



IPO NOTE

MUTHOOT MICROFIN LIMITED

Rating:

SUBSCRIBE

(FOR LISTING GAIN AND LONG TERM)



ISSUE OFFER

Issue Opens on	DEC 18, 2023
Issue Close on	DEC 20, 2023
Total IPO size (cr)	960.00
Fresh issue (cr)	760.00
Offer For Sale (cr)	200.00
Price Band (INR)	277-291
Market Lot	51
Face Value (INR)	10
Retail Allocation	35%
Listing On	NSE, BSE

ISSUE BREAK-UP (%)

QIB Portion	<div style="width: 50%;"></div>	50%
NIB Portion	<div style="width: 15%;"></div>	15%
Retail Portion	<div style="width: 35%;"></div>	35%

SHAREHOLDING (No. of Shares)

Pre Issue	Post Issue
116,837,249	142,954,087

INDICATIVE TIMETABLE

Finalisation of Basis of Allotment	21-12-2023
Refunds/Unblocking ASBA Fund	22-12-2023
Credit of equity shares to DP A/c	22-12-2023
Trading commences	26-12-2023

Muthoot Microfin Limited, a part of the Muthoot Pappachan Group is a microfinance institution providing micro-loans to women customers with a focus on rural regions of India. Its loan products comprise (i) group loans for livelihood solutions such as income generating loans, Pragathi loans, and individual loans; (ii) life betterment solutions including mobile phones loans, and solar lighting product loans; (iii) health and hygiene loans such as sanitation improvement loans; and (iv) secured loans in the form of gold loans and its Muthoot Small & Growing Business ("MSGB") loans.

OBJECTS OF THE ISSUE

- To undertake its existing business activities.
- To undertake the activities proposed to be funded from the Net Proceeds.

OUTLOOK & VALUATION

Muthoot Microfin Limited is a subsidiary of the well-known Muthoot Pappachan Group. Leveraging its strong brand recognition and rural-focused operations, MML has established a robust risk management framework and diversified capital sources, fostering consistent financial performance with impressive top-and-bottom-line growth.

However, careful consideration must be given to inherent industry risks. MML's clientele, exposure to interest rate fluctuations, and intense competition within the microfinance space warrant investor vigilance.

Despite the aforementioned risks, MML's attractive valuation, with a P/E of 20.50x and a P/BV of 2.09x, positions it favorably in the current market landscape. Therefore, we recommend considering this IPO with a measured approach, acknowledging both its potential and inherent risks.



KEY MANAGERIAL PERSONNEL

01

Sadaf Sayeed

Chief Executive Officer of the Company. He has been associated with the Muthoot Pappachan Group for the last 12 years. He has been serving as the Chief Executive Officer of the Company for the last seven years and was also associated with Muthoot Fincorp Limited as the chief operating officer of the microfinance division.

02

Praveen T.

Chief Financial Officer of the Company. He is a member of the Institute of Chartered Accountants of India with twelve years of experience in finance, accounts and management. He has been associated with the Muthoot Pappachan Group for 10 years. He has been serving as the Chief Financial Officer for the last six years with effect from December 26, 2016.

03

Neethu Ajay

Company Secretary and Chief Compliance Officer of the Company. She has been associated with the Company for over nine years. She is an associate member of the Institute of Company Secretaries of India with over nine years of experience in compliance and secretarial functions.

04

Udeesh Ullas

Chief Operating Officer of the Company. He has been associated with the Muthoot Pappachan Group for the last 15 years. He was appointed as the Chief Operating Officer with effect from March 26, 2022. He has over 19 years of experience in retail banking operations, debt management and microfinance.

05

Jinsu Joseph

Chief Risk Officer of the Company. He is an associate member of the Institute of Chartered Accountants of India. He has been associated with the Muthoot Pappachan Group for the last six years. He has been serving as the Chief Risk Officer with effect from April 1, 2022.



COMPANY PROFILE

- It is a part of the Muthoot Pappachan Group, a business conglomerate with presence across financial services, automotive, hospitality, real estate, information technology infrastructure, precious metals and alternate energy sectors.
- Muthoot Microfin Limited is the fourth largest NBFC-MFI in India in terms of gross loan portfolio as of December 31, 2022.
- As of March 31, 2023, it has 2.77 million active customers, who are serviced by 10,227 employees across 1,172 branches in 321 districts in 18 states and union territories in India.
- It has an in-house information technology team that has built its technology platform into a business tool, which we believe helps it in achieving and maintaining high levels of customer service, enhancing operational efficiency, and creating competitive advantages for its organization.
- To expand its digital collections infrastructure, it launched a proprietary application, called “Mahila Mitra”, in 2021, which facilitates digital payment methods such as QR codes, websites, SMS-based links, and voice-based payment methods.

COMPETITIVE STRENGTHS

- Market leadership with a pan-India presence.
- Rural-focused operations, with a commitment towards the health and social welfare of the customers.
- Brand recall and synergies with the Muthoot Pappachan Group.
- Robust risk management framework leading to healthy portfolio quality.
- The streamlined operating model with effective use of technology.
- Access to diversified sources of capital and effective cost of funds.

KEY STRATEGIES

- Expand its geographical footprint and sourcing platform across India.
- Continue to Enhance Information Technology with a Focus on Customer Service.
- Leverage its existing branch network to expand its customer base and gross loan portfolio.
- Diversifying its Sources of Funds.

KEY CONCERNS

- The microfinance industry in India faces certain risks due to the category of customers that it serves.
- Its business is vulnerable to interest rate risk, and volatility in interest rates.
- It derives a significant portion of its revenues from South India.
- It is subject to laws and regulations governing the financial services industry in India.
- The Company faces significant competition from other MFIs and banks in India.
- An increase in the level of its non-performing assets or provisions may adversely affect its business

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

Name of the Company	EPS (Basic)	P/E	P/B	Total Income (ML)	NAV	RoNW (%)
Muthoot Microfin Limited	14.19	-		14,463.44	139.15	10.08%
Peer Group						
Equitas Small Finance Bank Limited	4.71	17.57	1.77	48,314.64	46.44	11.12%
Ujjivan Small Finance Bank Limited	5.88	6.33	1.83	47,541.90	20.25	27.79%
CreditAccess Grameen Limited	52.04	26.67	4.23	35,507.90	326.89	16.18%
Spandana Sphoorty Financial Limited	1.74	381.72	1.52	14,770.32	436.58	0.40%
Bandhan Bank Limited	13.62	17.32	1.94	183,732.50	121.58	11.21%
Suryoday Small Finance Bank Limited	7.32	22.31	1.09	12,811.00	149.28	4.90%
Fusion Micro Finance Limited	43.29	12.60	2.36	17,999.70	230.74	16.67%

FINANCIALS (RESTATED CONSOLIDATED)

PARTICULARS (RS. IN MILLIONS)	FY 2023	FY 2022	FY 2021
Equity Share Capital	1,401.98	1,333.33	1,141.71
Other Equity	14,856.51	12,032.46	7,757.19
Net Worth	16,258.49	13,365.79	8,898.90
Total Borrowings	51,230.25	32,969.85	25,382.26
Revenue from Operations	12,906.45	7,286.23	6,227.84
EBITDA	7,884.86	4,256.60	3,272.17
Profit Before Tax	2,128.70	647.21	90.55
Net Profit for the year	1,638.89	473.98	70.54


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