

NIC ASIA LAGHUBITTA BITTIYA SANSTHA LIMITED

Issue Units:	47,55,000 units	Minimum Units: 10	Issue Open Date: 10/03/2077	Rating: CARE-NP IPO Grade 4+
Issue Price:	Rs.100	Maximum Units: 200,000	Issue Close Date: 14/03/2077	Issue Manager: Sanima Capital Ltd.

Chairman: Mr. Kapil Dhakal

Chief Executive Officer: Mr. Laxmi Prasad Sharma

Pricing – Forward P/E Model

FY End	EPS ₁	Fair Price	FP @ 25% discount
76/77	21.85	764.58	573.44
77/78	46.99	1644.29	1233.21
78/79	82.99	2904.01	2178.01

Utilization of IPO Proceeds

Animal Husbandry and Agro Loan	Rs.22,34,85,000
Retail Business and Services Loan	Rs.16,64,25,000
Small and Domestic Industry Loan	Rs.8,55,90,000

Capital Structure

	75/76	76/77 (Post IPO)
Authorized Capital	Rs. 1480M	Rs.1480M
Issued & Paid Up Cap.	Rs. 1004.5M	Rs.1480M
Promoter / Public Ratio		67.87% / 32.13%

Financial Highlights (in millions)

FY	75/76	Q3 76/77	76/77E	77/78E	78/79E
Cap.	1004.5	1004.5	1480	1480	1480
R & S	104.72	227.51	204.19	523.92	1280.63
L & A	4472.7	7228.27	10905.43	21784.48	33627.14
Deposit	571.75	1013.88	1900	4500	9000
Borrowings	3201.2	5606	8000	16700	24000
Op. Profit	172.18	194.89	507.43	1090.82	1933.37
Net Profits	110.31	122.78	323.34	695.503	1228.185

Ratios	75/76	Q3 76/77	76/77E	77/78E	78/79E
EPS	28.79	12.22	21.85	46.99	82.99
BVPS	110.43	122.65	113.80	135.40	186.53
CAR	23.8%	16.17%	15.54%	9.49%	8.53%
NPL	-	0.32%	0.49%	0.53%	0.69%
Return on NW	18.8%	13.68%	23.15%	37.72%	51.56%
Net Int. Spr.	8.12%	-	10%	10%	10.25%
Deposit rise	733%	124.04%	232.31%	136.84%	100%
L & A rise	445%	72.99%	143.82%	99.76%	54.36%
L / D ratio	7.82x	7.13x	5.74x	4.84x	3.74x
Loan to equity	4.03x	5.87x	6.48x	10.87x	12.18x
Provision on Total Loan	-	-	0.79%	0.56%	0.47%

Peer Groups (Q3 76/77) (National Level MFIs)

S.N.	Ticker	Net Profit (Rs.mill)	EPS (Rs.)	BVPS	NPL	P/E (05/13)
1	GBLBS	51,293	6.96	157.84	7.81%	54.74
2	NLBBL	49,652.35	14.47	184.88	2.9%	44.78
3	SDESI	53,968.73	26.07	155.52	2.16%	29.15
4	VLBS	58,421.25	34.76	147.95	2.92%	25.37
				Harmonic P/E Mean of Peers		34.99

IPO at times of gloomy market environment and thirsty investors, Issue with a lucrative performance and better potentiality, is likely to find crowdedness. The industry/company has more rooms to explore (as poverty further escalated by COVID_19), assuring better returns at normal functioning.

Snapshots...

- About the Issue:** Out of the offered 47,55,000 units, 0.5% i.e. 74,000 units is allocated to the employees, 5% i.e. 2,37,750 units is reserved for Mutual Funds and remaining 44,43,200 units are available for General Public.
- About the Company:** Incorporated on 10/04/2074, licensed by NRB on 5/08/2074 and in operation from 5/09/2074, NIC Asia Laghubitta is a "D" Class National Level MFI's solely owned by NIC Asia Bank. Registered office is located at Bheri Municipality, ward no. 4, Jajarkot District, Nepal.
- Area of Operation:** At present, company has presence in 32 districts with 105 branches, projects 165 branches by end of current FY and 500 branches by FY 80/81. Similarly, company projects to enroll 82,000 and 800,000 members by end of FY 76/77 and FY 80/81 respectively.
- Rationale of Credit Rating:** Care Rating Nepal Ltd. assigned 'CARE-NP IPO Grade 4+' to the subject IPO which indicates 'Below Average Fundamentals.' Rationale put by the Rating Agency are - *shorter operational periods, moderate deposit & loan share, competitive environment, and inherent industry, regulatory risks.* Rating report also states comfortable capitalization, liquidity, asset quality levels along with improving financial performance and experienced teams.
- Dividend and Capital Plan:** Company projects to distribute 15%, 25% and 30% Cash dividend for FY 76/77, FY 77/78 and FY 78/79 respectively. While there is no change in its capital structure till FY 78/79, implying no such plans of issuing Right/Bonuses.
- Financial Summary:** Reporting a loss in its 1st year of operation, the company has successfully turnaround with Rs.11 crores profits in 2nd year. Metrics like EPS, BVPS, NPL have remained pleasant while major business activities like borrowing, deposits & lending have an exponential growth over a short time frame. Company has projected the continuity of same on similar growth anticipation. However, the reliability/materiality of such projections are questionable (*particularly after COVID_19 shocks*) and thus less commendable, instance - *upto Q3 company records net profit of Rs.12 crores while projection is Rs.32 crores, lowering provision relative to loan.*
- Risk Factors and Impact of COVID_19:** Credit risks (*including counterparty, lending & collateral risks*), liquidity & operational/governance risks, membership duplication etc., further fueled by COVID_19 escalating higher NPL prob. NRB directing Retail MFI's to cut their lending rate by 3% while easing borrowing at 2% down (in Q4) is against the Retail's favor.
- Pricing & Assumptions:** We have used a P/E model to price the share of company, selecting 4 listed National level MFI's as comparable and determine the harmonic P/E ratio 34.99 that *market participants are willing to pay for every EPS.* We determine the fair price of company share in 3 years north at 25% discount, *collectively factoring the risks posed by COVID_19, tracking errors etc.*

The likely availability of 10% Refinance (size NPR.1 kharba) facilities to "D" Class BFI's (i.e. upto NPR.10 arba) at subsidized rate could likely ease liquidity.

IPO Listing Range: Rs.110.43 – Rs.331.28

Disclaimers: Not to be inferred as Investment recommendation.