

ASHA LAGHUBITTA BITTIYA SANSTHA LIMITED

Issue Units (Public): 674,000 units

Minimum Units: 10

Issue Open Date: 18/10/2075

Rating: CARE NP IPO Grade 4

Issue Price: Rs.100

Maximum Units: 3,370

Issue Close Date: 22/10/2075

Issue Manager: Prabhu Capital

Chairman: Mr. Nirgun Prasad Bhattachan

Chief Executive Officer: Mr. Badri Prasad Dulal

<u>Valuation</u>	<u>Rs.</u>
As per P/E	866.36
As per P/B	580.68
As per RIM	626.62
Average Value	691.22

- RIM = Residual Income Model

Utilization of IPO Proceeds

Agro loan	Rs. 1,94,00,000
Retail loan	Rs. 2,40,00,000
Small & Cottage Ind.	Rs. 60,00,000
Micro-credit loan	Rs. 1,80,00,000

Capital Structure

Authorized Capital	Rs. 30,00,00,000
Issued Capital	Rs. 20,74,00,000
Promoter / Public Ratio	67.5% / 32.5%
Major Promoters (Before IPO):	
Prabhu Investment Pvt. Ltd	14.29%
Nepal Investment Pvt. Ltd.	14.29%

Financial Highlights (in millions)

Financial Years	74/75	75/76E	76/77E	77/78E
Paid Up Cap.	140	207.4	207.4	207.4
Reserve & Surplus	0.077	10.85	32.15	48.43
Borrowings	897.23	1,348.1	1,659.2	1,866.6
Loan & Advance	1,275	2,062.3	2,622.9	3,138.2
Deposit	257.3	572.4	812.7	1,121.6
Net Profits	11.1	27.56	62.78	68.13

<u>Ratios</u>	74/75	75/76E	76/77E	77/78E
EPS	7.92	13.29	30.27	32.85
BVPS	100.05	105.23	115.50	123.35
Deposit rise	596.46%	122.45%	42.00%	38.00%
L & A rise	229.33%	61.70%	27.19%	19.65%
Net Int. Spread		5.35%	3.00%	3.00%
Net Profit rise	-205.8%	148.4%	127.8%	8.52%
CAR		11.41%	9.78%	8.82%
NPL		0.28%	0.10%	0.05%

Market Snapshots (As on 15/10/2075)

Listed Microfinance Co.	40
Market Cap. / Coverage	Rs.1421.18 bill. / 6.28%
NEPSE /Microfinance Index	1164.89 / 1445.72
Harmonic Price Level	760.97
Beta / Corr. with NEPSE	1.35 (High)/ 0.90 (Strong)

IPO LISTING RANGE: Rs. 100.05 - Rs. 300.15

With the outreach of the company in a limited areas of operations and operated just 2 years ahead is likely to mean that it is going to have to battle with other national level MFIs which have already been established and enjoy a favorable market share.

Snapshots...

- **About the Company:** Registered on 05/01/2073 as Public Ltd. Company and obtained the license to carry financial transactions on 23/04/2075, commencing its microcredit activities from 15/05/2073. Its Registered office is at Kakani-6, Nuwakot. It operates on Joint Liability Group Model where each group consists of minimum five members.
- **Reach of the Company:** Coming to date, the Company has its presence in 24 Districts through 43 Branches. It has forty thousand plus members comprising almost all Women's. The company claims to add 8-9 branches in the next FY.
- **Valuations & Assumptions:** Using the three valuation approach as shown to left, we have derived the present worth of company share as Rs.691.22. We identify 5 MFI's of national level as comparable for P/E & P/B valuation. These includes NMBMF, NADEP, NMFBS, MSMBS & CLBSL. EPS (annualized) and BVPS of Quarter 1 2075/76 is used for relative valuation. Price correspond to 15th Magh is taken. Cost of Fund of 8.25% is used for RIM valuation purpose. Cost of fund here shows the tentative average interest expenses on Borrowings made by the Company.
- **Dividend Projection** The Company has projected to distribute 8%, 20% and 25% Dividend for the FY 75/76, 76/77 and 77/78 respectively. Dividend is likely to be Cash rather than Bonus since the Paid-up capital is projected to be unchanged.
- **Highlight of CARE Rating Nepal Report:** The Company proposed IPO is graded "CARE-NP IPO Grade 4" by CARE Rating Nepal Ltd which implies Below Average Fundamentals. The rating primarily bases on short track record & small scale of operation, increasing NPL, high dependence on BFI borrowings. – Rating Report Jan. 2019
- **Financial Highlights and Outlooks:** The Company seems to have sound financial performance and position, amid the delightful projections. The positive EPS and above par BVPS for FY 74/75, though is comparatively lower than Industry average, is laudable since the company is in early year of its operations. The projected fundamentals are expected to align the Industry average. There is a significant disbursement of Loan & Advances. The projections looks more aggressive in the next 2 years and rather conservative in the 3rd year of projection. Net profit is projected to rise at an exorbitant rates of 148.43% and 127.80% in FY 75/76 and FY 76/77 while its only 8.52% in FY 77/78. NPL is projected unrealistically low and provision for possible losses are instead lowered significantly. Operating expenses including Employees expenses are high, giving a minus point, however projections are softer going ahead.
In the Q1 75/76, it earned Rs.26.77 lakhs which is lower than the industry harmonic mean.

UNDERWRITER – NIBL ACE CAPITAL (100%)**Disclaimers: Not to be inferred as Investment recommendation.**

Sources: Prospectus, Offer Letter, CARE Ratings Report.