

## GANAPATI MICROFINANCE BITTIYA SANSTHA LIMITED

Issue Units (Public): 313,075 units  
Issue Price: Rs.100

Minimum Units: 10  
Maximum Units: 1,500

Issue Open Date: 09/01/2075  
Issue Close Date: 12/01/2075

Rating: CARE NP IPO Grade 4  
Issue Manager: NIBL Ace Capital

The Company was registered in the Office of Company Registrar as public limited company on 13<sup>th</sup> of Asadh, 2073. It further obtained the license from NRB to operate as Class "D" financial institution to provide financial services from NRB on 30<sup>th</sup> of Kartik, 2073. It has successfully operated as a national level microfinance with its penetration in 14 districts through 24 branches. It began operating its microcredit facilities from 24<sup>th</sup> of Mangsir, 2073 with its central office located in Dulegauda, Tanahu.

Chairman: Mr. Yubaraj Bhandari

Chief Executive Officer: Mr. Achut Raj Sapkota

<u>Valuation</u>	<u>Rs.</u>
As per P/E	447.89
As per P/B	384.70
As per RIM	262.33
<b>Average Value</b>	<b>364.97</b>

• RIM = Residual Income Model

#### Utilization of IPO Proceeds

Agro loan	Rs. 13,500,000
Retail loan	Rs. 10,000,000
Micro-credit loan	Rs. 10,000,000

#### Capital Structure

Authorized Capital	Rs. 200,000,000
Issued Capital	Rs. 70,000,000
Promoter / Public Ratio	67.63% / 32.37%

#### Financial Highlights (in millions)

Financial Years	74/75	75/76E	76/77E	77/78E
Paid Up Cap.	70.00	103.50	103.50	103.50
Reserve & Surplus	(14.76)	11.88	43.40	81.28
Loan & Advance	535.16	784.15	940.57	1,128.22
Deposit	124.98	187.47	216.61	292.68
Net Profits	(2.58)	25.05	31.51	37.88

<u>Ratios</u>	74/75	75/76E	76/77E	77/78E
EPS	(3.69)	24.20	30.45	36.60
BVPS	77.73	110.65	141.93	178.53
Deposit	124.98	187.47	216.61	292.68
Loan & Advances	535.16	784.15	940.57	1,128.22
Cost of Funds	17.50%	17.50%	17.50%	17.50%
Net Profit	(2.58)	25.05	31.51	37.98
CAR	10.66%	14.89%	15.76%	16.38%
NPL	-	2.05%	1.97%	1.89%

#### Market Snapshots (As on 09/01/2076)

Listed Microfinance Co.	41
Market Cap. / Coverage	Rs.1556.8 billion / 5.99%
NEPSE / Microcredit Index	1256.94 / 1477.31
Harmonic Price Level	1485.296
Correlation with NEPSE	0.86 (Strong)
Beta of Microcredit Index	1.19 (Higher)

#### Snapshots...

- Valuations & Assumptions:** Using the 3 valuation approach to the left, we have derived the present worth of the company as Rs. 364.97. We have taken the trailing P/E and P/B of all the 24 listed national level MFIs. The harmonic mean of these MFIs according to the published Q2 financial report of FY 75/76 is taken. Furthermore, the RIM Model is used to derive the value of the company, we have assumed a cost of equity of 12.75%.
- Board and Management:** The Company is chaired by Mr. Yubaraj Bhandari and the board is comprised of 5 directors and 1 independent director. The CEO of the Company is Mr. Achyut Raj Sapkota who has more than 20 years of experience in the field of BFIs. The Company is promoted by Guheswori Merchant Banking and Finance Ltd, which owns 21.74% of the shares of the company post IPO.
- Rationale for CARE Ratings:** CARE Rating Nepal assigned IPO Grade 4 for IPO issue of Ganapati Microfinance Bittiya Sanstha Limited. The grading takes into account the limited period of operation i.e. almost 3 years. Also, the increasing NPL to Total Loan drives the risk factors of the company. Furthermore, the company has a higher proportion of borrowings from BFIs which is considered costly as compared to the cost of deposit.
- Industry Competitiveness:** The deposits and loans of the MFIs in the industry averages to Rs. 75.29 crores and Rs. 2.79 arba respectively. The deposit and loans size of Ganapati Microfinance is comparatively less than the industry average. Even though, the deposits and loans of the company is expected to grow significantly following its increase in the area of operation the increasing number of MFIs increases competition for Ganapati Microfinance and it becomes harder for the company to gain competitive advantage. However, the net profit margin of the company is expected to average at 19.95% over the projected years, whereas that of the MFIs in the Q2 FY 75/76 is 14.59%. /\*industry refers to national level MFIs/
- Financial Statement Outlook:** Paid up capital of the company will reach Rs. 10.35 crores post the IPO issue. After the issuance of IPO, the net worth of the company is expected to increase by 110.46%. Furthermore, the business size is expected to increase following the increase in the area of operation. The deposits and loans and advances of the company is estimated to increase by 24.95% and by 20% over the period of 2 years respectively. Additionally, the Company undergoes risk in terms of the fact that it has been funded largely by borrowings (approx. 70.57% in FY 74/75 and 66.29% in FY 75/76). And the cost of borrowings is likely to erode the returns of the company. Furthermore, even though the company has projected its loans and advances to increase significantly over the years, its provision for possible losses has decreased. Despite the above mentioned factors, the Company projects its net profit to average to 31.48 crores over the projected years which seems rather over optimistic.

**Disclaimers: Not to be inferred as Investment recommendation.**