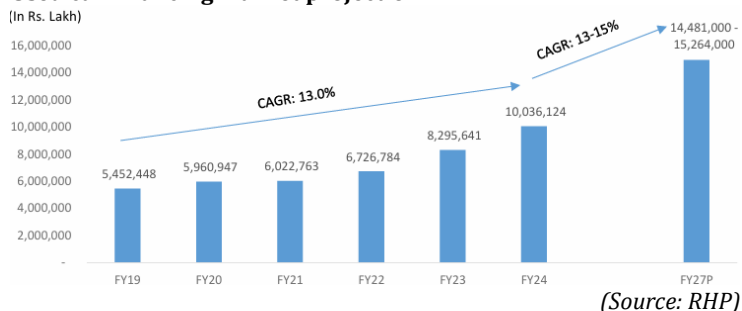


(Source:RHP)

Used Car Financing Market -

The total size of the used car financing market is estimated to be around Rs. 10,036,000 Lakh at end of March 2024. This market size includes loans provided by banks and NBFCs for used cars, which has grown at a CAGR of ~13% between fiscals 2019 and 2024 and is expected to grow at a CAGR of 13-15%.

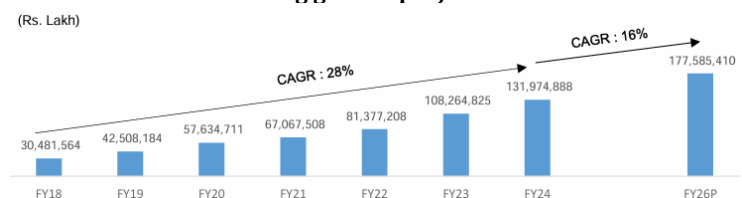
Used car financing market projection



Personal Loan Market -

The overall personal loan book, which increased at 28% compound annual growth rate (CAGR) between fiscals 2018 and 2024, is expected to grow by 19% CAGR in fiscal 2026.

Personal Loan Outstanding growth projections



(Source: RHP)

Key Management -

- The overall management of the company is satisfactory.
- The management has good and relevant experience.
- The education qualification of the management is condensed.



Key Management Persons Name -	Manish Kiritkumar Shah
Age	57
Designation and No. of years of experience	Promoter and Managing Director, 25+ years of experience in NBFC sector
Qualification	B. Com degree
Responsibility	Oversees functions such as identifying growth opportunities, building and maintaining relationships with key stakeholders and implementing technology solutions to streamline operations in the Company.
Other Directorships	Avalon Advisory and Consultant Services Private Limited, Jito Mulund Chapter Foundation, Manba Fincorp Private Limited etc.

Key Management Persons Name -	Nikita Manish Shah
Age	55
Designation and No. of years of experience	Promoter, Whole-Time Director and Head Business Development, 27+ years of experience in business relationship, marketing and strategy management
Qualification	Higher Secondary (Commerce)
Responsibility	Oversees functions such as marketing, strategy management and corporate social responsibility activities in the Company
Other Directorship	Avalon Advisory and Consultant Services Private Limited, Celebrity Projects Private Limited, Manba Fincrop Private Limited etc.

Key Management Persons Name -	Monil Manish Shah
Age	28
Designation	Promoter, Whole-Time Director and Chief Business Officer
Qualification	Master's degree in Marketing
Responsibility	Oversees functions such as sales & strategy, marketing and business expansion
Other Directorships	Ride Choice Limited and Theme Infotech Private Limited

Key Management Persons Name -	Jay Khushal Mota
Age	45
Designation and No. of years of experience	Whole-Time Director and Chief Financial Officer, 18+ years of experience in accounts, finance and taxation
Qualification	B. Com degree
Responsibility	Oversees various facets of accounts & finance function in the Company including financial planning and analysis, treasury management, budgeting, financial projections and audit & taxation.
Other Directorships	Ride Choice Limited and Riders Auto Services Private Limited

Key Management Persons Name -	Anshu Shrivastava
Age	47
Designation and No. of years of experience	Chairman and Independent Director, 20+ years of experience in finance
Qualification	Chartered Accountant and B. Com degree
Other Directorships	Deekshaa Infosystems Private Limited, Divi's Finvest Private Limited, Efficient Illumination Private Limited etc.

