

**ADHIKHOLA LAGHUBITTA BITTIYA SANSTHA LIMITED**

Issue Units (Public): 400,000 units  
Issue Price: Rs.100

Minimum Units: 10  
Maximum Units: 2,000

Issue Open Date: 22/03/2076  
Issue Close Date: 25/03/2076

Rating: ICRA NP IPO Grade 4  
Issue Manager: NIBL Ace Capital Ltd.

Chairman: Mr. Naresh K.C

Chief Executive Officer: Mr. Dolraj K.C

**Pricing – Forward P/E Model**

Period end	HM P/E	Forward EPS	Fair Price
Q3 75/76	33.60	18.66	626.89
75/76		21.68	728.35
76/77		31.53	1059.27
77/78		39.93	1341.48

**Utilization of IPO Proceeds**

Animal Husbandry and Agro Loan	Rs. 20,000,000
Retail Business and Services Loan	Rs. 10,000,000
Small and Domestic Industry Loan	Rs. 10,000,000

**Capital Structure**

Authorized Capital	Rs. 150,000,000
Issued and Paid Up Capital	Rs. 100,000,000
Promoter / Public Ratio	60% / 40%

**Financial Highlights (in millions)**

FY	74/75	Q3 75/76	75/76E	76/77E	77/78E
Cap.	60.00	60.00	100.00	100.00	100.00
R & S	(7.37)	3.83	5.64	37.17	77.10
L & A	345.80	609.50	718.34	1,003.59	1,204.81
Deposit	103.12	194.04	242.56	291.07	334.73
Borrowings	275.32	379.56	436.50	654.75	851.17
Net Profits	(1.64)	11.20	13.01	31.53	39.93

Ratios	74/75	Q3 75/76	75/76E	76/77E	77/78E
EPS	(2.73)	18.66	21.68	31.53	39.93
BVPS	87.72	106.38	105.64	137.17	177.10
CAR	-	11.10%	14.85%	11.96%	13.62%
NPL	-	1.85%	1.84%	1.60%	1.66%
Return on NW	(3.11%)	17.54%	12.31%	22.99%	22.54%
Net Int. Spr.	-	-	9.00%	9.00%	9.25%
Deposit rise	690.02%	88.18%	135.22%	20.00%	15.00%
L & A rise	392.15%	76.26%	107.73%	39.71%	20.05%
L / D ratio	3.35x	3.14x	2.96x	3.45x	3.60x
Loan to equity	6.57x	9.55x	6.80x	7.32x	6.80x
Provision on Total Loan	-	-	1.64%	1.56%	1.58%

**(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

Given the NRB requirement to either consolidate the operations to a single province or to upgrade the status as National level MFI, major strategic changes can be expected in Adhikhola Laghubitta in the coming days. Nevertheless, the company presents a strong financial front in its quarterly report along with competitive projections. However, company makes no projections of dividend distribution or any Right offers.

**Snapshots...**

- About the Issue:** Out of Issued Capital, 0.5% i.e. 5,000 units is allocated to the Employees, 2% i.e. 20,000 units is reserved for the Mutual Funds and remaining 375,000 unit shares is allocated for General Public
- About the Company:** The Company was registered as a public limited company on 10<sup>th</sup> Bhadra, 2073 and received license from NRB to operate as a 10 districts microfinance company on 12<sup>th</sup> Magh, 2073. It commenced its micro credit activities from 1<sup>st</sup> Falgun, 2073 with its central office located in Bhirkot, Syangja.
- Area of Operation:** At present, company has 19 branches, situated in 2 provinces, Gandaki and Province 5, enlisting already 12948 local members. However, NRB directives requires the company to either consolidate its operations to a single province or to upgrade its status as National level MFI by 31<sup>st</sup> Asadh, 2077.
- Capital Plan:** Post the IPO, the paid up capital of the company will reach to Rs 10 crores and projected to remain same. This imply the company having no plans of issuing Right/Bonus in FY 76/77 and 77/78.
- Rationale of Credit Rating:** ICRA NP IPO Grade 4 (indicate below average fundamental) by ICRA Nepal takes into account the rising NPLs, subdued return indicators, limited track record, small scale of operation, regulatory constraints and also the greater abilities of the company in scaling up the business.
- 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 19<sup>th</sup> 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:** Company is most likely to achieve its targeted net profit for FY 75/76. In its short years of operation, company is already in profit and its BVPS is positive. The net profit of the company over the projected year's average to Rs. 2.82 crores which is par to the industry's average. CAGR of loans and deposits until Q3 75/76 (period of 1.75 years) stands at 367.55% and 243.67% respectively. The operating expenses to interest income stands at approx. 27.06% on average over the projected years which we deem reasonable. CAR is projected to remain at comfortable level against the 8% requirements, providing space for business growth. However, rising NPL can be a concern affecting profitability and other indicators.
- Investment Opinion:** We opine that the issue involves greater upside potential with limited risk. As predicted by the history of IPO/FPO of MFIs, the issue if likely to be oversubscribed.

IPO Listing Range: Rs.87.72 – Rs.263.16

Disclaimers: Not to be inferred as Investment recommendation.