



BPW LAGHUBITTA BITTIYA SANSTHA LIMITED

Issue Units: 80,950 units

Minimum Units: 10

Issue Open Date: 18/11/2079

Rating: [ICRANP]-IR BB-

Issue Price: Rs.100

Maximum Units: 1,000

Issue Close Date: 23/11/2079

Issue Manager: Mega Capital Limited

Chairman: Ms. Ambika Lal Shrestha**Chief Executive Officer: Dilip Kumar Pokhrel****P/E Valuation**

Period end	Average P/E	Average EPS	Fair Value
Q4 78/79	52.20	8.478	442.58

Utilization of IPO Proceeds

Agro Sector Loan	Rs. 53,35,000
Trade and Business Loan	Rs. 43,65,000

Capital Structure (After IPO proceeds)

Authorized Capital	Rs. 10,00,00,000
Issued Capital	Rs. 3,00,00,000
Paid-up Capital	Rs. 3,00,00,000
Promoter / Public Ratio	67.67% / 32.33%

Financial Highlights (in millions)

FY	Q478/79	Q1 79/80	79/80E	80/81E	81/82E
Paid Up Cap.	20	20	30	30	32
R & S	(0.15)	(3)	0.35	5	9
Borrowings	126	121	138	165	197
Loan & Adv.	189	183	208	250	300
Deposit	48	48	50	60	72
Net Profits	3	(3)	3	5	5

Ratios	Q478/79	Q1 79/80	79/80E	80/81E	81/82E
EPS	12.47	(12.74)	10.14	15.85	16.67
BVPS	99.24	86.50	101.19	117.04	127.89
CAR	-	-	14.65%	14.02%	15.38%
NPL	-	-	4.48%	4.60%	4.76%
Ret. on NW	12.57%	(14.73%)	10.02%	13.54%	13.03%
Total Exp rise	-	-	31.99%	24.75%	18.05%
Deposit rise	-	-	46.48%	20%	20%
L& A rise	-	-	41.45%	20.01%	20.25%
Total	-	-	10.88%	27.45%	18.15%
Income rise	-	-	-	-	-
N. Profit rise	-	-	1191%	56.35%	10.46%

Peer Groups (Q2 79/80)

S. N.	Ticker	Paid up cap. (Rs. Mill)	EPS (Rs.)	BVPS	NPL	LTP (01/03)
1	WNLB	79	(27.70)	116.39	7.54%	870
2	ULBSL	66	(49.07)	336.66	7.15%	1,881
3	KLBS	40	2.36	104.73	3.97%	1,163
4	ADLB	21	7.09	183.39	2.29%	1,664

The company is a provincial level MFI; forecasts to provide bonus share as returns to investors from F. Y. 81/82E. The company plans to use IPO proceeds to expand its loan portfolio. However, it forecasts no rights share issuance along the 3-year window period.

Snapshots...

About the Issue: Out of the offered 97,000 units, 9,700 units (10%) is allocated to the Nepalese employed abroad, 4,850 units (5%) for mutual funds, 1500 units (1.5464%) are allocated to the Employees and remaining 80,950 units is set for the General Public.

About the Company: Licensed by NRB on Magh, 2075, originally, commenced business as a FINGO named BPW Patan. On Baisakh, 2076, BPW Patan handed over its Microfinance services operations to BPW Laghubittha.

Area of Operation: Registered office at Banepa-8; company is expected to operate in Bagmati province. At present, it is operating in 5 districts with one branch in each district namely Lalitpur (1), Kavrepalanchowk (1), Rasuwa (1), Chitwan (1), Makwanpur (1). The company plans to establish 15 more branches by F.Y 81/8.

Capital Plan: Post the IPO issuance, paid up capital of the company will exceed the minimum capital requirement as stipulated by NRB for Provincial level MFI. Moreover, the company plans to payout bonus dividend of 5% (Rs. 1.5 Mill) in F.Y 81/82E.

Pricing & Assumptions: We have used a P/E model to price the share of company at the current market scenario. We selected all the listed retail MFI's which has published its Q2 reports as comparable for finding pricing of the company. We have considered the actual EPS of Q2 rather than annualized figures and closing price as on 17th Falgun, 2079 for the calculation of fair price. Assuming the market at present, efficiently pricing of Rs.52.20 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: The Company presents moderately healthy forecasted balance sheet. The company forecasts satisfactory EPS and BVPS to be above face value from F.Y 79/80. However, the company is in loss in Q12079/80 due to high operating cost. We find healthy rise in Loans & Advances and Deposits along with Borrowings; but borrowings are skewedly tied towards financing Loans & Advances which may affect spread. Moreover, regulatory pressure to cap interest rate to 15%, determination of deposit rates at 50% of highest rate on Loans & Advances and levying 100% provision on duplicated loan can affect profitability. Likewise, NPLs are also forecasted to be at 4% level along the years. But, mechanism of credit insurance can provide cushion on NPL occurrence. So, growth in loans and advances, asset quality, adequate capitalization, cost control, degree of liquidity in the banking sector remains key metrics to watch out for investors. ICRA Nepal considers comfortable capitalization, insurance of loan portfolio, moderate asset quality as key rating strength of the company likewise, limited scale of branch network, high operating expenses, and modest asset quality as key rating challenges.

IPO LISTING RANGE: Rs.86.78 – Rs.260.34

Disclaimers: Not to be inferred as Investment recommendation.

Source: Prospectus, Offer letter and ICRA grading report.