

## SABAIKO LAGHUBITTA BITTIYA SANSTHA LIMITED

Issue Units (Public): 5,30,000 units

Minimum Units: 10

Issue Open Date: 01/04/2076

Rating: ICRA NP IPO Grade 4

Issue Price: Rs.100

Maximum Units: 2,000

Issue Close Date: 05/04/2076

Issue Manager: NIBL Ace Capital Ltd.

Chairman: Mrs. Srijana Joshi

Chief Executive Officer: Mr. Keshab Kumar Poudel

**Pricing – Forward P/E Model**

Period end	HM P/E	Forward EPS	Fair Price
Q3 75/76	19.44	0.78	-
75/76		25.24	490.75
76/77		28.66	557.24
77/78		32.85	638.71

**Utilization of IPO Proceeds**

Animal Husbandry and Agro Loan Rs.250,00,000

Retail Business and Services Loan Rs.180,00,000

Small and Domestic Industry Loan Rs.100,00,000

**Capital Structure (post IPO)**

Authorized Capital Rs. 20,00,00,000

Issued and Paid Up Capital Rs. 16,50,00,000

Promoter / Public Ratio 67.88% / 32.12%

**Financial Highlights (in millions)**

FY	74/75	Q3 75/76	75/76E	76/77E	77/78E
Cap.	112.00	112.00	165.00	165.00	165.00
R & S	0.99	23.07	29.26	76.54	130.75
L & A	650.47	1,415.67	1,704.21	2,045.06	2,657.83
Deposit	116.46	336.57	420.72	483.83	556.40
Borrowings	452.44	1,009.66	1,312.55	1,706.32	2,218.22
Net Profits	0.87	21.95	28.27	47.28	54.21

**Ratios**

	74/75	Q3 75/76	75/76E	76/77E	77/78E
EPS	0.78	19.60	25.24	28.66	32.85
BVPS	100.88	120.60	126.13	146.39	179.24
CAR	-	10.13%	12.10%	11.54%	11.60%
NPL	-	0.19%	0.31%	0.31%	0.30%
Return on NW	0.77%	17.70%	20.46%	24.72%	20.18%
Net Int. Spr.	-	-	8.50%	8.50%	8.75%
Deposit rise	-	189.02%	261.27%	15%	15%
L & A rise	-	117.64%	162%	20%	29.96%
L / D ratio	5.59x	4.21x	4.05x	4.23x	4.78x
Loan to equity	5.76x	10.49x	8.77x	8.47x	8.99x
Provision on Total Loan	-	-	1.16%	1.17%	1.16%

**Peer Groups (Q3 75/76) (National Level MFIs)**

S.N.	Ticker	Net Profit (Rs.mill)	EPS (Rs.)	BVPS	NPL	LTP (30/03)
1	GBLBS	164.41	33.47	185.54	4.76%	343
2	NLBBL	79.74	30.75	231.52	1.68%	471
3	SDESI	48.17	33.91	169.40	1.99%	567
4	VLBS	37.03	25.35	130.83	2.54%	491

The company seems promising as depicted by its fundamental and business growth in its very short period. Though there is no projections of any dividends ahead, we expect the company to be financially able to distribute dividends. However the chances of Bonus/Right is negligible. Given the competitive nature of industry and M&A activities ongoing into the BFIs sectors, any major strategic changes in the future is undeniable.

**Snapshots...**

• **About the Issue:** Out of Issued Capital, 0.5% i.e. 8,250 units is allocated to the Employees, 5% i.e. 26,500 units is reserved for the Mutual Funds and remaining 4,95,250 unit shares is allocated for General Public

• **About the Company:** The Company was registered as a public limited company on 25<sup>th</sup> Baishakh, 2074 and received license from NRB to operate as a National Level Microfinance company on 25<sup>th</sup> Asadh, 2074. It commenced its micro credit activities from 30<sup>th</sup> Asadh, 2074 with its head office situated at Bandipur - 1, Dumre, Tanahu.

• **Area of Operation:** At present, company has presence in 22 districts with its 38 branches, reaching to 24,642 members. Branch extension is the major plan and strategy of the company and it is permitted to open branches throughout the country.

• **Capital Plan:** Post the IPO, the paid up capital of the company will reach to Rs 16.5 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 small scale of operation, higher cost of fund, relatively higher loan ticket size (average unsecured loan of Rs.90,000 as of Mid-January 2019), high exposure to high-ticket collateral based loan (23%) to inferior profile.

• **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 National 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 30<sup>th</sup> Asadh, 2076 for the calculation of fair price. Assuming the market at present efficiently price Rs.19.44 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:** Coming to Q3, company has earned net profit of Rs.2.19 crores and we expect the company to meet its Rs.2.82 crores target in FY 75/76. Besides, the growth of deposits, borrowings, loan & advances, interest income etc. are satisfactory. In its short period of operation, company is already in profit and both the EPS and BVPS are projected competitive. NPL is significantly lower than industry's data showing good asset quality, though given the marginal borrower profile, NPL could be affected in future. CAR is projected to remain above minimum requirement, though below industry average. Operating expenses seems reasonable while the contribution of other income is applaudable. Company projects distribution of no dividend.

[Note: We find (immaterial) error in the datas of financial statements as presented in the prospectus/offer letter.]

• **Investment Opinion:** We opine that the issue involves greater upside potential with limited risk. As predicted from the history of IPO/FPO of MFIs, the issue if likely to be oversubscribed.

IPO Listing Range: Rs.100.88 – Rs.302.64.

Disclaimers: Not to be inferred as Investment recommendation.