

## AU Financiers Ltd : Good Issue IPO Note : Fully - Priced but good growth : Ranking\*\*\*



### Issue details

|                  |                 |
|------------------|-----------------|
| Price band (Rs)  | Rs.355-358      |
| IPO Opening Date | 28/06/17        |
| IPO Closing Date | 30/06/17        |
| Issue Size       | Rs. 1912.51 Cr. |

### Recommendation

Total revenue grew at a **CAGR of 35.79%** from Rs.571.32 Cr for the FY 2014 to Rs.1430.52 Cr for FY 2017. Profit after tax also increased from Rs.72.54 crore to Rs.842.71 crore with **CAGR of 126.48%**. FY 2017 earnings included exception income of Rs. 670.35 cr.(at gross level) and its Net NPA stood at 1.05% (up from 0.38% for the previous fiscal end). Its fully diluted EPS as on 31.03.2017 stood at Rs. 29.64 (with exceptional income) and Rs. 11.46 (without exceptional income). On without exceptional income basis, its asking price (based on upper price band of Rs. 358) is at a P/E of 31 plus and P/BV of 5.08. Industry average P/E is 30.16. Its peers like Ujjivan Finance, Equitas Holdings, Sundaram Finance and Bajaj Finance are trading in between PE of 18.0 to 39.0. Issue seems fully priced. **The company is growing at a good pace. Listing gain is expected as it is valued at the average of Ujjivan and Equitas pricing.**

### Highlights

- Diversified Product portfolio and revenue streams
- Customer centric organisational commitment
- Significant presence in rural and semi-urban markets with focus on low and middle income customers
- Robust and comprehensive credit assessment and risk management framework
- Access to diversified sources of funding
- Experienced management team and qualified operational personnel
- Au Financiers operate in 3 business lines:  
1. Vehicle finance 2. Micro, small and medium enterprises (MSMEs) loans  
3. Small and medium enterprises (SMEs) loans

### Company Introduction

Incorporated in 1996, Au Financiers (India) Ltd is Jaipur Rajasthan based non-banking finance company focused on retail segment serving low and middle income individuals and businesses that have limited or no access to formal banking and finance channels.

On December 20, 2016, Au Financiers received RBI license for Small Finance Bank (SFB). With this company is planning to offer a diverse suite of banking products in near future. As an NBFC, the company operated in three business lines: vehicle finance; micro, small and medium enterprises

("MSMEs") loans; and small and medium enterprises ("SMEs") loans. The company has expanded and strengthened business model to offer a diverse suite of banking products and services by leveraging asset-based lending strengths, NBFC customer base and cost efficient, technology driven hub-and-spoke branch operating model to successfully operate SFB. In addition to vehicle finance, MSME and SME offerings, asset product offerings include working capital facilities, gold loans,



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### Financial Summary (Rs. In Crore)

| Particulars  | FY2017  | FY2016  | FY2015 | FY2014 |
|--------------|---------|---------|--------|--------|
| Total Income | 1430.52 | 1051.95 | 689.41 | 571.32 |
| Net Profit   | 842.71  | 247.15  | 139.45 | 72.54  |
| EPS (Rs)     | 29.64   | 8.69    | 4.91   | 2.55   |
| NPA          | 1.05%   | 0.38%   | 0.44%  | 0.62%  |

Source: RHP and ACE Equity

### RANKING METHODOLOGY

|           |       |
|-----------|-------|
| WEAK      | *     |
| AVERAGE   | **    |
| GOOD      | ***   |
| VERY GOOD | ****  |
| EXCELLENT | ***** |

agriculture related term loans, Kisan credit cards for farmers and loans against securities. Its liability product offerings include current accounts, savings accounts, term deposits, recurring deposits and collections and payments solutions for MSME and SME customers. It believe that transitioning to an SFB has offered significant growth potential and aim to be a retail focused, preferred trusted SFB offering integrated and tailored solutions to customers.

Company Promoters:

1. Mr Sanjay Agarwal
2. Ms Jyoti Agarwal
3. Ms Shakuntala Agarwal
4. Mr Chiranjil Lal Agarwal

### The object of the issue

- The Fresh Issue - Company proposes to utilise the funds repayment/pre-payment, in full or part, of certain borrowings
- General corporate purposes
- The Offer for Sale - Company will not receive any proceeds from the Offer for Sale by the Selling Shareholders.

### IPO Issue Proceed

To meet listing requirements and providing exit route to existing stakeholders, the company is coming out with a maiden IPO of 53422169 equity share of Rs. 10 each via book building route with a price band of Rs. 355-358. Minimum application is to be made for 41 shares and in multiples thereon, thereafter. Through this issue the bank mulls mobilizing Rs. 1896.65-1912.51 crore (on the basis of lower and upper price bands). Issue opens for subscription on 28.06.17 and will close on 30.06.17. It has reserved 1000000 equity shares for eligible employees and the rest is being offer to public with 50% for QIBs, 15% for HNIs and 35% for retail category. Post allotment, shares will be listed on BSE and NSE. Post issue its paid up equity capital remains at the same level of Rs. 284.25 cr.

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