

Introduction of the Company

Infinity Laghubitta Bittiya Sanstha Limited is a "D" class financial institution licensed by Nepal Rastra Bank. The company was registered at Company Registrar office on 2073/03/30. It was licensed by Nepal Rastra Bank on 2073/09/17. Formal operations of the institution started on 2073/10/07. The registered office of the company is in Nawalpur.

Area of Operation

It is a National Level MFI having 23 districts as areas of operation.

Branch Extension

The company is operating through 42 branches.

Utilization of IPO Proceeds

The IPO proceed is projected to be utilized as under;

- Animal Husbandry and Agricultural Sector: NPR. 250,00,000
- Retail Business & Services Sector: NPR. 230,00,000
- Small and Domestic Industry Sector: NPR. 145,00,000
- Branch Extension: NPR. 24,00,000
- Bank Balance at Banks and FIs: NPR. 25,00,000

Future Plan and Strategy

- To increase number of districts wise area and provide different facilities.
- To increase numbers of Members.
- To give better returns to shareholders.
- To provide loans based on expansion of business.

Composition of Board of Directors

As per Article 27.2 of the Article of Association of Company, the Board shall constitute 7 members as follows:

Representing Promoters	4 members
Representing Ordinary Shareholders	2 members
Independent Director	1 member

The tenure of directors shall be 4 years. The company as per Article of Association a person to be qualified as director, the minimum holding of the shares of the company would be 100 Units. This provision is not applicable to qualify as Independent Director.

Issue Details

Issue Size (Units)	6,74,000
Price per Share (NPR)	100
Issue Open Date	2076/02/13
Issue Close Date	2076/02/16
Issue to Staff (Units)	10,370
Issue to Mutual Fund (Units)	33,700
Issue to General Public (Units)	6,29,930
Issue Manager	Civil Capital Market
Collection Centres	C-ASBA and Meroshare
Min. Application (Units)	10
Max. Application (Units)	3370
IPO Rating	CARENIP-IPO Grade 4

Key Fundamentals (FY 74/75) (NPR. In Thousands)

Paid up Capital :	140,000
Reserve and Surplus:	5,337.16
Book Value Per Share (In NPR):	103.81
Earnings Per Share (In NPR) :	8.08
Post IPO Promoter to Public :	67.5:32.5

Board of Directors and Key Persons: At present company has 5 Directors:

S.no	Name	Holdings	Qualification	Current Profile	Experience
1.	Mr. Khem Raj Nepal	16,000	Masters	30 years of experience as Bureaucrat	Chairman at Infinity Laghubitta Bittiya Sanstha Limited.
2.	Mr. Sangita Kaderiya	20,000	MBA and C.A	M.D at Shikhar Shoes Enterprises Pvt. Ltd.	Auditing
3.	Mr. Bishnu Kumar Ghimere	10,000	M.A. M Ed., B.L	Principal at Ambition Academy	20 years of experience at various colleges at lecturer
4.	Mr. Ramkrishna Dangol	10,000	B.B.S	M.D at Hotel Pacific Pvt. Ltd.	20 years of experience at Hospitality sector.
5.	Mr. Pradeep Narshingh Rayamajhi	-	M.A	-	30 years of experience at Himalayan Bank and other FIs.

S.no	Name of Key person	Current position	Education	Experience at other MFIs
1	Mr. Praveen Kumar Lama	CEO	MBS , MA	13 years of experience
2	Mr. Prakash Raj Joshi	Chief Accounts Head	B. Ed	13 years of experience
3	Mr. Mahadutta kafle	Chief Credit Head	B.A	23 years of experience

General Introduction to Balance Sheet Figures:

Paid-up capital of the company is forecasted to increase to **NPR. 26 Crore** at the end of FY 76/77. **Again, as the company forecasts to issue bonus of 3.2 crore, the company forecast the capital to be 29 crore.** The Reserve and Surplus is projected to increase at **23.7% CAGR over 3 years.** Deposits at **91.12% CAGR over 3 years.** Net Loan and Advances is projected to increase at **72% CAGR over 3 years.**

General Introduction to Income Statement

The company is operating in profits and has projected to increase it at **109% CAGR over 3 years.** Interest income is projected to grow at **90.22% CAGR over 3 years,** while interest expense grows at **87 % CAGR over 3 years.** The company forecasts NPL to be on an average of 0.86% along forecasted years.

