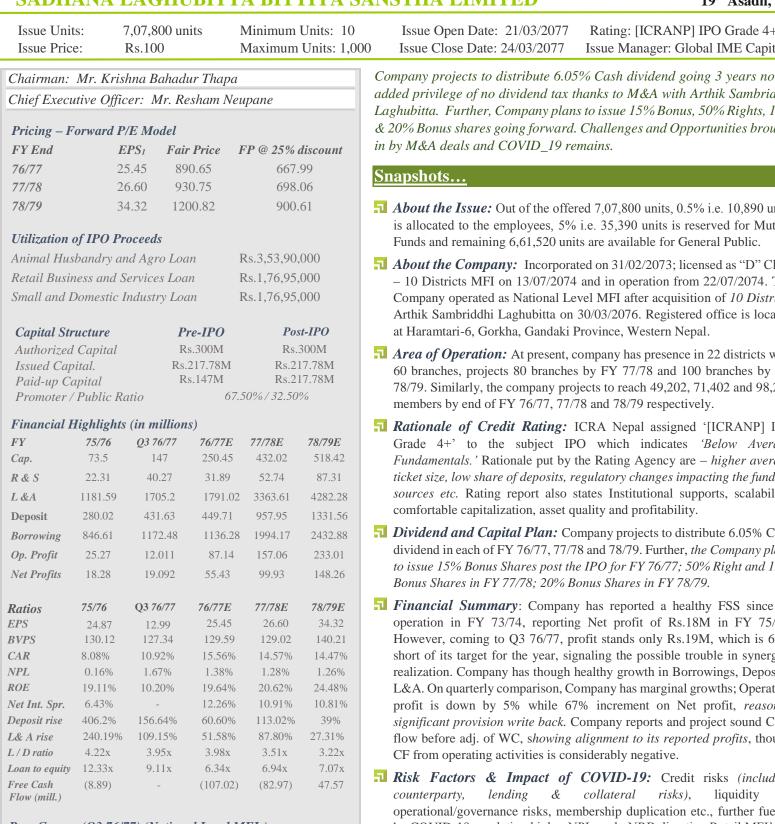
SADHANA LAGHUBITTA BITTIYA SANSTHA LIMITED



Peer Groups (O3 76/77) (National Level MFIs) Ticker **Net Profit** EPS **BVPS** NPL P/E (Rs.Mill) (05/13)(Rs.) **GBLBS** 51.293 6.96 157.84 7.81% 54.74 49.652.35 14.47 2.9% **NLBBL** 184.88 44.78 53,968.73 26.07 155.52 2.16% 29.15 **SDESI** 58,421.25 34.76 147.95 2.92% 25.37 **VLBS**

Harmonic P/E Mean of Peers

34.99

IPO Listing Range: Rs.130.12 – Rs.390.36

S.N.

1

2

3

4

Disclaimers: Not to be inferred as Investment recommendation.

19th Asadh, 2077

Rating: [ICRANP] IPO Grade 4+ Issue Manager: Global IME Capital Ltd.

Company projects to distribute 6.05% Cash dividend going 3 years north, added privilege of no dividend tax thanks to M&A with Arthik Sambriddhi Laghubitta. Further, Company plans to issue 15% Bonus, 50% Rights, 15% & 20% Bonus shares going forward. Challenges and Opportunities brought

- **About the Issue:** Out of the offered 7,07,800 units, 0.5% i.e. 10,890 units is allocated to the employees, 5% i.e. 35,390 units is reserved for Mutual
- **About the Company:** Incorporated on 31/02/2073; licensed as "D" Class -10 Districts MFI on 13/07/2074 and in operation from 22/07/2074. The Company operated as National Level MFI after acquisition of 10 Districts Arthik Sambriddhi Laghubitta on 30/03/2076. Registered office is located
- **Area of Operation:** At present, company has presence in 22 districts with 60 branches, projects 80 branches by FY 77/78 and 100 branches by FY 78/79. Similarly, the company projects to reach 49,202, 71,402 and 98,282
- **Rationale of Credit Rating:** ICRA Nepal assigned '[ICRANP] IPO Grade 4+' to the subject IPO which indicates 'Below Average *Fundamentals.* 'Rationale put by the Rating Agency are – *higher average* ticket size, low share of deposits, regulatory changes impacting the funding sources etc. Rating report also states Institutional supports, scalability,
- **Dividend and Capital Plan:** Company projects to distribute 6.05% Cash dividend in each of FY 76/77, 77/78 and 78/79. Further, the Company plans to issue 15% Bonus Shares post the IPO for FY 76/77; 50% Right and 15%
- **Financial Summary:** Company has reported a healthy FSS since its operation in FY 73/74, reporting Net profit of Rs.18M in FY 75/76. However, coming to Q3 76/77, profit stands only Rs.19M, which is 65% short of its target for the year, signaling the possible trouble in synergies realization. Company has though healthy growth in Borrowings, Deposits, L&A. On quarterly comparison, Company has marginal growths; Operating profit is down by 5% while 67% increment on Net profit, reasoned significant provision write back. Company reports and project sound Cash flow before adj. of WC, showing alignment to its reported profits, though
- **Risk Factors & Impact of COVID-19:** Credit risks (including & 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 at 25% discount, collectively factoring the risks posed by COVID-19, projection errors etc.