



PO Details:

Muthoot Microfin Ltd is coming out with an IPO of about Rs. 960.00 cr consisting of 3,29,89,690 shares of face value of Rs. 10 each in a price band of Rs. 277 – Rs. 291. The IPO comprises of Fresh Issue of Rs. 760.00 cr and Offer for Sale of Rs. 200.00 cr by the promoter as well as non-promoter shareholders. The IPO opens on 18th December and closes on 20th December.

Company Details:

- **5th largest NBFC-MFI in India** (in terms of AUM as of 31st Mar' 23) providing micro-loans to women customers, primarily for income generation purposes, with a focus on rural regions.
- Caters to about **31.9 lacs** customers as of 30th Sep'23 through its network of **1,340** branches spread across **339** districts in **18** states and union territories in India.
- Primarily adopted a Joint Liability Group model catering exclusively to women in lower income households
- **Offers wide range of lending products** which include i) group loans for livelihood solutions, ii) life betterment solutions, iii) health and hygiene solutions and secured loans in the form of gold loans.
- Business model helps in driving financial inclusion as it **serves customers who belong to low-income groups.**

Strength:

- **3rd largest NBFC-MFIs in South India** in term of AUM, the **largest** in Kerala in terms of MFI market share and a key player in Tamil Nadu with an almost **16%** market share.
- **Branch network** assists the Company in managing disbursement and collection in an efficient manner and also providing it the **local knowledge and know-how**, which is critical to the success of its operations.
- **Relationship with Muthoot Pappachan Group** provides the Company with brand recall and significant marketing and operational benefits.
- **Usage of technology platform**, built by the in-house team, **across its microfinance operations** has helped the Company to achieve and maintain high levels of customer service, enhancing operational efficiency and creating competitive advantages.



- **Developed a unique credit score card** along with Equifax to evaluate the creditworthiness of customers by assigning individual credit scores to its customers. This has enabled the Company to strategically allocate more capital to very low risk and low risk customers as compared to medium risk and high risk customers.
- **Offering value added product – Natural Calamity Insurance** to its customers as it protects their business and assets at home.

Growth Drivers:

- NBFC - MFI industry is expected to grow at a **CAGR of 18% - 20%** over the medium term on the back of increasing penetration into hinterland and expansion into newer states, faster growth in rural segment, expansion in average ticket size and RBI giving NBFC – MFI flexibility to fix interest rates by removing cap of 10% on spreads.
- Has built branch network with an **emphasis on under-served rural markets** with growth potential in order to ensure ease of access to customers.
- Wide range of lending products offered by the Company are aimed at catering to the **life-cycle needs of rural households**, thereby providing steady and sustainable growth opportunities for the Company through increase in wallet share.

Objectives of Fund Raise – Fresh Issue of Rs. 760.00 cr:

- Net Proceeds from the fresh issue will be utilized for increasing business towards onward lending, which is expected to arise out of growth in Company's business and assets.
- Part of net proceeds will also be utilized towards ensuring compliance with regulatory requirements on capital adequacy ratio prescribed by RBI.
- Some portion will be utilized towards general corporate purposes.



Key Financial Highlights:

Muthoot Microfin Ltd (Rs. Cr)

Particulars	FY2020-21	FY2021-22	FY2022-23	H1 FY24
AUM	4,987	6,255	9,208	10,867
Disbursements	2,637	4,647	8,104	5,182
No. of Active customers (Lacs)	18.6	20.5	27.7	31.9
Net Interest Income (NII)	385	492	880	627
PAT	7	47	164	205
Networth	890	1,337	1,626	1,842
Total Debt	3,016	3,997	6,493	7,746
<u>Key Ratios -</u>				
Average Yields	19.91%	17.94%	21.84%	22.94%
Cost of Funds	11.08%	10.44%	10.94%	11.20%
Net Interest Margins (NIMs)	8.24%	9.60%	11.60%	12.39%
Cost/Income Ratio	64.41%	65.02%	51.39%	46.61%
Opex/AUM	5.20%	5.82%	5.96%	5.87%
Credit Cost	2.83%	2.17%	2.95%	0.62%
RoA	0.15%	0.92%	2.16%	2.21%
RoE	0.79%	4.26%	11.06%	11.84%
Debt/Equity	3.39	2.99	3.99	4.21
Gross NPAs	7.39%	6.26%	2.97%	2.37%
Net NPAs	1.42%	1.55%	0.60%	0.33%
PCR	81.32%	76.68%	80.32%	86.42%

- AUM of the Company has grown at CAGR of 35.9% between FY21 – FY23 to touch Rs. 9,208 cr as of 31st Mar' 23. AUM has further inched up to Rs. 10,867 cr as of 30th Sep' 23.
- Disbursements have grown from Rs. 2,637 cr in FY21 to Rs. 8,104 cr in FY23. In H1 FY24, Company has registered healthy growth and has already disbursed Rs. 5,182 cr.



- Net Interest Income has grown from Rs. 385 cr in FY21 to Rs. 880 cr in FY23, translating into CAGR of 51.2%.
- Profits after Tax (PAT) has grown from Rs. 7 cr in FY21 to Rs. 164 cr in FY23. Company has registered very strong performance in H1 FY24 with PAT at Rs. 205 cr already above the FY23 full year profits..
- Asset quality has improved with Gross NPAs declining from 7.39% in FY21 to 2.97% in FY23. It has further declined to 2.37% in H1 FY24. Similarly, Net NPAs too have declined from 1.42% in FY21 to 0.60% in FY23. Net NPAs too have declined further to 0.33% in H1 FY24.

Valuations:

- At Upper end of the IPO price band of Rs. 291, Muthoot Microfin Ltd will be valued at about Rs. 4,960.82 cr.
- On Price/Book basis, Company is valued at 1.91x its post IPO networth of Rs. 2,602.10 cr while on Price/Adjusted Book it is valued at 1.93x.
- **Investments can be made in Muthoot Microfin Ltd from listing gains perspective due to relative undervaluation vis a vis listed peers like CreditAccess Grameen Ltd and Fusion Micro Finance. Relative undervaluation of Muthot Microfin Ltd vis a vis listed peers is on account of relatively lower capital efficiency due to higher operating expenses which is evident from the fact that Cost/Income ratio of Muthoot Microfin Ltd is about 46.6% as against about 31.7% of CreditAccess Grameen Ltd and about 36.4% of Fusion MFI.**



Wellworth Share & Stock Broking Ltd

501, Akruti Orion 5th Floor, Shraddhanand Road, Vile Parle East, Mumbai-400057,

Tel: 022-67159008/67159097 Fax: 022-67159090

www.wellworthgroup.co

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*Long Term Investments could range from 3-5 years.