

## Ujjivan Financial Services: Very Good Issue IPO Note: Steller Performance, Offer at attractive Price Ranking\*\*\*



### Issue details

Price band (Rs)	Rs. 207-210
IPO Opening Date	28-04-2016
IPO Closing Date	02-05-2016
Issue Size	Rs. 882 Cr.

### Recommendation

Microfinance landscape in India is booming. It is unfortunate that banking penetration in our country is still not able to reach vast majority of the under-privileged & mostly rural population. In such scenario, access to credit has been real issue for people struggling to break out of poverty. Microfinance Companies like Ujjivan have been able to make real difference in lives of lakhs of people by extending credit facilities at substantially lower rates than the private lenders. The real test of microfinance company is how strong its distribution and collection mechanisms are. It is visible from Ujjivan's NPA that stands at 0.04% for the 9 months ended Dec 2015. The company has posted **revenue growth CAGR of 38%** and **PAT CAGR of 21.12%** over the last four fiscals. At proposed price bands, the issue is being offered at **PE of 14.98 to 15.20**. Compared to Shriram City Union Finance, Sundaram Finance and Sks Microfinance, which are trading at a PE of 19.0, 32.40 and 28.35 respectively; and its overall performance, fundamentals and growth, we think one should subscribe in this IPO for listing gain also for long term investment.

### Highlights

☞ The company has started operations as an NBFC in 2005 with the mission of providing a full range of financial services to the “Economically Active Poor” who are not adequately served by the existing financial establishments.

☞ On October 7, 2015, they were one of the 10 companies in India to receive in-principle approval from the RBI to set up a small finance bank (“SFB”).

☞ Ujjivan Financial Services was the third largest NBFC-MFI in India in terms of loans disbursed as of September 30, 2015, with Gross AUM aggregating over 4,088 Cr., which increased to 4,589 Cr. by December 31, 2015.

☞ Company's topline and bottom line has grown in the last three year at a CAGR of 38% and 21% respectively

### Company Introduction Company Profile

The company's 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”). On October 7, 2015, they were one amongst 10 companies in India, out of a total of 72 applicants, to receive in-principle approval from the RBI to set up a small finance bank (“SFB”).

It has adopted an integrated approach to lending, which combines a high customer touch-point typical of microfinance, with the technology infrastructure and related back-end support functions similar to that of a retail bank. The company offers a diverse range of loan products to cater to the specific requirements of the customers. Its products can be classified under two broad categories - group loans and individual loans.



Depending upon the end use, these products can be further subdivided 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, it also provides non-credit offerings comprising of life insurance products, in partnership with insurance providers such as Bajaj Allianz Life Insurance Company Limited, Kotak Mahindra Old Mutual Life Insurance Limited and HDFC Standard Life Insurance Company Limited.

## Financial Summary (Rs. In Crore)

Particulars	For nine months ended 30 <sup>th</sup> Dec 2015	FY2015	FY2014	FY2013
Total Income	729.64	611.88	357.62	233.92
Net Profit	122.30	75.78	58.41	32.87
EPS (Rs)	13.37*	10.62	8.38	4.97
NPA	0.04%	0.02%	0.01%	0.08%

\*EPS Not Annualized, Source: DRHP and ACE Equity

## Financial Performance

Company's **total revenue** in last four financial years has grown consistently at **CAGR of 38%** as can be seen from the table. The company has achieved positive net profit after tax in Financial Year 2010 and have remained profitable in each Financial Year ever since. Its **profit after tax** in the last four fiscals has grown at **CAGR of 21%**, which is reflected in the EPS growth shown in the table.

## Issue details

The company is coming out with a combo of primary issue as well as offer for sale. While the primary offer is for Rs. 358.16 crore ( approx 1.70 Cr equity shares), offer for sale is for 2.5 Cr equity shares of Rs. 10 each that will bring approx Rs.524 crore for the selling investors, thus making the aggregate size of the issue above Rs. 882 crore. The issue is being made via book building route and the price band is fixed at Rs. 207-210. Issue opens for subscription on 28.04.16 and will close on 02.05.16. Minimum application is to be made for 70 shares and in multiples thereon.

## RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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