

GURANS LAGHUBITTA BITTIYA SANSTHA LIMITED

Issue Units (Public): 233,625 units	Minimum Units: 10	Issue Open Date: 16/01/2075	Rating: N/A
Issue Price: Rs.100	Maximum Units: 500	Issue Close Date: 20/01/2075	Issue Manager: N/A

The Issued Capital of the Company stands at Rs.77,500,000 i.e. 775,000 unit shares. As a part of its IPO issuance, 33,875 units is allocated to the employees of the institution and 12,500 units is reserved for the Mutual Funds. Therefore, General Public can apply for IPO worth Rs. 23,362,500 i.e. 233,625 unit shares.

Chairman: Mr. Uday Narayan Baral

Chief Executive Officer: Mr. Nagendra Mishra

Valuation	Rs.
As per P/E	665.39
As per P/B	441.13
As per RIM	290.89
Average Value	465.80

• RIM = Residual Income Model

Utilization of IPO Proceeds

Agro loan	Rs. 12,500,000
Retail loan	Rs. 7,500,000
Micro-credit loan	Rs. 5,000,000

Capital Structure

Authorized Capital	Rs. 100,000,000
Issued Capital	Rs. 77,500,000
Promoter / Public Ratio	67.74% / 32.26%

Financial Highlights (in millions)

Financial Years	74/75	75/76E	76/77E	77/78E
Paid Up Cap.	52.50	77.50	77.50	77.50
Reserve & Surplus	(3.82)	8.26	28.10	52.98
Loan & Advance	6.12	708.29	883.02	1101.22
Deposit	56.85	118.12	177.18	265.77
Net Profits	3.36	12.08	19.84	24.88

Ratios

	74/75	75/76E	76/77E	77/78E
EPS	6.75	15.58	25.60	32.10
BVPS	92.72	110.65	136.26	168.35
Cost of Funds	16.00%	16.00%	16.00%	16.00%
CAR	-	11.72%	11.46%	11.23%
NPL	-	2.49%	2.10%	1.76%
Increment in Deposit	656.56%	107.78%	50.00%	50.00%
Increment in L&A	26.43%	11477.2%	24.67%	24.71%
Increase in Net Profit	(149.09%)	240.94%	64.32%	25.36%

Market Snapshots (As on 15/01/2076)

Listed Microfinance Co.	41
Market Cap. / Coverage	Rs.1628.80 billion / 6.13%
NEPSE / Microcredit Index	1314.51 / 1579.83
Harmonic Price Level	1485.601
Correlation with NEPSE	0.85 (Strong)
Beta of Microcredit Index	1.20 (Higher)

Snapshots...

- Valuations & Assumptions:** Using the 3 valuation approach to the left, we have derived the present worth of the company as Rs. 465.80 by averaging the price derived from these methods. We have taken the trailing P/E and P/B of all the 5 listed 4-10 district level MFIs. The harmonic mean of these MFIs according to the published Q2 financial report of FY 75/76 is taken. In the calculation of RIM Model, we have taken a cost of equity of 11.03%.
- About the Company:** The Company was registered in the Office of Company Registrar on 2nd of Jestha 2073. It received approval from NRB to undertake its financial activities on 22nd of Kartik 2073. It commenced its micro credit activities from 13th of Mangsir, 2073. It has its central office located in Hulak Tole, Dhankuta. It has been operating as a 4-10 district level microfinance company with its presence in 10 districts and 23 branches.
- Board and Management:** The Company is chaired by Mr. Uday Narayan Baral and the board is comprised of 5 directors (including chairperson) and 1 independent director. The CEO of the Company is Mr. Nagendra Mishra who has more than 21 years of experience in the field of microfinance.
- Industry Competitiveness:** The number of MFIs is huge, increasing the competitiveness at a national as well as regional level and the level of product and services they are offering. The deposits and loans and advances of the MFIs averages to Rs. 29.74 crores and Rs. 82.90 crores respectively. Amidst the industry, Gurans Laghubitta Bittiya Sanstha Ltd has comparatively lower than the industry average of deposits and loans which are considered to be the core business of the company. Post IPO the financials of the company projects the deposits and loans of the company to increase. Additionally, the average reserves and surplus of the industry stands at Rs. 4.40 crores, while that of the Gurans Laghubitta Bittiya Sanstha is negative on Q2 FY75/76./*industry refers to 4-10 level MFIs/
- Financial Statement Outlook:** Paid up capital of the company will reach Rs. 7.75 crores post IPO issue. The net worth of the company is projected to increase by 76.17%, 23.14% and 23.55% in the FY 75/76, 76/77 and 77/78 respectively. The net interest spread of the company is static at 8% over the projected years. Furthermore, NPL to Total Loan of the company is expected to decrease. However, the provision maintained by the company as a percentage of total Loan is expected to reduce over the years even though the company has projected its loans and advances to increase significantly. Additionally, the company undergoes the risk in terms of the fact that it has been largely funded by borrowings (Approx. 73.94%, 72.67% and 71.16% in FY 75/76, 76/77 and 77/78 respectively) and, the cost of borrowings is likely to erode the returns of the company. The company has projected its net profit margin to exceed the industry average which in itself seems to be a challenge for the company.

Disclaimers: Not to be inferred as Investment recommendation.