Q3 Details of F.Y 2075/76*	
Particulars	Infinity
EPS (NPR)	16
BVPS (NPR)	119
ROE (%)	13%
ROA (%)	1.41%
CAR	12.46%
Cost Of Funds as per NRB	11.28%
NPL	1.01%

*Data are not annualised

Excerpts from Income Statement (in Thousands.)

Particulars	74/75	75/76 Q3	75/76 E	76/77 E	78/79 E
Net Interest Income	33,838	59,401	130,525	170,853	249,937
Provision for Losses	6,930	5,708	15,662	21,082	5,259
Operating Profit	15,142	34,471	58,662	100,986	164,027

Net Profit	11,311	21,936	37,323	64,256	104,373
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Excerpts from Balance Sheet (NPR. In Thousands)					
Particular	74/75	75/76 Q3	75/76 E	76/77 E	77/78 E
Paid-Up capital	140,000	140,000	207,400	237,400	265,000
Proposed Dividend	-	-	30,000	27,600	32,200
Reserve/ Surplus	5,337.16	27,160	12,468	30,061	68,844
Borrowing	634,752	875,636	1,350,789	2,042,940	2,145,240
Deposits	250,736	456,770	692,715	1,225,526	1,750,390
Loans/ Advances	816,431	1,343,598	1,985,395	3,431,440	4,154,114
Total Assets	1,052,687	1,551,206	2,359,379	3,698,283	4,451,422

Ratios			
Particulars	Projected		
	75/76	76/77	77/78
Fiscal Year			
CCD Ratio	212.92%	228.25%	198.60%
Non-Performing Loans %	0.76%	1.06%	0.75%
BVPS	120.48	124.29	138.13
EPS	18	27.06	39.38
Average Cost of Deposits	6%	8.56%	8.71%
Average Return on Loans and Advances	10%	11%	11.49%

Valuation of Company: Residual Income Method

Fiscal Year	2075/76	2076/77	2075/79
No. of Year	1	2	3
Residual Income (charging 15% required return)	15,522	31,276	64,254
Present value of Residual Income@15% (A)	13,498	23,649	42,248
Present book value (F.Y 2074/75) (B)	145,337		
Summation (A) &(B)	224,732		
Value per Share	108		

Residual Income Method states about the present value of residual income gained by charging required rate of return on book value of previous year and subtracting it with forecasted income of corresponding years. The total value of company which is residual income summed with present book value gives value per share as NPR. 108. As this is fundamentally derived value of scrip, the market price is forecasted to be well above the price of NPR. 108

Key Takeaways of CARE IPO Grading Rationale on Infinity Laghubitta Bittiya Sanstha Limited:

Short track record of operations, however, adequate geographical reach in its area of operation:

In short span of time the MFI has covered 23 districts and is planning to increase gradually

Concentrated resource profile with high dependence on Banks and Financial Institution (BFIs) borrowings:

The ratio of BFIs borrowings to total resource profile was around 54.02% in FY17 which increased to 61.57% in FY18. During FY18, the cost of funds increased to 11.03% from 9.75% during FY17, which indicates ILBSL has obtained the costly debt due to high interest rates prevailing in the market on back of shortage of liquidity in the Banking & Finance Industry.

Increasing percentage of Non-Performing loan (NPLs) to Total Loan ratio:

There is increase in NPL% from 0.09 % (Q3, 2074/75) to 1.01% (Q3, 2075/76).

Ability of the company to increase its scale of operations:

Over the period the MFI has demonstrated robust growth in the loan & advances (albeit low base) due to increase in geographical reach through branch expansion leading to substantial increase in its client base.