Key Management Persons Name -	Abhinav Sharma
Age	43
Designation	Independent Director, 16+ years of experience in financial sector
Qualification	Chartered Financial Analyst and MBA degree
Other Directorships	Riemann Strategic Research and Consulting Private Limited

Key Management Persons Name -	Neelam Tater
Age	33
Designation and No. of years of experience	Independent Director, 6+ years of experience in audit and risk management and business/management advisory services
Qualification	Chartered Account
Other Directorship	Espirit Stones Limited, Gaze Fashiontrade Limited, Pacific Industries Limited etc.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Revenue from Operations			
Interest Income	93.98	124.96	168.36
Other Operating Income	12.61	8.35	23.34
Total Revenue from Operations	106.59	133.32	191.70
Other Income	0.03	-	0.05
Total Income	106.62	133.32	191.74
Expenses			
Finance Cost	46.59	56.62	81.87
Impairment on financial instruments	10.04	8.31	11.32
Employee benefits expense	22.87	28.00	38.42
Depreciation and Amortization expense	3.79	4.45	4.49
Other expenses	10.67	13.15	16.64
Total Expenses	93.96	110.53	152.74
EBITDA	63.01	83.85	125.32
EBITDA Margin	59.12%	62.90%	65.37%
Profit/(Loss) before tax	12.66	22.79	39.00
Tax Expense			
Current tax	3.36	5.69	6.75
Deferred Tax (credit)/ charge	-0.43	0.51	0.72
Total Tax Expense	2.92	6.21	7.47
Profit/(Loss) for the year	9.74	16.58	31.53
Net Profit Margin	9.14%	12.44%	16.44%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	12.56	12.56	37.67
Other equity	139.19	155.87	162.94
Total Equity	151.74	168.43	200.61
2. Financial liabilities			
Trade Payables			
(a) Outstanding Dues to MSME	-	-	0.11
(b) Outstanding Dues to other than MSME	12.01	7.48	7.14
Debt Securities	15.00	26.57	162.56
Borrowings (other than debt securities)	379.40	569.36	589.71
Lease liabilities	1.04	11.67	10.51
Other Financial Liabilities	0.59	0.95	0.97
Total Financial liabilities	408.04	616.03	771.01
3. Non-Financial liabilities			
Current Tax Liabilities (net)	-	0.46	-
Provisions	0.95	1.17	1.26
Other non-current liabilities	0.72	1.16	0.88
Total Non-financial liabilities	1.67	2.79	2.14
Total Liabilities	409.71	618.82	773.15
Total Equity and Liabilities	561.46	787.25	973.75
ASSETS			
1. Financial assets			
Cash and cash equivalents	31.98	62.38	37.34
Bank balances other than cash	18.06	46.25	87.58
Loans	482.67	623.32	783.05

Particulars	FY 22	FY 23	FY 24
Investments	0.08	18.36	26.67
Other financial Assets	10.80	9.33	12.19
Total Financial assets	543.60	759.63	946.84
2. Non-Financial assets			
Current Tax Assets (net)	0.20	-	1.15
Deferred Tax Assets	2.02	1.47	0.70
Property, Plant and Equipment	11.32	9.70	9.48
Other Intangible Assets	0.54	0.80	0.83
Right-to-use assets	0.93	11.18	9.45
Other non-financial assets	2.86	4.47	5.31
Total Non-financial assets	17.86	27.62	26.92
Total Assets	561.46	787.25	973.75

Cash Flow Statement Amt in Crores

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	47.28	-124.03	-141.14
Net Cash Flow from Investing Activities	-0.71	-18.92	1.10
Net Cash Flow from Financing Activities	-10.28	201.53	156.34

Key Ratios

Banking Ratios	FY 22	FY 23	FY 24
Tier I Capital Ratio	31.44%	27.02%	25.17%
Tier II Capital Ratio	-	-	-
Total Capital Ratio (CRAR) (%)	31.44%	27.02%	25.17%
Return Ratios			
RoNW	6.42%	9.84%	15.66%
RoA	1.74%	2.46%	3.57%
Valuation Ratios			
P/E	46.33	27.27	14.39
P/B	0.99	0.89	1.50
Leverage Ratios			
Tier I Leverage Ratio	27.03%	21.39%	20.60%
Debt-to-Equity Ratio	2.60	3.54	3.75
Debt-to-Capital Ratio	2.60	3.54	3.75
Net Interest Margin	9.28%	12.31%	11.16%
NPA Ratios			
GNPA%	4.94%	3.74%	3.95%
NNPA%	4.30%	3.14%	3.16%

FINANCIAL ANALYSIS –

1. The top line increased over the years (by 43.71% for FY24 and by 25.07% for FY23) and this increase was due to an increase in interest income on loans.
2. The net profit has increased by 70.22% for FY2023 and by 89.5% for FY2024.
3. The Tier I Capital Ratio and CRAR (%) is above the minimum threshold.
4. The company's GNPA and NNPA is slightly high.
5. The debt-to-equity has remained high but that should not be a major concern as a similar pattern can be seen for peers.
6. The cash flow from operations is negative for FY 2024 and 2023 which was majorly due to the increase in their loans, and this might provide them a good increase in the Interest Earned in the future should not be a major concern.
7. The RoNW and RoA have improved over the years.

