

GHODIGHODA LAGHUBITTA BITTIYA SANSTHA LIMITED

Issue Units: 132,600 units
Issue Price: Rs.100

Minimum Units: 10
Maximum Units: 1,000

Issue Open Date: 20/03/2076
Issue Close Date: 24/03/2076

Rating: Not Applicable
Issue Manager: Prabhu Capital Limited

The Company plans to offer its Shareholders 20% Right shares in FY 2076/77 and 30% Right with 10% bonus shares in the FY 2077/78. Business size is vision to enlarge through Branch extension and increasing its penetration throughout Sudur Paschim Province.

Snapshots...

- **About the Issue:** Out of the Issued Capital, 0.5% i.e. 1,380 units is allocated to the Employees, 5% i.e. 6,630 units is reserved for the Mutual Funds and remaining 124,590 units is set for the General Public.
- **About the Company:** Established with the objective to aid in eliminating the poverty in the region, Ghodighoda Laghubitta received license from NRB to operate as a 10 districts level microfinance company on 29th of Baisakh, 2073. It commenced its micro credit activities from 3rd of Asadh, 2073 with its central office located in Belauri-04, Kanchanpur.
- **Area of Operation:** Following the directive issued by NRB regarding the operation of MFI in a single province, the company is expected to operate in the Sudur Pashchim Pradesh only and plans to expand to all 9 districts of this Province. At present, it is operating in 6 branches in 2 districts namely Kanchanpur (2) and Kailali (4), reaching its services to 3,493 local members.
- **Capital Plan:** Post the IPO issuance, paid up capital of the company will exceed the minimum capital requirement as stipulated by NRB for 4-10 district level MFI i.e. Rs. 2 crores. The company issued Rs.33.15 lakhs worth of Right Shares in FY 75/76 to increase its Paid up capital to Rs.14.37 million. Further, the company projects to increase its paid up capital, through issue of 20% Right shares in FY 76/77 and 30% Right as well as 10% Bonus in FY 77/78.
- **Pricing & Assumptions:** We have used a P/E model to price the share of company at the current market scenario. We select 4 listed MFI's of 4-10 district level which has published its Q3 reports as comparable for finding pricing of the company. We have considered the actual EPS of Q3 rather than annualized figures and closing price as on 19th Asadh, 2076 for the calculation of fair price. Assuming the market at present efficiently price Rs.33.60 for every EPS in the future also, we derive the fair price of the company's stock with varying EPS level during the projected periods.
- **Financial Summary:** The Company presents the healthy and optimistic financial projections. Just within 3 years of operation, it has been able to turn a retained loss into retained profit. Coming to Q3, its profit has surged by 3320.83% and the profit projected for FY 75/76 end is most likely to be achieved. However, the net profit over the projected years average to Rs. 74.47 lacs which is comparatively lower than the industry average. Further, it seems challenging for the company to achieve the targeted deposits and loan & advance amount by the end of current FY. Business is heavily dependent on borrowing and thus requires the increments in membership and deposit size. The operating expenses to interest income approx. 35% and we believe it to be reasonable. Besides, the projected NPL seems to be reasonable and par to the industry.
- **Investment Opinion:** We believe the issue involves negligible risk with great upside potential. The issue is highly to be oversubscribed and lottery basis be followed for allotment.

Chairman: Mr. Prabhat Kumar Chaudhary

Chief Executive Officer: Mr. Kunna Narayan Chaudhary

Pricing – Forward P/E Model

Period end	HM P/E	Forward EPS	Fair Price
Q3 75/76	33.60	17.15	576.16
75/76		18.62	625.55
76/77		23.40	786.14
77/78		25.68	862.74

Utilization of IPO Proceeds

Agro Sector	Rs. 5,000,000
Trade and Business	Rs. 3,260,000
Small enterprise loan	Rs. 5,000,000

Capital Structure

Authorized Capital	Rs. 10,00,00,000
Issued and Paid up Capital	Rs. 2,76,25,000
Promoter / Public Ratio	52% / 48%

Financial Highlights (in millions)

FY	74/75	Q3 75/76	75/76E	76/77E	77/78E
Paid Up Cap.	14.37	14.37	27.63	33.15	46.41
R & S	(2.53)	(0.07)	0.13	7.84	19.60
Borrowings	64.59	157.77	191.51	269.02	296.46
Loan & Adv.	75.28	177.84	240.82	337.19	392.04
Deposit	5.69	15.78	25.00	37.00	40.00
Net Profits	0.07	2.46	2.67	7.76	11.92

Ratios

	74/75	Q3 75/76	75/76E	76/77E	77/78E
EPS	0.59	17.15	18.62	23.40	25.68
BVPS	77.01	99.51	100.47	123.64	142.22
CAR	-	-	12.21%	12.92%	17.63%
NPL	-	-	1.32%	1.30%	1.36%
ROI	-	-	14.41%	16.63%	16.62%
Ret. on NW	0.85%	17.23%	9.61%	18.93%	18.05%
NIS	-	-	8.03%	8.89%	9.87%
Deposit rise	176.03%	-	339.44%	48.00%	8.11%
L&A rise	187.05%	-	219.90%	40.03%	16.27%
Int. Income rise	222.26%	-	164.67%	110.29%	26.01%
N. Profit rise	-104.64%	-	3602.78%	191.04%	53.59%

(4-10 districts) Peer Groups (Q3 75/76)

S. N.	Ticker	Net Profit (Rs.mill)	EPS (Rs.)	BVPS	NPL	LTP (19/03)
1	NNLB	8.32	13.22	136.11	1.96%	398
2	SMFDB	42.839	27.20	142.04	1.95%	530
3	NBBL	21.24	16.89	164.68	4.28%	588
4	SLBSL	17.951	23.94	148.95	1.40%	526