Comfortable Capital Adequacy ratio (CAR):

The Q3 results shows substantial improvement in capital adequacy well above the requirements. Capital Fund to RWA is 12.46% in Q3

Tentative Allotment Module

Chapter 5, Article 30 of Securities Issue and Allotment Guidelines 2074 provides the new process of allotment of securities under which every valid applicant shall be allotted 10 units shares on the very first round of allotment and the round following then, provided the units available are sufficient for allotment to each eligible applicant. Otherwise, the lottery system will be followed.

On top right is the issue and applicants details of IPO of Janasewi Laghubitta Bittiya Sanstha Limited as per new process. The IPO was oversubscribed by more than 14.01 times where the average units applied by total applicants was 18 units.

We estimate the IPO of Infinity Laghubitta Bittiya Sanstha Limited will be subscribed by nearly 350,000 valid applicants and the average units applied is units. So, the oversubscription is likely to be around 17 times.

For our forecast of valid 350,000 applicants, the number of units required to satisfy all with minimum 10 units is 3,500,000. However, the company can only satisfy 62,993 applicants with 10 unit shares. Therefore, the IPO of the company is most likely to be allotted on lottery basis where approx. 18% out of 100 applicants will get the 10 units share.

Janasewi Laghubitta Bittiya Sanstha Limited	
Issue Size (Units)	463,300
Staff (Units)	7,145
Mutual Funds (Units)	23,165
Public (Units)	432,990
Allotment Date	2076/01/27
Number of Valid Applicants	334,197
Total Valid Units Applied	6,066,580
Oversubscription	14.01 times
Number of Allottees	43,229
Units Allotted	432,990
Allotment Basis	Lottery

Infinity Laghubitta Bittiya Sanstha Limited	
Issue Units to Public	6,29,930
Estimated Number of Applicants	350,000
Estimated Applied Units	9,448,950
Oversubscription	17
Allotment	
Required Units	9,448,950
Available Units	629,930
Allotment Basis	Lottery
Number of Allottees	350,000
% Allotment	18%
Estimated Allotment Date	1 week
Estimated Listing Date	15 Days of allotment
Estimated Trading Date	From Listing Day

Recent result analysis of NADEP:

NADEP is a recently listed MFI. The recent result of NADEP was out (Q3). It is to be noted that after injection IPO, adjustment of 100% rights and bonuses, there was increase in Capital Fund to RWA from 9.65% (Q3, 2074/75) to 13.41% (Q3, 2075/76). NPL increased from 2.20% (Q3, 2074/75) to 4.38% (Q3, 2075/76). Deterioration of these vital parameters and also settling in EPS to NPR 7 warns about lack of better loans portfolio and investor should be alert if these trends in other newly listed MFI are being seen persistently.

Recent Trends in Monetary Policy for Microfinance Companies in Nepal:

The sector is exposed to changes in the various regulatory measures issued by NRB from time to time. Monetary Policy of 2075/76 changed the guidelines related to interest rate setting. Earlier MFIs were allowed to determine interest rate on lending by adding up to 4% operating expenses above cost of fund plus maximum of 7% spread with the interest rate ceiling of 18%. However, monetary policy of 2075/76 changed this provision where MFIs are now allowed to determine interest rate on lending by adding up to 3% operating expenses above cost of fund plus maximum of 6% spread and the interest rate ceiling (18% earlier) is eliminated. As a result of this change, MFIs can now pass increased cost of fund to the borrower which will improve their interest earning capacity.

Listing of Shares of Infinity Laghubitta Bittiya Sanstha Limited

The book value per share of the company as of FY 2074/75 is Rs.103.81 Therefore, the listing price of the share should be in the range of Rs.103.81 (lower range) and three times of lower range i.e. NRP. 311.41(upper range).

Recommendation: Apply

The company is National level MFI. It is justified that the company is growth oriented as the said MFI is increasing its capital through Bonus shares in near future. Also, the said MFI is planning to grow business in near future (branch extension). The company has stood firmly among newly listed MFIs in terms profitability. Moreover, investors are getting company having book value of NPR.103.81 by paying NPR. 100. Thus, the company can be regarded as better investment.

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