

Equitas Holdings Ltd : Good Issue

IPO Note: Offering shares in line with other listed players :Ranking***



Issue details

Price band (Rs)	Rs. 109-110
IPO Opening Date	05-04-2016
IPO Closing Date	07-04-2016
Issue Size	Rs. 2170 Cr.

Recommendation

On consolidated basis the company has growing fast for last three fiscals. From FY 2013 to 2015 its top line jumped from Rs. 283 crore to Rs. 756 crore. Its top line posted CAGR of 38.72% in last three years between 2013 and 2015 while net profit increased with CAGR of 49.51%. The company is offering shares at a PE of 24.60 on EPS of Rs.4.47 for FY15. Company Management has compared with Cholamandal investment & Finance, SKS Microfinance and Repco Homes. The stocks of these company trades in between 20.0 to 25.0 PE.

The asking price at a P/E of 24.60 is in line with other listed players. The company's net pfofit is growing at CAGR of 49% makes it attractive. Its debt equity ratio is at 2.59 while other listed players like SKS Microfinance has 3.21, Cholamandal Investment has 6.14 and Repco Homes has 6.36. Looking to its overall performance and fundamentals, we think one should subscribe in this IPO for listing gain also for long term investment.

Highlights

- Equitas offers services to low income groups and economically weaker individuals operating small businesses and MSEs with limited access to formal financing channels.
- Equitas operates in 11 states, one union territory and the NCT of Delhi. As of June 30, 2015, Equitas had 520 branches across India
- Equitas is one of the 10 companies that have been selected by the Reserve Bank of India to set up small finance banks, niche lenders aimed at helping small businesses and farmers get easier access to funding.
- the company will apply for the small finance bank licence after meeting the requirements prescribed by the central bank.
- Its topline grew at a CAGR of 39% and bottmeline grew at a CAGR of 50%

Company Introduction

Company Profile

Incorporated in June 2007, Equitas Holdings Ltd is Chennai based financial services provider focused on individuals and micro and small enterprises (MSEs). Equitas offers services to low income groups and economically weaker individuals operating small businesses and MSEs with limited access to formal financing channels. Equitas operates in 11 states, one union territory and the NCT of Delhi. As of June 30, 2015, Equitas had 520 branches across India. Equitas offer a range of financial products and services including:

Microfinance

Equitas offers micro loans of Rs 5,000 to Rs 35,000 to its



Financial Summary (Rs. In Crore)

Particulars	For three month ended 30 June. 2015	FY2015	FY2014	FY2013
Total Income	239.30	755.92	483.51	283.17
Net Profit	37.38	106.62	74.33	31.90
EPS (Rs)	1.39	4.47	3.88	2.03

EPS Annualize, Source:DRHP and ACE Equity

RANKING METHODOLOGY

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

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customers. Company is fifth largest microfinance company in India in terms of gross loan portfolio.

Vehicle Finance

Equitas offers used commercial vehicle finance to customers. Company is among a few NBFCs in India operating in the used commercial vehicle finance business.

Micro and Small Enterprise (MSE) Finance

Equitas provides asset backed financing primarily focused on self-employed individuals operating micro enterprises and small enterprises.

Housing Finance

Equitas provides micro-housing and affordable-housing loans to selfemployed individuals who have limited access to loans from banks and larger housing finance companies. A majority of its micro-housing finance loan accounts represented cross sales to eligible higher income microfinance customers with a satisfactory track record.

IPO Issue Proceed

Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding of investment in its Subsidiaries to augment their capital base to meet their future capital requirements arising out of growth in business and General Corporate Purposes. the company is coming out with a maiden IPO via book building route. It is issuing approx 6.54 crore fresh equity share of Rs. 10 each within a price band of Rs. 109-110. Equitas intends to mobilize Rs. 2170 crore via this issue. Minimum application is to be made for 135 shares and in multiples thereon, thereafter. Issue opens for subscription on 05.04.16 and will close on 07.04.16. Post allotment, shares will be listed on BSE and NSE.