STOXBOX

IPO NOTE

Manba Finance Ltd

20th September 2024

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Company Overview

Manba Finance Ltd. (MFL), headquartered in Mumbai, is a Non-Banking Financial Company that offers financial solutions for new two-wheelers, three-wheelers, electric vehicles, used cars, small business loans, and personal loans. As of March 31, 2024, MFL reported Assets Under Management (AUM) exceeding Rs. 9,000 million, with 97.9% of its loan portfolio focused on new vehicle loans. The company operates across 66 locations in six states, building strong relationships with over 1,100 dealers, including more than 190 electric vehicle dealers. Targeting salaried and self-employed individuals, MFL customizes its offerings to meet diverse customer needs and has recently expanded to include used car loans, small business loans, and personal loans. Typically, MFL finances up to 85% of a vehicle's on-road price, encouraging customers to contribute the remaining balance to foster financial discipline. With a centralized credit team of 1,344 employees, MFL maintains a gross Non-Performing Asset (NPA) ratio of 3.95% for FY24 and reported a profit after tax of Rs. 314.2 million. The company's average cost of borrowings stands at approximately 11.98%. Favorable credit ratings from agencies like CARE and Acuite further emphasize MFL's strong financial health and commitment to effective risk management.

Objects of the issue

The company proposes to utilize net proceeds towards augmenting the capital base to meet the company's future capital requirements.

Investment Rationale

Comprehensive collections infrastructure ensures strong asset quality metrics

The company has established a robust collections infrastructure to maintain asset quality, supported by a three-tier system of tele-calling, field collections, and legal recovery. With over 80% of monthly collections processed via NACH on scheduled EMI dates, an in-house team of 446 personnel ensures timely monitoring and early detection of defaults to minimize Gross NPAs, which have been steadily improving (3.95% in FY24, down from 4.94% in FY22). The company also engages external collection agencies as needed, adhering to RBI guidelines. Its tech-enabled collections team efficiently manages customer data and prioritizes overdue accounts, using soft collections strategies like SMS reminders and tele-calls in early delinquency stages. Legal action is initiated for accounts classified as NPAs when other recovery methods fail, showcasing a comprehensive and proactive approach to maintaining financial health.

Strong dealer relationships and diversified funding drive sustainable growth

The company, having started as an NBFC in 1998, built strong relationships with over 1,100 dealers, including 190 EV dealers, across six states. These dealers act as critical touchpoints for vehicle financing, helping to generate leads and facilitating quick loan turnarounds through tech-enabled processes. The company supports its dealer network with customer-specific schemes, incentives, and marketing initiatives. It has expanded operations to 66 locations with a focus on underpenetrated markets, driving growth in its AUM from Rs. 4,958.3 million in FY22 to Rs. 9,368.6 million in FY24 at a CAGR of 37.5%. Its funding is sourced from a diversified base of public and private sector banks, NBFCs, and NCD issuances. Additionally, a co-lending arrangement with Muthoot Capital Services further enhances its capital access. With a disciplined approach to cost-effective borrowing and market expansion, the company is well-positioned for sustained growth.

Issue Details	
Offer Period	23rd Sept, 2024 - 25th Sept 2024
Price Band	Rs. 114 to Rs.120
Bid Lot	125
Listing	BSE &NSE
Issue Size (no. of shares in mn)	12.6
Issue Size (Rs. in bn)	1.5
Face Value (Rs.)	10

Issue Structure	
QIB	50%
NIB	15%
Retail	35%

BRLM	Hem Securities Ltd.
Registrar	Link Intime India Pvt. Ltd

Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	100.0%	75.0%
Public	0.0%	25.0%
Total	**100.00**	**100.00**

(Assuming issue subscribed at higher band)