

SPARSHA LAGHUBITTA BITTIYA SANSTHA LIMITED

Issue Units (Public): 269,630 units

Minimum Units: 10

Issue Open Date: 26/11/2075

Rating: Not Required

Issue Price: Rs.100

Maximum Units: 1,340

Issue Close Date: 29/11/2075

Issue Manager: Sanima Capital

Registered on 04/11/2073 as "Class D" Public Ltd. Company and obtained the license from NRB to conduct financial transaction on 23/03/2074. The company started its formal operation after obtaining final approval from Office of the Company Registrar on 29/03/2074. Registered office is at Pokhara-26, Bijaypur, Kaski. It has its presence in 10 districts through 20 branches, as on date.

Snapshots...

- Valuations & Assumptions:** Using P/B multiple, we have computed the fair price the company share as Rs.487.27 at current market scenario. We identify 5 MFI's of 4-10 district level as comparable for P/B model. These includes MLBBL, KMCDB, MSLB, SLBSL and CHLBS. BVPS of Q2 75/76 is used for the purpose.
- Board and Management:** Company is led by Mr. Sajal Khadka. Having worked as a top tier executive in various MFI's, he carries over 13 years of experience. Board and Management teams has extensive exposure in MFI's. Dr. Surendra Neupane and Dr. Sushil Bhakta Mathema in particular, brings wealth of academic experience to the table.
- Dividend projections:** Company projects to distribute 8.48%, 20% and 25% Bonus shares in the FY 75/76, 76/77 and 77/78. Also 0.41%, 0.88% and 1.05% Cash for tax purposes in each of the projected periods ahead.
- Growth and Expansion:** In its short history of operation, Company maintains a deposit size of Rs.10.28 crore coming to Q2 75/76, depicting a 79.19% increment in the 6 months of current FY. Similarly, it has disbursed Rs.52.26 crores loans till Q2 which is a growth of 37.54%. Borrowing increased by 44.92% to Rs.47.18 crore. By end of 74/75, it records 8,665 members and projects to increase the membership to 20,000, 30,000 and 45,000 in 3 years ahead. It added 5 branches in 75/76, totaling it to 20 and project's total branches of 25 and 35 in 76/77 & 77/78.
- Financial Summary:** Company is in profits since its inception. It made Rs.2.69 crore interest revenue in its full year of operation in FY 74/75, which increased by 37.38% to Rs.4.08 crore till Q2 75/76. Interest expenses saw significant increase of 69.36% till Q2, limiting the NII to Rs.1.22 crores. Other than interest, commission and discount accounts the major contributor to the revenues. Operating expenses is significantly higher, reasoned due to addition of the branches, which consumes the major revenues of Company. Staff expenses alone counts more than half the total expenses. Company's operating profit stands Rs.8.10 lakhs till Q2, which is a rise of 406.79%. It reported Rs.6.21 lakhs Net profits on Q2. Reserves is Rs.8.35 lakhs, which is the accumulation of previous period profits.
- Q2 Comparative review:** Q2 earnings of company is comparatively lower than industry average of Rs.5.90 crores. Industry average ROA, RONW, EPS and BVPS stands at 2.17%, 17.51%, 31.44 and 173.45 respectively, all above the company ratios.
- Outlook and Opinion:** Company has a major challenge to meet its projection for FY 75/76 since the figures till Q2 is notably below the targets, raising major doubts on its bonus issue abilities. Projections shows inconsistent and unreliable growth patterns. Project to borrow from 65% of its members and avail Rs.60,000 as loans per (lending) members. Further, project to earn interest of minimum 16% annually on its PY loan balance and average 10% on additional loan size. Higher cash & bank balances might forego the earnings potentials, but needed for branch expansion. Operating expenses, mostly the staffs needs to be controlled for higher profitability. Provision for possible losses are too low and bonus and tax provision for 77/78 seems to be inappropriately computed. Nevertheless, Company is likely to undergo Growth phase with lucrative quarterly reports ahead. Company has to amend its MOA for capital increments, also open door for M&A. Interest rate is the major market risk for Company, beside Operational risks.

Chairman: Mr. Sushil Bhakta Mathema

Chief Executive Officer: Mr. Sajal Khadka

<u>Pricing</u>	<u>Rs.</u>
As per P/B	487.27

Utilization of IPO Proceeds: Loan for -

Agro & Animal husbandry	Rs. 20,000,000
Retail and Service	Rs. 4,000,000
Micro Enterprises	Rs. 2,963,000

Capital Structure

Authorized Capital	Rs. 100,000,000
Issued Capital	Rs. 82,963,000
Promoter / Public Ratio	67.5% / 32.5%

Financial Highlights (in 000s)

Financial Years	74/75	75/76E	76/77E	77/78E
Paid Up Cap.	56,000	56,000	108,000	135,000
Reserve & Sur.	218.2	7,072.8	15,365.3	25,394.1
Borrowings	325,606.3	585,000	819,000	1045,687.5
Loan invt.	380038.9	771264	1156896	1590732
Deposit	57407.0	195000	351000	563062.5
Net Profits	101.8	14266.3	27525.2	35700.3

<u>Ratios / Growth</u>	74/75	75/76E	76/77E	77/78E
EPS	0.18	15.85	25.49	28.89
BVPS	100.39	107.86	114.23	118.81
Deposit rise	-	239.68%	80%	60.42%
Borrowings	-	79.66%	40%	27.68%
L & A rise	-	103.11%	50%	37.50%
Int. Income Rise	-	253.19%	59.89%	37.79%
Net Profit rise	-	13,910%	92.94%	41.69%
ROA	0.02%	1.61%	2.11%	2.00%
RONW	0.18%	14.70%	22.31%	22.26%

Market Snapshots (As on 15/10/2075)

Listed Microfinance Co.	41
Market Cap. / Coverage	Rs.1421.18 billion / 6.28%
NEPSE / Microcredit Index	1127.77 / 1412.12
Harmonic Price Level	703.25
Correlation with NEPSE	0.90 (Strong)
Beta of Microcredit Index	1.35 (Higher)

IPO LISTING RANGE: Rs. 100.39 – 301.17

Disclaimers: Not to be inferred as Investment recommendation.