

JANASEWI LAGHUBITTA BITTIYA SANSTHA LIMITED

Issue Units (Public): 432,990 units

Minimum Units: 10

Issue Open Date: 27/01/2075

Rating: ICRA NP IPO Grade 4

Issue Price: Rs.100

Maximum Units: 1,000

Issue Close Date: 31/01/2075

Issue Manager: NMB Capital Ltd.

Chairman: Mr. Bikas Gauchan

Chief Executive Officer: Mr. Kamal Bahadur Khatri

Pricing – Forward P/E Model

Period end	Forward P/E	Forward EPS	Fair Price
Q3 75/76	37.69	11.92	449.28
75/76		13.83	521.27
76/77		22.19	836.37
77/78		38.22	1440.57

Utilization of IPO Proceeds

Animal Husbandry and Agro Sector	Rs. 21,500,000
Retail Business and Services Sector	Rs. 16,500,000
Small and Domestic Industry Sector	Rs. 8,330,000

Capital Structure

Authorized Capital	Rs. 300,000,000
Issued Capital	Rs. 144,330,000
Promoter / Public Ratio	67.90% / 32.10%

Financial Highlights (in millions)

FY	74/75	Q3 75/76	75/76E	76/77E	77/78E
Cap.	98.00	98.00	144.33	144.33	144.33
R & S	4.34	13.10	24.29	56.30	111.46
L & A	410.6	572.69	775.53	1163.29	1454.12
Deposit	122.8	174.95	251.76	402.81	475.31
Op. Income	41.66	33.08	77.80	99.42	138.56
Net Profits	3.87	8.76	19.95	32.01	55.15

Ratios	74/75	Q3 75/76	75/76E	76/77E	77/78E
EPS	3.95	11.92	13.83	22.19	38.22
BVPS	104.30	113.37	116.73	138.90	177.10
CAR	-	20.62	21.55%	17.42%	18.80%
NPL	-	1.79%	3.50%	3.50%	3.50%
Return on NW	3.79%	7.88%	11.84%	15.97%	21.58%
Net Int. Spr.	-	-	8.01%	6.14%	7.23%
Deposit rise	199.9%	67.6%	105%	60.00%	18.00%
L&A rise	91.48%	51.7%	88.87%	50.00%	25.00%
Int. Inc. rise	189.60%	74.2%	102.27%	29.52%	24.69%
Profit rise	305.13%	260.9%	415.64%	60.47%	72.28%

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

S.N.	Ticker	Net Profit (Rs.mill)	EPS (Rs.)	BVPS	NPL	LTP (26/01)
1	NNLB	8.32	13.22	136.11	1.96%	437
2	SMFDB	42.839	27.20	142.04	1.95%	623
3	NBBL	21.24	16.89	164.68	4.28%	610
4	SLBSL	17.951	23.94	148.95	1.40%	600

The Company has been successfully increasing its business size by increasing the deposits and loans & advances by 67.61% and 51.69% respectively on a y-o-y based on its latest published financial report of 3rd quarter FY 2075/76. The report reflects that its risk level as calculated from NPL to Total Loan has improved to 1.79% from 2.29%.

Snapshots...

- About the Company:** The Company was registered in the Office of Company Registrar as a public limited company on 23rd of Chaitra, 2071. It received license from NRB to operate as a 10 districts level microfinance company on 12th of Ashwin 2072. It commenced its micro credit activities from 22nd of Ashwin 2072 with its central office located in Kusmabazar, Parbat.
- Area of Operation:** At present context, the company's working area is branched out to include 25 branches in 10 districts namely Parbat, Baglung, Myagdi, Gulmi, Rukum, Rolpa, Kaski, Tanahun, Lamjung, and Gorkha.
- About the Issue:** As a part of the IPO Issuance, 7145 units is allocated to the employees of the institution and 23,165 units is reserved for the Mutual Funds. Therefore, General Public can apply for IPO worth Rs. 43,299,000 i.e. 432,990 unit shares. Previously, the company had plans to float Rs. 4.20 crores IPO shares and it was later revised to Rs. 4.63 crores to restructure the promoter public ratio.
- Plan and Strategies:** The Company has planned to increase its customer base by outreaching through the establishment of new branches, increasing membership and the implementation of new products.
- Capital Plan:** The capital requirement as stipulated by NRB for 4-10 district level MFI is Rs. 2 crores and the company has far exceeded this requirement indicating its strong base on capital. The paid up capital of the company is expected to reach Rs. 14.43 crores post IPO issuance. However, the company does not plan on increasing its capital for 2 projected years either through right shares or bonus shares.
- Pricing & Assumptions:** We have used a P/E model to price the share of company at the current market scenario. We identify 4 MFI's of 4-10 districts who has published its Q3 reports as comparable for finding pricing of every EPS of MFIs by the market participant. These includes NNLB, SMFDB, NBBL and SLBSL. We have considered the actual EPS of Q3 rather than annualized figures and closing price as on 26th Baisakh. Assuming the market at present efficiently price Rs.37.69 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 ahead.
- Financial Summary:** Given its limited time span of 4 years, the company has increased its businesses with a huge increment in its deposits and loans size. CAGR of Deposits and loans for a period of 2.5 years (as of 2nd QFY75/76) is 250.99% and 137.15% respectively. The net profit of the company over the projected years averages to Rs. 3.57 crores which is competitively lower than the industry average. Company seems to be funded by borrowings of 51.40% on an average. However, the company undergoes significant risk as the major portion of the loans and advances (approx. 91%) is dominated by unsecured group guaranteed loans.