

## Ujjivan Financial Services : Very Good Issue

**IPO Note: Growing topline and bottmeline, Offers 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

The company's revenue has grown at a CAGR 37.78% in last three years. Its top line jumped from Rs. 234 crore to Rs. 612 crore from FY13 to FY15. In the last three years between 2013 and 2015 net profit increased from Rs.32.87 crore to Rs.75.78 crore, a CAGR growth of 21.12%. However, first nine months ended 30.12.15, it has earned net profit of Rs. 122.30 crore on a turnover of Rs.729.64 crore. Its current paid up equity capital of Rs. 101.18 crore which will be enhanced to Rs.118.25 crore. If we annualized current earnings and attribute it to the current equity, EPS will be Rs.13.81, then the asking price is at a P/E of 14.98 to 15.20 (based on lower and upper price band). Management has compared with Shriram City Union Finance, Sundaram Finance and Sks Microfinance with it, which are trading at a PE of 19.0, 32.40 and 28.35 respectively. Looking to its overall performance and fundamentals and position in MFI, 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 financial institutions.
- 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").
- Ujjivan Financial service was the third largest NBFC-MFI in India in terms of loans disbursed as of September 30, 2015, with Gross AUM aggregating over 40.88 billion, which stood at 45.89 billion as of December 31, 2015.
- Company's topline and bottmeline has grown in the last three year at a CAGR of 38% and 21% respectively

### Company Introduction Company Profile

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 financial institutions. Its 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 offer 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"). (Source: RBI Press Release)

It has adopted an integrated approach to lending, which combines a high customer touch-point typical of microfinance,



### Financial Summary (Rs. In Crore)

Particulars	For nine month ended 30 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

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

### RANKING METHODOLOGY

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

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with the technology infrastructure and related back-end support functions similar to that of a retail bank. The company offer a diverse range of loan products to cater to the specific requirements of the customers. Its products can be classified under two broad categories, namely, group loans and individual loans. Depending upon the end use, these products can be further sub-divided 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 provide 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 Performance

Company's total revenues in Financial Years 2013, 2014 and 2015 and for the nine month period ended December 31, 2015 was 233.92 crore, 357.66 crore, 611.88 crore and 729.64 crore, respectively. The company has achieved positive net profit after tax in Financial Year 2010 and have remained profitable in each audited Financial Year ever since. Its profit after tax in Financial Years 2013, 2014, 2015 and the nine month period ended December 31, 2015 was Rs32.87 crore, 58.41crore, 75.78 crore and 122.30 crore, respectively.

### 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 crore equity shares), offer for sale is for 24968332 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.