



“Manba Finance Limited
Q2 FY '25 Earnings Conference Call”

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MODERATOR: **MR. AVINASH SINGH – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, welcome to the Q2 FY '25 Results Conference Call of Manba Finance Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Avinash Singh from Emkay Global Financial Services. Thank you, and over to you, sir.

Avinash Singh: Thanks, Steve. Good afternoon, everyone. We have with us today from management Manish Shah, the Managing Director, Monil Shah, Executive Director and Chief Business Officer; and Jay Mota, Executive Director and Chief Financial Officer.

Without much ado, I shall now hand over the call to the management for their opening remarks. Over to you, Manish and team.

Manish Shah: Good afternoon, all. First of all, everyone, thank you very much for joining the Manba Finance Limited first ever earnings call and to discuss the second quarter and the first half of the financial year 2025. I special thanks to all the stakeholders for the fantastic listing of my company at NSE and BSE on September 30, 2024. It was a fantastic response on the subscription also. I would also like to thank Emkay for hosting this earnings call.

In the interest of some of the people who are new to the company, let me first start by giving a brief overview about the company, followed by which our CFO will take over for all the financial performance for the quarter and the first half.

Manba Finance Limited is an NBFC. We got a license in the year '98, offering a range of financial solutions, including loans for new two-wheeler, three-wheeler, used cars, small business and personal loans. Personal loans are the top-up loan to our own customers. We are currently operating in 71 locations across six states, mainly at Maharashtra, Rajasthan, Gujarat, Chhattisgarh, MP, and recently started UP.

Our distribution network includes more than 1,100 dealers. We have secured funding from three public sector banks, 10 private sector banks and 25 NBFCs. We also have a co-landing arrangement with the Muthoot Capital Services Limited. We have a total team size of 1,530 employees, out of which more than 650 employees are part of sales teams.

Our internal collection teams ensures 80% of the collections, ensuring one of the lowest NPs in the industry. The company commands one of the fastest turnaround times for loan sanction in the industry, with over 60% loan sanction in one minute and 92% of the loans are getting sanctioned on the same day.

Now I will request our CFO, Jay Mota, to brief you on the financial performance.

Jay Mota: Thank you, Manish sir, and good afternoon, everyone. Let me provide you a brief overview of the financial performance for the second quarter and the first half of the financial year 2025. For

the second quarter under review, the net interest income stood at INR33 crores, reflecting a 54% year-on-year growth and profit after tax for the period was around INR12 crores.

For the first half of the financial year 2025, the company recorded a net interest income of INR56 crores, representing a 46% year-on-year growth with a net interest margin of 11.88% and profit after tax stood at INR17 crores. Our asset under management stands at INR11,068 million as on 30th September 2024. Loan disbursement for the first half of the financial year was INR345 crores, reflecting a year-on-year growth of 33 percentage.

The cost of borrowing currently stands at 11.35 percentage. We have successfully reduced our GNPA to 3.07 percentage and NNPA to 2.40 percentage since March 2024. Our improved capital adequacy ratio has improved to 37.15 due to the fund raised in our IPO, highlighting the greater financial stability.

With this, we can now open the floor for the question-and-answer section.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of [Samarth from Belwani Investments 0:06:54]. Please go ahead.

Samarth: Hello. Great set of numbers, so many many congratulations to that. My question was a lot of peers in auto space, in the NBFC lending space are facing challenges related to a lot of political as well as instability around the market. Does Manba Finance and you as a company, any of those challenges coming in the near future?

Manish Shah: Your question is over? So the product in which we are into lending, these all are the basic necessary product for the customers. And over a period of time, the company is involved in this business last more than 15 years.

We have seen the business cycle of more than six cycles. And in spite of a lot of instability or any anything around the economy, this product has no worried. In fact, in the COVID time also, after immediately after one and a half crucial month of COVID, this product has started working well because this is the most necessary for commuting from one place to another.

At the same time, it is the most cheapest mode of transport and the fastest mode of transport. So nothing such sort of instability can really impact our lending activity. And now the company has not only, depending on the two wheeler, it has a range of product now. We are into two-wheeler financing. We are into three-wheeler financing. We are into used car financing. We are also into business loan and top up loan to our own customers.

