

Ujjivan Financial Services IPO

Opens on 28th April & Closes on 2nd May ; Offer price Rs. 207 to 201

Ujjivan Financial Services Ltd. (UFSL) is a well established player in Micro Finance sector and is in operation since 2005. Company's missions of providing a full range of financial services to the economically active poor who are not adequately served by financial institutions bear fruits. It's business is primarily based on the joint liability group lending model for providing collateral free, small ticket-size loans to economically active women. UFSL also offers individual loans to Micro & Small Enterprises ("MSEs"). On October 7, 2015, the company was one among 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. To provide exit option to its existing stakeholders and to raise fresh funds to meet its future capital requirements, the company is coming out with a maiden IPO consisting of primary as well as secondary offer. The company is issuing approx 17055286 equity shares of Rs. 10 each (based on upper price band) and has also on offer for sale 24968332 equity shares. This issue is being made via book building route and has fixed price band in the range of Rs. 207-210. Minimum application is to be made for 70 shares and in multiples thereon, thereafter. It opens for subscription on 28.04.16 and will close on 02.05.16. Thus the aggregate size of the issue is Rs. 875.00 crore to Rs. 882.50 crore (based on lower and upper price band), but Rs. 358.16 crore will be going to company out of it. In February 2016, the company has already raised Rs. 291.83 crore via pre IPO placement at a price of Rs. 205 per share. Post allotment, the shares will be listed on BSE and NSE. After the IPO, the shareholding pattern of the company will change from 22.9% domestic + 77.1% foreign to 51% domestic + 49% foreign. Post issue its paid up equity capital will stand enhanced to Rs. 118.25 crore from Rs. 101.19 crore.

Financial Performance :- On performance front, while the company enjoys well experienced and trained staff as well as loyal customers trust, its AUM and business marked CAGR of 51% and 41% respectively for last five fiscals. Its top and bottom lines has been growing steadily. For last three fiscals its total income and net profits were Rs. 233.93 cr. / Rs. 32.84 cr. (FY13), Rs. 357.66 cr. / Rs. 58.42 cr. (FY14) and Rs. 611.88 cr. / Rs. 75.79 cr. (FY15). For first nine months ended 31.12.15 it has reported net profit of Rs. 122.31 crore on a total income of Rs.729.64 crore.

Otherside of Ujjivan Financial Services

Selling shareholders average cost of acquisition per share is Rs. 23

RONW has gone down in FY 15 ; P/BV is in 2.53 multiplus

Asking price is around 15 PE that augere well compared to peers

Its attractive issue & one can apply for medium to long term

- Selling shareholders average cost of acquisition of equity shares is from Rs. 23 to 68.37
- RONW has gone down in 2015
- P/BV ratio is 2.53 times

Note :- If we attribute these earnings on annualized basis on fully diluted equity post IPO then asking price is around 15 P/E that augurs well compared to its listed peers.

Merchant Bank Performance :- On merchant bankers' front, they have mixed trends for their past mandates.

Recommendation :- Considering the status enjoyed by this company in MFI business and the plans for transition into a small finance bank, investment in this IPO will bring reasonable rewards in coming years. Investment may be considered for medium to long term.