

# Muthoot Microfin Ltd



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## Unlocking Potential, Unleashing Growth

Muthoot Microfin Ltd is a microfinance institution dedicated to providing micro-loans to women customers, primarily for income generation purposes, with a special emphasis on rural areas in India.

Their range of loan products includes (i) group loans, pragathi loans as well as individual loans; (ii) life betterment solutions (iii) loans for health and hygiene, such as those for sanitation improvement; and (iv) secured loans in the form of gold loans and Muthoot Small & Growing Business loans.

The gross loan portfolio of the microfinance industry has experienced a CAGR of 21% from FY18, reaching around INR 3.3 trillion in the third quarter of the financial year 2023. As of September 30, 2023, the income-generating loans constituted ₹10,211.87 cr, accounting for 94.0% of the total gross loan portfolio.

In 2021, to enhance their digital collections infrastructure, they introduced a proprietary application named "Mahila Mitra. This application facilitates various digital payment methods. As of September 30, 2023, the Mahila Mitra application has been downloaded by 0.15 cr customers, and 0.25 cr customers have engaged in digital transactions using the platform.

As of September 30, 2023, Muthoot Microfin serves 0.32 cr active customers through 1,340 branches spanning 339 districts across 18 states and union territories in India. While historically concentrated in South India, the company has expanded its operations into North, West, and East India in recent years, boasting a total of 707 branches in these regions as of September 30, 2023, constituting 52.8% of the total branches.

As of September 30, 2023, the company employs 10,159 branch managers, credit managers, and relationship officers, including trainees, representing 82.61% of their total workforce. Each relationship officer, on average, manages 426 customers as of September 30, 2023.

### Key Financial Data (INR Cr, unless specified)

	Interest Earned	NII	PPOP	Net Profit	NIM (%)	EPS (₹)	BVPS (₹)	RoAA (%)	RoAE (%)	P/E (X)	P/BV (X)
FY21	622.78	384.83	141.28	7.05	8.2	0.62	77.94	0.2	0.8	469.35	3.7
FY22	728.60	492.30	175.87	47.39	9.6	4.2	100.2	0.9	4.3	70.1	2.9
FY23	1,290.60	879.75	436.19	163.89	11.6	14.2	116.0	2.2	11.1	20.5	2.5

Industry	Banking
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Issue Details	
Listing	BSE & NSE
Open Date	18 <sup>th</sup> Dec 2023
Close Date	20 <sup>th</sup> Dec 2023
Price Band	INR 277-291
Face Value	INR 10
Market Lot	51 shares
Minimum Lot	1 lot

Issue Structure	
Offer for Sale	21%
Fresh Issue	79%
Issue Size (Amt)	INR 960 cr
Issue Size (Shares)	33,007,054
QIB Share (%)	50%
Non-Inst Share (%)	15%
Retail Share (%)	35%
Pre issue sh (nos)	144,357,971
Post issue sh (nos)	171,794,794
Post issue M Cap	INR 4,961 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	69.0%	55.5%
Public	31.0%	44.5%
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## Growth Strategies

- **Market leadership with a pan-India presence**  
As of September 30, 2023, they maintain a well-diversified portfolio spanning 339 districts in 18 states and union territories in India. In the same period, their gross loan portfolio in their top three states, namely Kerala, Karnataka, and Tamil Nadu, collectively constituted 51.4% of their total gross loan portfolio.
- **Strong brand recall**  
The company is affiliated with the Muthoot Pappachan Group, a diverse business conglomerate with a presence in financial services, automotive, real estate, healthcare, information technology, precious metals, and alternate energy sectors. Within the group, the company ranks as the second-largest in terms of AUM for the fiscal year 2023. As of September 30, 2023, the financial services companies collectively cater to 0.87 cr unique customers.
- **Emphasis on Investment in technology**  
As the company expands its geographic reach and scales up operations, there is a strategic focus on enhancing and investing in technology. The objective is to bolster growth, enhance service quality, and achieve superior turnaround times in operations. The company is committed to leveraging technology and automation throughout its business processes, encompassing sourcing, underwriting, disbursement, and collection, among others.

## Key Risks And Concerns

- The microfinance industry in India is exposed to specific risks associated with the customer category it serves, which differ from those associated with other forms of lending. Consequently, there is a potential for heightened levels of non-performing assets, leading to related provisions and write-offs that could adversely impact the company's business, financial condition, and results of operations.
- The company's business is vulnerable to interest rate risk, and volatility in interest rates could have an adverse effect on the net interest income and net interest margins.