Samarth: Okay. And my last question would be, what would be your NIM guidance for the next quarter and the quarter after that?

Jay Mota: After the infusion of our equity, our NIM will be in the range of 12% to 13% in next quarter.

Samarth: And do you see this sustaining over the next couple of quarters or this is more towards the financial year thereafter?

- Jay Mota:** Yes, it can be increased. It can increase in next financial year. But currently, we are targeting it will be in the range of 12% to 13%.
- Samarth:** Okay. That's all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of [Monshree Soni from MK Ventures 0:09:58]. Please go ahead.
- Monshree Soni:** Hi. Thank you for taking my question. I want to understand, is there any cyclicity in your business? As I can see in your financials, Q2 is generally, I mean, is it supposed to be a good quarter and then there's a dip from Q1 to Q2. Is there any cyclicity?
- Manish Shah:** So, of course, this product, a seasonally impact is there. But last second Q2, we all have observed that India has got heavy to heavy rainfall. And this is a retail product, it has got little impacted. But by and large, what we are observing that the sales which we were expecting not to that extent in the Ganapati. But that has been completely covering by Dussehra and Diwali, which we are observing because of the huge response in Dussehra season.
- Monshree Soni:** Okay. So, you're saying that Q3 will be a better quarter than Q2?
- Manish Shah:** Yes, it will be one of the best quarters in all four quarters.
- Monshree Soni:** Okay. All right. And in terms of your AUM guidance, could you please give your FY '25 AUM growth guidance?
- Manish Shah:** FY '25? Entire year you are asking, right?
- Monshree Soni:** Yes. AUM level.
- Manish Shah:** Yes. So, AUM, which was last year INR934 crores, we are expecting something in the range of INR1250 to INR1350 crores of AUM at the end of the March '25. Today we are at INR1106 crores as on September 30th.
- Monshree Soni:** Thank you.
- Moderator:** The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.
- Rahil Shah:** Good afternoon. So, firstly, I see here, it mentions that you are present in the two-wheeler, three-wheeler, electric two-wheelers, electric three-wheelers, used cars, small business loans and personal loans. So, which has the highest share out of your lending and which one is seeing the best traction recently so far in Q3? And so, which one do you expect to grow the best overall business?
- Manish Shah:** So, out of my five products, two-wheeler is our highest contribution to our AUM, which is in the tune of 85% to 87% of my AUM. And especially Q3 is concerned, this is the fall off season of Dussehra and Diwali. So, there will be highest traction in the two-wheeler. As well as, of course, now we all are witnessing a robust growth in the three-wheeler from last year. This year

it been growing by almost 40% plus. So, both of these products are going to do very well in this Q3.

Rahil Shah: And so, given the AUM growth guidance, do you expect your ROAs to sustain or do you think there can be some improvement for the remaining quarters? So, what is your outlook or guidance overall for FY '25 when it comes to ROAs?

Manish Shah: Yes. So, Return on Assets will definitely improve because we are expecting a better one-notch rating in the month of November. Our rationale is already going on. And by that, our rate of borrowing cost will also come down. Our NP has also started reducing. You must have seen my presentation from 3.64. It has already come down to 3.07. So, all put together, ROA will be a better position.

Rahil Shah: Do you have any projections like at the end of March 2025, any expectations where your ROA can stand from the current levels?

Manish Shah: Exact number, any forward number, I would like to restrict myself. But it will be better.

Rahil Shah: Okay, got it, got it. Okay, I will follow back in queue. Thank you for answering.

Moderator: Thank you. The next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Good set of numbers. So, couple of points. One, I mean, if you can, I'm not sure if I missed this question. But one, if you can just help in terms of how has been this festive season so far. Of course, we are in the middle of it. One part has gone, Diwali is still going on. So, you are seeing that sort of attraction for both. I mean, that sales of two-wheeler growing and also the demand for financing. That's one.

What is your position right now or your expectation? Because now you have raised capital, your capital adequacy is strong. So, how do you see, I mean, your rating, I mean, and cost of borrowing going forward? So, these are two questions. Thank you.