PEER ANALYSIS

Particulars	Manba Finance Limited			Baid Finserv Limited			Arman Financial Services Limited			MAS Financial Services Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
P/E	46.33	27.27	14.39	119.67	117.93	17.55	27.35	12.03	10.03	18.66	21.56	18.57
P/B	0.99	0.89	1.50	0.15	2.65	1.36	4.08	3.09	2.37	0.73	0.96	2.62
RoNW	6.4%	9.8%	15.7%	6.0%	6.7%	8.0%	14.9%	25.7%	21.4%	11.8%	13.4%	14.1%
RoA	1.7%	2.5%	3.6%	2.8%	3.2%	3.4%	2.9%	5.7%	7.4%	2.7%	2.8%	2.9%
NAV per share	120.85	134.14	79.88	121.45	12.91	13.89	250.47	430.61	775.70	246.96	277.83	108.71
CRAR	31.4%	27.0%	25.2%	51.0%	50.7%	45.6%	62.7%	32.6%	29.1%	54.7%	38.5%	24.1%
Net Interest Margin	9.3%	12.3%	11.2%	11.7%	11.9%	10.0%	14.2%	15.9%	13.8%	4.3%	4.6%	4.5%
AUM Growth	-6.5%	27.8%	47.8%	5.7%	14.3%	21.6%	51.4%	57.6%	35.8%	16.1%	29.6%	25.9%
NNPA	4.3%	3.1%	3.1%	1.0%	0.6%	0.4%	-	-	0.3%	1.1%	1.1%	1.5%

INTERPRETATION –

- The company is not comparable on an apple-to-apple basis with Arman Financial Services as it is a category 'A' NBFC and with MAS Financial Services Limited as it is a middle layer NBFC.
- The company has less market cap compared to Arman Financial Services and MAS Financial Services.
- The net interest margin for the company is low compared to Arman Financial Services.
- The CRAR of the company is low compared to Baid Finserv and Arman Financial Services for FY2024.
- The RoA of the company has been low compared to Arman Financial Services.
- The company has low PE ratio compared to Baid Finserv and MAS Financial Services.
- The company has higher AUM growth over the years compared to its peers.
- The company has high NNPA and GNPA compared to its peers.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Hem Securities Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Hem Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Shubhshree Biofuels Energy Limited	16.56	119.00	Sep 16, 2024	215.25
2.	Vision Infra Equipment Solutions Limited	106.21	193.00	Sep 13, 2024	203.15
3.	My Mudra Fincorp Limited	33.26	110.00	Sep 12, 2024	104.85
4.	Namo eWaste Management Limited	51.20	85.00	Sep 11, 2024	143.20
5.	Aeron Composite Limited	56.10	125.00	Sep 04, 2024	140.05
6.	Sunlite Recycling Industries Limited	30.24	105.00	Aug 20, 2024	160.05
7.	Aprameya Engineering Limited	29.23	58.00	Aug 01, 2024	59.50
8.	Chetana Education Limited	45.90	85.00	July 31, 2024	89.55
9.	Ganesh Green Bharat Limited	125.23	190.00	July 12, 2024	420.35
10.	Aimtron Electronics Limited	87.02	161.00	June 06, 2024	477.10

The company has handled 54 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 20th Sep 2024.

As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

Manba Finance Limited has been in the industry since 1996 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 19.12 times which makes it slightly highly priced compared to its sector PE of 13.45 times.

The company has seen an increase in the top line and bottom line over the years. The Tier I capital ratio and CRAR (%) have remained above the minimum threshold. The company had negative cash flow from operations for FY 2024 and 2023, which should not be a major concern.

Although the industry is competitive and fragmented, the company has created its presence customised to multiple sectors like MSME, new vehicle finance, used car finance and personal loans in India. Also, their credit ratings by CRISIL has remained A+ over the years.

But the company has high NNPA and GNPA over the years compared to its peers which raises slight concern. The company does not have tier II capital which is not a major criterion but its preferred to maintain tier II capital as it provides additional financial stability to the company. Also, 97.90% of loan portfolio is constituted of vehicle loans.

Thus, we have a **NEUTRAL** opinion of this IPO and interested, and industry-knowledgeable investors can look for investment opportunities.

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