## OFFER DETAILS AND VALUATION SUMMARY

Muthoot Microfin proposed issue size is INR 960cr out of which OFS is for INR 200 cr which would reduce promoter stake from 69.0% (pre-issue) to 55.5% post issue. The objects of the issue are:

- Augmenting the capital base to meet future capital requirements**  
 The net proceeds will be utilized to expand the company's business, particularly in the area of onward lending and increase their Tier 1 capital. This expansion is anticipated to align with the growth in the company's business and assets, focusing primarily on onward lending within their lending verticals. Additionally, the utilization aims to ensure compliance with regulatory requirements on capital adequacy as prescribed by the RBI from time to time.

### Issue Structure and Offer Details

The proposed offer for sale size is INR 200 cr and fresh issue size is INR 760 cr and the price band for the issue is in the range of INR 277-291 and the bid lot is 51 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50% of the Offer
NIB	Not less than 15% of the Offer
Retail	Not less than 35% of the Offer

*Number of shares based on a higher price band of INR 291*

*Source: Company Reports*

**FINANCIAL SUMMARY AND ANALYSIS**

Y/E March (INR crore)	FY21	FY22	FY23	Y/E March (Rs crore)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Ratio Analysis</b>			
Interest Income	622.8	728.6	1,290.6	Int Expended / Int Earned	48.1	46.7	42.5
Interest Expense	299.3	340.2	549.0	Int Income / Total Funds	14.9	13.0	15.1
Net Interest Income	384.8	492.3	879.8	NII / Total Income	55.3	58.4	60.8
<b>YoY change (%)</b>		<b>27.9</b>	<b>78.7</b>	Other Inc. / Total Income	1.7	1.2	1.2
Other income	12.1	10.4	17.6	Ope. Exp. / Total Income	36.7	38.8	31.9
Total Net Income	396.9	502.7	897.3	Net Profit / Total Funds	0.2	0.8	1.9
Total Operating Expenses	255.7	326.9	461.1	Credit / Deposit	1.3	1.3	1.4
Pre Provision profit	141.3	175.9	436.2	Investment / Deposit	0.0	0.0	0.0
<b>YoY change (%)</b>		<b>24.5</b>	<b>148.0</b>	NIM %	8.2	9.6	11.6
Provisions	132.2	111.2	223.3	<b>Solvency</b>			
Profit Before Tax	9.1	64.7	212.9	Gross NPA	258.9	289.0	214.1
<b>YoY change (%)</b>		<b>614.7</b>	<b>228.9</b>	Net NPA	108.1	130.2	85.8
Taxes	2.0	17.3	49.0	Gross NPA (%)	7.4	6.3	3.0
Net profit	7.1	47.4	163.9	Net NPA (%)	1.4	1.6	0.6
<b>YoY change (%)</b>		<b>571.8</b>	<b>245.8</b>	<b>Per Share Data (`)</b>			
<b>Balance Sheet</b>				EPS	0.6	4.2	14.2
Cash and Bank	745.0	999.8	1,150.3	BVPS	77.9	100.2	116.0
Advances	3,294.0	4,398.1	7,026.6	<b>Valuation Ratio</b>			
Investments	0.0	0.0	63.4	Adj P/E (x)	469.4	70.1	20.5
Other financial assets	2.4	3.4	4.1	Adj P/BV (x)	3.7	2.9	2.5
Net block	142.5	190.1	284.8	<b>Return Ratio</b>			
Total Assets	4,183.8	5,591.4	8,529.2	RoAA (%)	0.2	0.9	2.2
Deposits	2,538.2	3,296.9	5,123.0	RoAE (%)	0.8	4.3	11.1
Other Borrowings	452.4	674.6	1,370.1	<b>Growth Ratio (%)</b>			
Other liabilities	303.3	283.3	410.2	Interest Income		17.0	77.1
Networth	889.9	1,336.6	1,625.9	Interest Expenses		1.4	-95.9
Total liabilities	3,293.9	4,254.8	6,903.3	Total Income		16.4	77.0
<b>Dupont Analysis</b>				Net profit		571.8	245.8
<b>% of Average Assets</b>				Net advances		33.5	59.8
Net Interest Income	0.4	10.1	12.5	<b>Per Share Data (`)</b>			
Other Income	0.0	0.2	0.2	EPS	0.6	4.2	14.2
Net Income	0.5	10.3	12.7	BVPS	77.9	100.2	116.0
Operating Expenses	0.3	6.7	6.5	<b>Valuation Ratio</b>			
Operating Profit	0.2	3.6	6.2	Adj P/E (x)	469.4	70.1	20.5
Provisions	0.2	2.3	3.2	Adj P/BV (x)	3.7	2.9	2.5
Taxes	0.0	0.4	0.7	<b>Return Ratio</b>			
ROAA	0.0	1.0	2.3	RoAA (%)	0.2	0.9	2.2
				RoAE (%)	0.8	4.3	11.1

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