Manish Shah: I already told that cost of borrowing is really going to be better for, you know, company. It will reduce to the extent of 0.50 to 0.75 bids. And as far as rating is concerned, already they started, taking up the data and the national surveillance they started. And we are expecting one notch better in the month of November. So, definitely that will really give me lot of impact in my cost of borrowing. And the recent sanction after the listing what we have got, that also we have got 0.50 reduced rate, although our rating has been still Triple B Plus only. So, we are expecting a good response in that. As far as your first question was sales attraction in the, coming month of Dussehra and Diwali. Yes it is generally, it is in the range of our normal month sale.

It comes down to 1.5 to 1.75 times of the value. And the kind of logins which we are observing, that is in the same range. Only in the month of October, which is still not completed, we have got a loan application of 27,000 loan applications. So, this is almost 42% higher than the last Dussehra.

- Moderator:** The next question is from the line of Lokesh Dubey an individual investor. Please go ahead.
- Lokesh Dubey:** I was asking about the EPS drop year on year is there. However, quarter on quarter, we did pretty good. And from what I could understand, it felt like there was a certain amount of increase in the employee benefit expenses, which was not too much in September last year, but it seems to be there in June and September for this year, which has increased considerably. That seems like something which has dropped us from having a good profit after tax. I just wanted to understand why that has increased considerably.
- Manish Shah:** Earning per share has been increased because of the volume. And because we have been able to add some few more products, which has a better IRR than the two-wheeler. For example, our business loan has an IRR of 24, whereas a three-wheeler has an IRR of 23-24. And the overall volume, you must have seen in the presentation, my disbursement has almost gone by 40%, my AUM has grown by 50% plus. So this -- cumulatively has given the impact on this, but as far as employee expenses are concerned, we are quarter on quarter adding a few more and more locations.
- So always there is an initial cost where generally we break even any new location in the 9 to 12 months. So that's the reason it is getting added. So these are the two things, but now the company has been strategically decided to focus on the existing locations and penetrate the other products, which are not active. Generally out of 71 locations, 52 locations are selling only 2-wheeler, and the rest of the locations are selling 2-wheeler, 3-wheeler and business loan. So now we are spreading our product portfolio, product book into all the locations. That's the whole plan of the company.
- Lokesh Dubey:** All right. And these expenses for employees and the benefit expenses, after a certain while they will stabilize, right...?
- Manish Shah:** Now only you will see this will be stabilized from quarter three and quarter four, because there is no new locations we are going to add for next six months.
- Moderator:** We have a follow-up question. It's from the line of Rahil Shah from Crown Capital.
- Rahil Shah:** Yes. Sir I understand you've given certain guidance or expectation when it comes to AUM for FY '25. But I would just like to know if you have set any certain aspirations or targets when it comes to medium-term outlook two to three years when it comes to the AUM. So if you can help us with that certain number or maybe growth CAGR. So I believe you've seen 37% or so growth in AUM for past few years. Will you be able to continue that or better that?
- Manish Shah:** Yes. So I will not be able to give you the exact numbers because, you know, but yes, I can give you on the range which the company has already planned. And then generally we work on a market share. So there are couple of locations, almost 20 locations where my market share is only 3% to 4%, which we are going to push because those are locations which have started in last one and one and a half year only. So there we are absolutely going to push our numbers. So this range of my AUM for this 25, March '25 will be 1,250 to 1,350.

And March '26, it will be around in the range of anything 1,950 to 2,250 range. It will be there where we will push all our product, especially the area where the other products has not been introduced and at the area where the company has just started the locations. So these are the -- this year and next year I will be able to tell you.

Moderator: The next question is from the line Avinash Singh from Emkay Global.

Avinash Singh: Yes, thanks. Manish bhai, I guess earlier one participant had sort of a query on that earnings or profit declining year-on-year. I guess the question was that compared to last year, quarter two, this time it has declined. To me, what I see there is a kind of a decline in sort of a fee income. So can it be because, lower co-lending or lower securitization, those kind of things, if you can just sort of clarify probably that will help that, what has led to this fee income decline.

