

Indostar Capital Finance Ltd : Good Issue

**IPO Note : Issue seems fully priced but may consider for long term investment
: Ranking*****



Issue details

Price band (Rs)	Rs.570-572
IPO Opening Date	09/05/18
IPO Closing Date	11/05/18
Issue Size	Rs. 1844 Cr.

Recommendation

Total revenue grew at a CAGR of 21.95% from Rs.396.90 Cr for the FY 2014 to Rs.719.91 Cr for FY 2017 and Net Profit grew at a CAGR of 20.28% in the same period. Net profit grew from Rs.121.13 to Rs.210.79. For the nine months ended on 31.12.17, it has earned net profit of Rs.164.08 cr. on a turnover of Rs.585.95 cr. If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.91.13 crore, the EPS works out to Rs.24.0 then asking price Rs.572 is at a P/E of 23+. As per RHP, it is showing its listed peers as L & T Finance, Piramal Enterprise, Aditya Birla Capital, Capital First, Shriram Transport Fin., Sundaram Fin., Cholamandalam Inv., Repco Home that are trading at a P/E of 25.27, 31.36, 50.87, 20.77, 22.22, 29.39, 27.43 and 19.55. Hence issue appears fully priced but looking to its growth, investors may consider investment for long term.

Highlights

- Indostar Capital Finance Ltd. (ICFL) is a leading non-banking finance company (“NBFC”) registered with the Reserve Bank of India as a systemically important non-deposit taking company.
- As of 28th February 2018 it conducted its operations through 71 branches across India with central office support at Mumbai
- Its distribution network included 548 personnel and approx. 949 third party direct sales associates
- As of March 31,2015, 2016 and 2017 and December 31, 2017, Company’s Gross NPAs accounted for 0.6%, 0.2%, 1.4% and 1.7% of Company’s Gross Advances, while Company’s Net NPAs accounted for 0.5%, 0.2%, 1.2% and 1.3% of Company’s Net Advances, respectively
- SME lending business accounted for 0.2%, 5.2%, 12.4% and 22.7% of Total Credit Exposure for the fiscal 2015, 2016 and 2017 and nine month period ended December 31, 2017, respectively. As of December 31, 2017, SME Lending Credit Exposure amounted to Rs.1173.39 crore.

Company Introduction

Incorporated in 2009, Mumbai based IndoStar Capital Finance Limited is a leading non-banking finance company (NBFC) registered with the Reserve Bank of India as a systemically important non-deposit taking company. The company operates four principal lines of business, namely corporate lending, SME lending, vehicle financing and housing financing. It recently expanded its portfolio to offer vehicle finance and housing finance products.

IndoStar conducts its retail operations through ten branches across Mumbai, Delhi, Chennai, Bengaluru, Hyderabad, Jaipur, Surat, Ahmedabad, Pune and Indore and central support office in Mumbai.

The lenders of the company include, among others, 14 public



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Financial Summary (Rs. In Crore)

Particulars	Nine month ended Dec. 2017	FY2017	FY2016	FY2015
Total Income	585.95	719.91	644.05	528.05
Net Profit	164.08	210.79	191.64	149.03
EPS (Rs)	18.00*	23.13	21.02	16.35

*EPS not annualize

Source: RHP and ACE Equity

RANKING METHODOLOGY

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

sector banks, 13 private sector banks, 21 mutual funds and four insurance companies and other financial institutions. The distribution network includes approximately 210 personnel in its in-house sales team, and approximately 648 third-party direct sales associates (DSAs) and other third-party intermediaries.

Company Promoters:

The Promoter of the Company is Indostar Capital.

The object of the issue

The Objects Of The Issue is to utilize the Net Proceeds from the Fresh Issue towards augmenting its capital base to meet future capital requirements.

IPO Issue Proceed

To part finance its existing funding activities, ICFL is coming out with a maiden IPO of via book building route with a price band of Rs. 570-572 per share for approx. 32237762 shares of Rs.10 each to mobilize Rs.1837.55 cr. – Rs. 1844.00 crore based on lower and upper price bands. Issue comprises of fresh equity issue worth Rs. 700 crore (approx. 12237762 shares) and offer for sale of 20000000 equity shares. Issue opens for subscription on 09.05.18 and will close on 11.05.18. Minimum application is to be made for 26 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE/NSE. Post issue its current paid up equity capital of Rs. 78.90 crore will stand enhanced to Rs. 91.14 cr.

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