

Rating:



Issue Summary:

Price band (Rs)	207-210
Face Value (Rs)	10
Opens	28 th April, 2016
Closes	2 nd May, 2016
Issue Size (Rs)	875-882.5 cr
OFS	2.5 cr shares
Listing	BSE, NSE

Issue Break Up:

QIB portion	50%
NIB portion	15%
Retail portion	35%

Book Running Lead Managers:

➤ Kotak Mahindra Capital Company
➤ Axis Capital
➤ ICICI Securities
➤ IIFL Holdings

Registrar

➤ Karvy Computershare Pvt. Ltd.

Company & Business Profile

Ujjivan started operations as an NBFC (A Non-Banking Financial Company) in 2005 providing a full range of financial services to the economically active poor who are not adequately served by financial institutions. The business is primarily based on the 'joint liability group lending model', for providing collateral free, small ticket-size loans to economically active women. It also offers individual loans to Micro & Small Enterprises ("MSEs"). The company offers a diverse range of loan products to cater to the specific requirements of its customers. Its products can be classified under two broad categories, namely, group loans and individual loans. Depending upon the end use, these products can be further sub-divided into agricultural, education, home improvement, home purchase and livestock loans. All of its assets under management (AUM) fall under the priority sector lending norms prescribed by the RBI. In addition to loan products, the company also provides non-credit offerings comprising of life insurance products, in partnership with insurance providers such as Bajaj Allianz Life Insurance Company, Kotak Mahindra Old Mutual Life Insurance and HDFC Standard Life Insurance Company. As on March 31, 2015, it has presence in 24 states & 209 districts across India; and Net AUM stands at Rs 4,079.7 crs. Further, as of September 30, 2015, it has approximately 11.15% of market share of the NBFC-MFI business. Mr. Samit Ghosh is the MD & CEO of Company. He was a career banker for 30 years and worked both in South Asia and the Middle East. He started his career with Citibank in 1975 and later worked with Standard Chartered Bank, HDFC Bank and the Bank Muscat. He was the past President of Microfinance Institutions Network and the chairman of Association of Karnataka Microfinance Institutions (AKMI) and is a board member of Women's World Banking Capital Partners L.P. and has a shareholding of 1.01%.

Objects of the Issue

Company proposes to utilize the Net Proceeds from the fresh Issue towards augmenting its capital base to meet future capital requirements. Further, the company expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges, enhancement of the company's brand name and creation of a public market for its Equity Shares in India. In addition, the company intends to reduce its foreign shareholding in accordance with the requirements of the SFB In-principle Approval to set up an SFB.

Investment Positives

- Leading MFI with a deep pan-India presence
- Customer centric organization
- Robust risk management framework
- Robust technology driven operating model

Concern

- Business is dependent on operations in certain regions of India
- Business is subject to seasonal volatility

**Outlook & Valuations:**

The company has maintained strong growth credentials over the years through high rates of customer retention, geographical expansion, and improved staff productivity, enhancement of individual loan portfolio, lower credit cost & growth in customer base led by branch expansion. Its technology infrastructure has been a key operational strength.

Company reported net profit of Rs 75.7 crs in FY15 & revenue from operations of Rs 599.3 crs and for nine months ended Dec 31, 2015 reported revenue from operations of Rs 713.2 crs & net profit of Rs 122.3 crs. The GNPA's for nine month ended Dec 31, 2015 were 0.15% & NNPA's were 0.04%. NIM & CAR as per September, 15 were 12.04% & 20.57% respectively & RoE stood at 19.07% for the same period. RoE is expected to fall due to investments in IT, Infrastructure, Human resource; however, it is expected to come back to normal levels after 2-3 years. Borrowing cost is expected to come down with the buildup in deposits. Average ticket size for the group loan is about Rs 23,000. For individual loans it could range anywhere between Rs 50,000 to Rs 200,000. For housing it could go up to about Rs 10,00,000 - 12,00,000.

The issue has been offered in a price band of Rs 207-210 per equity share. At the upper price band the stock is available at P/E of 24 (x) & P/BV of 2.5 (x) on FY 15 financials. The issue looks fairly valued. We have "4 star" rating for the issue.

Comparison (Mar' 15):

Company	Debt / Equity(x)	ROCE(%)	RONW(%)	EV	Net Worth	EPS	BVPS	P/B	P/E
Ujjivan Financial Services Ltd.	4.24	13.12	13.67	2570.12	736.45	8.80	85.50	2.46	23.86
Equitas Finance Ltd.	2.10	11.11	7.46	1467.40	625.80	4.48	43.54	2.53	24.55

Financials (Rs. in Crs):

Particulars	Mar 2015	Mar 2014	Mar 2013	Mar 2012	Mar 2011
Net Sales	599.32	351.34	222.52	148.24	151.89
Total Income	611.88	357.66	233.93	156.30	156.44
PBIDT	392.64	231.84	132.30	63.18	68.00
PBT	114.51	83.84	49.15	2.19	17.73
PAT	75.79	55.04	33.85	1.72	11.41
Reserves and Surplus	650.32	306.95	255.76	185.45	81.39
Net Worth	736.45	372.53	321.34	242.73	116.23
Total Debt	3,121.77	1,649.96	997.46	617.24	472.13
ROCE	13.12	13.69	19.26	14.02	19.47
RONW	13.67	15.86	12.00	0.96	10.29
PATM(%)	12.65	15.67	15.21	1.16	7.51
CPM(%)	13.77	16.56	16.35	2.78	9.23
CEPS	9.58	8.87	5.55	0.72	4.02
Enterprise Value	2,570.12	1,321.09	884.42	513.08	455.80

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Stock Rating Scale

	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

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