Manish Shah: So this business is a very dynamic and it is a very customer centric schemes of the lending, especially 2-wheeler, 3-wheeler. It keeps on changing as per the need of the customer, as per the new competitor enters into the market. Last year, a very big company in the 2-wheeler, they entered into 2-wheeler financing. And they started lending at a very -- with a very less processing fee and documentation charges.

So as a part of competition, we also have to reduce our charges. But at the same time, we will be able to add those things in our IRR. So net-net, we will be able to sell the product in the same range which we were selling previously. But of course, the interest will be demonstrated in the coming year, two to three years. Whereas this has been started in last year only. So this has been giving little impact in the fee based income.

But if you see my NIM, if you see my lending IRR, it's on an increasing path. So overall, we are selling on the same IRR, all put together. But it is a change in the scheme where the processing and documentation upfront will be less and it will be more in the IRR.

Moderator: The next question is from the line of Madhur from Hem Securities.

Madhur: Hi, sir. Sir, there's only one question I want to ask. There has been a substantial increase in other income in FY '24 mainly due to increase in profit on ARC. Can you please throw some light on this point?

Manish Shah: So this is a -- where we've been cautiously we have given a portfolio of customers where we were expecting that money will definitely come. But as a part of a process and to control our NPA, we have done an ARC transaction. But fortunately, we will be able to get a better pricing on all our collections. And collections were happening as normal than the rather than the ARC customers. So the entire chunk has been valued at a better price. And that we have got as an ARC income in the year '24.

Madhur: So what was the loan amount that you sold to ARC?

Manish Shah: Pardon?

Madhur: What was the outstanding amount of that thing?

- Manish Shah:** Outstanding? INR26 crores.
- Madhur:** And you received INR11.25 crores, right?
- Manish Shah:** Yes. Yes.
- Moderator:** The next question, sir, is from the line of Manuj Oberoi from Yes Securities.
- Manuj Oberoi:** Sir, please forgive me for my naiveness, actually. But what I could collect is that for the AUM share, you said that 2-wheelers actually accounts for around 85% to 87%.
- Manish Shah:** Right.
- Manuj Oberoi:** Now, sir, out of this 85%, 87%, it's all basically the new 2-wheelers or it basically comprises of used as well?
- Manish Shah:** New 2-wheelers.
- Manuj Oberoi:** It's all new. So we aren't dealing with any used 2- wheelers, sir?
- Manish Shah:** Used 2-wheelers, we are in the process of -- we just started. But the overall AUM is only INR2 crores.
- Manuj Oberoi:** Sir, just a second and the last one, actually. I just wanted your sense, a sort of outlook for this new 2-wheelers. How exactly the things have been moving on the ground? I know quarter-and-quarter, Y-o-Y, things have been quite rosy for you. But one or two years outlook, what you -- how do you think that things will be shaping up?
- Manish Shah:** Yes. So a lot of new -- there was a time just before one year or maybe one and a half year, people were a little confused whether to buy, you know, ICE engine or whether to buy electric vehicle. But now they are very clear and they -- even the companies have started a little going low for the R&D section for the main line of 2-wheelers. But now they started producing more and more with different variants, with different colors.
- That shows, and at the same time, the consumption of the 2-wheelers keeps on increasing. It has been growing by 15% to 20%. And over the next three years, it seems that it is going to be a very good -- growth will come out of this.
- Moderator:** As there are no further questions from the participant. I would now hand the conference over to the management for their closing comments.
- Manish Shah:** So thank you, Avinash. And thank you Emkay for hosting this call. Thank you all the participants in this earning con-call. I hope we have been able to answer your questions satisfactory. If you have any further questions or would like to know more about the company, please reach out to our IR managers at Valorem Advisors.

And once again, thank you very much for this short notice and coming up with some kind of questions, which will definitely give an impact in our future growth and success. Thank you. Thank you very much.

Moderator:

On behalf of Emkay Global Financial Services, that concludes this conference. Thanks for joining us. And you may now disconnect your lines. Thank you.