

Issue Units: 198,610 units
Issue Price: Rs.100

Minimum Units: 10
Maximum Units: 5,000

Issue Open Date: 27/01/2076
Issue Close Date: 31/01/2076

Rating: Not Applicable
Issue Manager: Siddhartha Capital Ltd.

Chairman: Mr. Santosh Narayan Shrestha

Chief Executive Officer: Mr. Krishna Raj Choudhary

Pricing – P/E Model

Period end	HM P/E	Forward EPS	Fair Price
Q3 75/76	37.69	34.47	1299.22
75/76		27.20	1025.21
76/77		24.70	930.98
77/78		34.86	1313.92

Utilization of IPO Proceeds

Branch extension & Infrastructures	Rs.10,00,000
Agro loan	Rs. 80,00,000
Retail loan	Rs. 60,00,000
Small & Cottage Ind.	Rs. 40,00,000
Bank balance at BFIs	Rs. 861,000

Capital Structure

Authorized Capital	Rs. 10,00,00,000
Issued Capital	Rs. 6,18,61,000
Promoter / Public Ratio	67.89% / 32.1%

Key Shareholders:

Kailash Bikash Bank Ltd.	14.55%
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Financial Highlights (fig. in Millions)

FY	74/75	74/75	Q3/75/76	75/76E	76/77E	77/78E
Cap.	14	42	42	61.86	92.79	102.79
R & S	-2.93	-2.70	11.77	14.12	37.04	62.87
Borrow.	74.99	350.75	467.49	520.35	674.42	779.30
Deposits	4.69	118.32	229.57	271.35	461.29	784.20
L & A	51.62	427.57	700.43	845.30	1243.6	1648.6
Net Profit	-2.93	0.23	14.47	16.82	22.91	35.83

Ratios

	74/75	Q3/75/76	75/76E	76/77E	77/78E
EPS	0.55	34.47	27.20	24.70	34.86
BVPS	91.84	-	121.55	138.98	160.23
ROE (average)	0.96%	-	29.58%	22.45%	24.40%
ROA (average)	0.08%	2.24%	2.42%	2.13%	2.37%
Deposit rise	2418%	-	129%	70%	70%
L & A rise	728%	-	97.7%	47.13%	32.56%
Net Int. Spread	-	-	9.58%	9.68%	9.78%
Net Profit rise	-	-	7136%	36.19%	56.36%
CCD	-	-	98.69%	99.55%	96.59%
CAR	-	-	8.84%	10.31%	9.87%

(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 reported a lucrative earning of Rs.1.44 crores in Q3 75/76 which is a staggering increment of 74.75% on Q-o-Q basis and 6125.88% in first 9 months of FY 75/76. Deposit has surged by 94.02% while loan & advance has increased by 63.82% till Q3. Further, NPL is only 0.55% in Q3.

Snapshots...

- About the Company:** Registered on 01/05/2073 as "D" Class MFIs with operating scale in 10 districts and obtained the license to carry financial transactions on 26/01/74, commencing its microcredit activities from 16/02/74. Its registered office is at Tilottama-5, Rupandehi.
- Area of Operation:** Company has the license to operate its activities in 10 districts – Rupandehi, Gulmi, Rolpa, Salyan, Syangja, Palpa, Arghakhanchi, Nawalparashi, Kapilbastu and Pyuthan. At present, it has 14 branches in total in these districts.
- About the Issue:** Of the Issued Capital (I.C.) of 618,610 unit shares, 32.10585% i.e. 198,610 units is being floated to Public. This public issue is bifurcated into 3,093 units (0.5% of I.C.) to Employees, 9,930 units (5% of I.C.) to Mutual Fund and remaining 185,587 units to General Public.
- Plan and Strategies:** In FY 76/77, it plan to add 12 new branches and add 7 more in FY 77/78, thereby prioritizing more on branch extension, increasing membership, deposits and lending activities and customer's base.
- Capital Plan:** Paid up capital will be Rs.61,861,000 post IPO and projected to increase to Rs.92,791,500 and Rs.102,791,500 in FY 76/77 and FY 77/78 respectively. For this, company is most likely to issue 50% Right Shares in FY 76/77 and Bonus issue of 10.78% in FY 77/78. Company has to pass resolution to increase the Issued Capital in FY 76/77 and Authorized & Issued capital 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 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:** Coming to the Q3 75/76 end, the company has achieved 86% of the projected Rs.16.82 million earnings of FY 75/76 and makes target earnings of FY 75/76 achievable. Projected CAGR of net profits, operating profits, deposits, borrowings, loan & advance and assets from FY 74/75 to FY 77/78 is 536.11%, 603.79%, 187.84%, 130.49%, 156.81% and 150.73% resp. Fictitious assets/ preliminary expenses is shown in Other Assets of Balance sheet and write off is included in other operating expenses of Income statements. Company has projected this expenses to increase in the projected periods, which is eventually required to be written in 5 years from the earnings. Both the projected EPS and BVPS, ROE, ROA are expected to be on par to industry average on competitive grounds. Stock exhibit a Growth features.

IPO LISTING RANGE: Rs. 91.84 - Rs. 275.52

Disclaimers: Not to be inferred as Investment recommendation.