

SPANDANA SPHOORTY FINANCIAL LIMITED : Good Issue

IPO Note: fourth largest NBFC-MFI in India, in terms of AUM, Low NPA : Ranking***



Issue details	
Price band (Rs)	Rs.853-856
IPO Opening Date	05/08/19
IPO Closing Date	08/08/19
Issue Size	Rs.1201 Cr.

Recommendation

Total revenue grew at a CAGR of 66.40% from Rs.378.66 Cr for the FY17 to Rs.1048.52 Cr for the FY19. For the last two fiscals, on a consolidated basis, SSFL has posted an average fully diluted EPS of Rs. 49.74 and an average RoNW of 15.51%. The issue is priced at a P/BV of 2.70 on the basis of its consolidated NAV of Rs. 316.84 as on 31.03.19. If we consider the latest earnings and attribute it on a fully diluted equity post issue, then asking to price it at a P/E of around 17.6 against the industry average of 21.3. Thus issue appears fully priced. As per offer documents, it has shown Bharat Financial, Satin Creditcare, Ujjivan Financial, Bandhan Bank, Bajaj Finance, Cholamandalam Inv. Shriram City, Sundaram Finance and M & M Fin Services as its listed pers. These peers are currently trading at a P/E s of around 13, 7, 148, 26, 45, 17, 9, 24 and 14 (as on 31.07.19). None of them is truly comparable on an apple to apple basis as SSFL is focusing only for MFI segment. **Investors may consider investment for the long term.**

Highlights

- Spandana Sphoorty Financial Ltd. (SSFL) is a leading, rural-focused NBFC-MFI with a geographically diversified presence in India.
- As of March 31, 2019, SSFL was the fourth largest NBFC-MFI and the sixth-largest amongst NBFC-MFIs and SFBs in India, in terms of AUM.
- On a consolidated basis, its gross AUM increased from Rs. 3166.79 cr. for FY18 to Rs. 4437.28 cr. for FY19. For the said periods, its net worth increased from Rs. 1390.64 cr. to Rs. 1889.44 cr. (on a consolidated basis).
- NNPA for FY2019 stood at 0.01%

Company Introduction

Incorporated in 2003, Spandana Sphoorty Financial Ltd is a rural area focused NBFC-Microfinance Institution. Mrs Reddy is a founder, MD and promoter of the company. It is engaged in offering small-ticket unsecured loans to help the women in the low-income bracket in rural and urban areas. The company provides income generation loans, business loans and loans against gold jewellery.

Spandana has a presence across 15 states in India with 4,045 employees and 694 branch network. By offering the loan products to low-income households, the company is strengthening the socio-economic condition and improving their livelihoods.

The company has started working under CDR mechanism (Corporate Debt Restructuring) of the RBI to revive the business and restructure the borrowings in 2010. And, exited successfully in March 2017 with the help of Kangchenjunga



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Financial Summary (Rs. In Crore)

Particulars	FY2019 Conso.	FY2018 conso.	FY2017 Stand.
Total Income	1048.52	587.53	378.66
Net Profit	311.9	187.94	443.41
EPS (Rs)	48.5	29.22	68.95

Source: RHP and ACE Equity

RANKING METHODOLOGY

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

Ltd and Kedaara AIF-1.

Before the 2010 crisis, the company had Rs 4,500 crore loan portfolio. The company started recovering and made the first profit in the year 2013-14. As of September 2018, Spandana had Rs 2,244 crore loan portfolio.

The object of the issue are to:

1. Augmenting the capital base and
2. General corporate purposes

Company Promoters:

Padmaja Gangireddy and Kangchenjunga Limited are the promoters of the company.

IPO Issue Proceed

To augment its capital base to meet future capital requirements and listing benefits, SSFL is coming out with a maiden combo offer of fresh equity issue as well as Offer for Sale via book building issue. It has fixed the price band of Rs. 853 – Rs. 856 per share having a face value of Rs. 10 per share. Minimum application is to be made for 17 shares and in multiples thereon, thereafter. The issue opens for subscription on 05.08.19 and will close on 07.08.19. Post allotment, shares will be listed on BSE and NSE. The company mulls issuing fresh equity worth Rs. 400 cr. (Approx. 4672897 shares at the upper price band). It is also offering 9356725 shares via offer for sale from the existing stakeholders. Thus the total issue size will be approx. 14029622 shares are being issued to mobilize Rs. 1196.73 cr. - Rs. 1200.94 cr. (based on lower and upper price bands). Post issue SSFL's current paid-up equity capital of Rs. 59.63 cr., will stand enhanced to Rs. 64.3 cr. approx.

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