

SAMAJ LAGHUBITTA BITTIYA SANSTHA LIMITED

2nd Bhadra, 2077

Issue Units:	86,000 units	Minimum Units:	10	Issue Open Date:	04/05/2077	Rating:	N/A
Issue Price:	Rs.100	Maximum Units:	5,000	Issue Close Date:	08/05/2077	Issue Manager:	Siddhartha Capital Ltd.

Chairman: Mr. Dilip Kumar Dhaubdel

Chief Executive Officer: Mr. Kishori Mahato

Pricing – Forward P/E Model

FY End	EPS ₁	Fair Price	FP @ 25% discount
77/78	23.00	913.41	685.05
78/79	22.23	882.83	662.12
79/80	22.83	906.65	679.99

Utilization of IPO Proceeds

Physical Infrastructure & Branch Expansion	Rs. 20,00,000
Animal Husbandry and Agro Loan	Rs.31,00,000
Retail Business and Services Loan	Rs.30,00,000
Deposit at BFI	Rs.5,00,000

Capital Structure

	Pre-IPO	Post-IPO
Authorized Capital	Rs.40M	Rs.40M
Issued Capital.	Rs.20M	Rs.20M
Paid-up Capital	Rs.11.4M	Rs.20M
Promoter / Public Ratio		57% / 43%

Financial Highlights (in millions)

FY	75/76	Q4 76/77	77/78E	78/79E	79/80E
Cap.	11.40	11.40	20.00	20.00	20.00
R & S	-3.74	-1.31	0.47	4.9	9.4
L & A	50.65	149.06	179.66	224.55	280.65
Deposit	6.3	31.09	38.87	48.58	60.73
Borrowing	41.15	136.27	163.52	196.23	235.47
Op. Profit	-2.45	1.19	4.64	5.98	7.17
Net Profits	-2.13	2.43	4.22	4.45	4.57

Ratios	75/76	Q4 76/77	77/78E	78/79E	79/80E
EPS	-18.68	21.30	23.00	22.23	22.83
BVPS	67.14	88.47	102.36	124.58	147.41
ROE	-27.81%	24.07%	20.60%	17.84%	15.47%
CAR	-	-	11.66	11.45	10.97
NPL	-	-	0.30%	0.30%	0.30%
Net Int. Spr.	-	-	7%	7%	7%
Op.Exp./Inc.	87.38%	32.58%	29.05%	28.58%	29.16%
Deposit rise	2943%	393.6%	25%	25%	25%
L&A rise	597.33%	194.27%	20.53%	24.99%	24.99%
L / D ratio	8.04x	4.79x	4.62x	4.62x	4.62x
Loan to equity	6.62x	14.78x	8.78x	9.01x	9.52x

Peer Groups (Q4 76/77)

S.N.	Ticker	Net Profit (Rs.'000)	EPS (Rs.)	BVPS	NPL	P/E
1	UMB	32,434	21.69	134.89	1.81%	40.48
2	NBBL	39,649	18.77	153.12	1.96%	31.33
3	SMB	13,813	20.93	135.19	4.75%	40.9
4	NNLB	16,520	16.39	137.95	2.06%	50.89
						Harmonic P/E Mean of Peers 39.71

IPO Listing Range: Rs.88.47 – Rs.265.41

Disclaimers: Not to be inferred as Investment recommendation.

Company has no plans to provide dividends (Cash/Bonus) or issue Rights for at least 3 years as per their projected financials. After reporting losses for past 3 years, the company reports profits in Q4 FY 76/7. Given the limited volumes of Issue, the demand for the stock in both Primary and Secondary Market can be immense.

Snapshot

📌 **About the Issue:** Out of the offered 86,000 units, 0.5% i.e. 1,000 units is allocated to the employees, 5% i.e. 4,300 units is reserved for Mutual Funds and the remaining 80,700 units are available for General Public.

📌 **About the Company:** Incorporated on 20/01/2074, licensed by NRB on 02/01/2075 and in operation from 20/01/2075, Samaj Laghubitta is a "D" Class MFI's with Registered office located at Sarlahi District, Ward No. 10. Its operations are spread across three districts – Sarlahi, Mahotari, and Dhanusa with 5 branches.

📌 **Future Plans and Strategy:** (i) Branch expansions, (ii) Members enrollment, (iii) Deposit collection and loan disbursements, (iv) Customers reach out, (v) Merger & Acquisition etc.

📌 **Rationale of Issuer Credit Rating:** Since the Issue size is less than NPR. 3 Crores, the IPO Issue is not rated by Rating Agencies. However, CARE Ratings Nepal Ltd. has assigned 'CARE-NP B+ (Is)' rating to the Issuer Samaj Laghubitta, which indicates high risk of default regarding timely servicing of financial obligations. Rationale by Rating Agency are – *Lower level of capitalization, weak financial performance with net loss, high dependency on BFI borrowings, short track record of operation & limited geographical coverage, & competition from MFIs & co-operatives.*

📌 **Dividend and Capital Plan:** Going through the Projected Reports of the Company, there is no anticipation of Dividends (Bonus & Cash) distribution by the Company in 3 Years north. Further, no right share is anticipated.

📌 **Financial Summary:** After reporting the losses in past three consecutive years since its operation from FY 73/74, the Company lays a Q4 76/77 Reports with Rs.2.43M Profits. Further the Company projects the consistent growth of its Borrowings, Deposits, L&A, Operating & Net Profits etc. CAR is projected to remain comfortably above the minimum requirements. Q4 EPS, ROE is above current Industry average while BVPS is below par. Interest income remains the major revenue sources while Other income contribution remains 15% par. However, the minimal NPL projections is doubtful given the risks posed by COVID_19.

📌 **Risk Factors & Impact of COVID-19:** Due to the COVID-19 lockdown, MFIs have been affected as they were not able to collect the due amounts from borrowers. Credit risks (*including counterparty, lending & collateral risks*), liquidity & operational/governance risks, membership duplication etc., further fueled by COVID-19 escalating higher NPL prob.

📌 **Pricing & Assumptions:** We have used a P/E model to price the share of company, selecting 4 listed "D" Class MFIs as comparable and determine the harmonic P/E ratio 39.71 that *market participants are willing to pay for every EPS*. We determine the fair price of company share at 25% discount, *collectively factoring the risks posed by COVID-19, projection errors etc.*

Ability of the company to continue its growth momentum without compromising on asset quality & maintaining the CAR would be key for future growth.