



Issue Opens - December 18, 2023 to December 20, 2023

Price Band
₹277 to ₹291

Face Value
₹10

Lot Size
51 Shares

Issue Size
₹960.00 Cr

Issue Type
Book Built

MUTHOOT
MICROFIN

Research@ganeshstock.com



Important Events

Issue Size

32,989,690 shares/ ₹960.00 Cr

Fresh Issue

26,116,838 shares / ₹760.00 Cr

Offer for Sale

6,872,852 shares of ₹10
(aggregating up to ₹200.00 Cr)

Basis of Allotment

Thursday, December 21, 2023

Initiation of Refunds

Friday, December 22, 2023

Credit of Shares to Demat

Friday, December 22, 2023

Motisons IPO Listing date

Tuesday, December 26, 2023

Promoters

- **Thomas Muthoot (Managing Director)**
- **Thomas John Muthoot (Non-Executive Director)**
- **Thomas George Muthoot (Non-Executive Director)**
- **Akshaya Prasad (Non-Executive Director)**

Promoters collectively hold 55.47% (Post Issue) of the Equity Share.

About The Company.



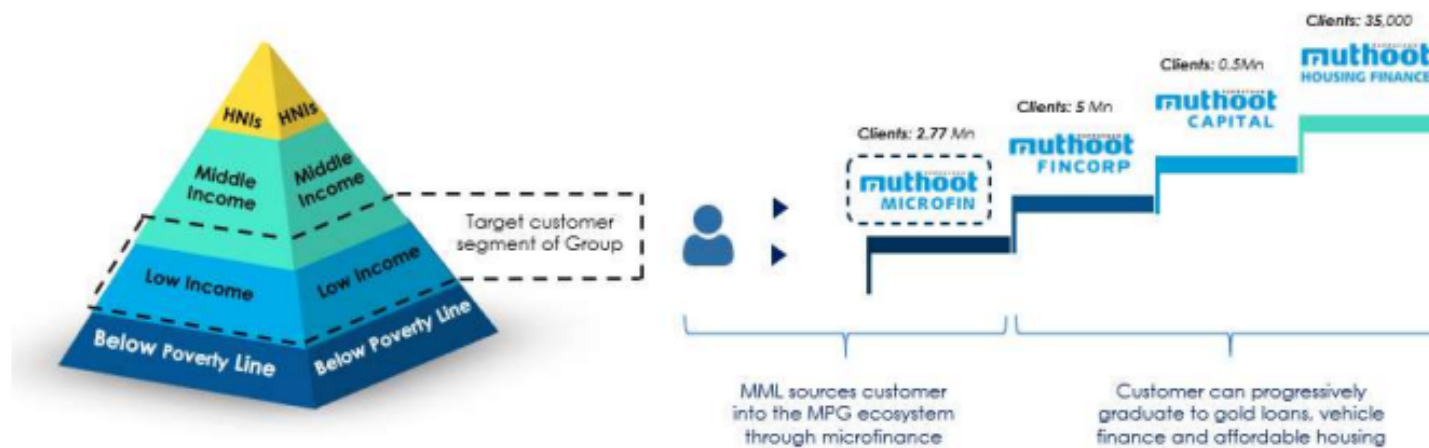
One of India's top microfinance companies, Muthoot Microfin Ltd., offers microloans to female clients mostly for the aim of generating revenue. It has a proven track record of growth and is concentrated on India's rural areas. A variety of businesses make up the Muthoot Pappachan Group, a business conglomerate that includes Muthoot Microfin Ltd. The company offers a broad range of lending products and services and leverages technology to enhance its operational efficiency and underwriting capabilities.

Description of Their Business

They are a microfinance institution that focuses on rural India and provides small loans to women customers (primarily for income generation). It is the fourth largest NBFC-MFI in India in terms of total loan portfolio as of December 31, 2022 (Source: CRISIL Report). Also, they are the third largest NBFC-MFI in South India in terms of total loan portfolio and the largest in Kerala in terms of MFI market share, with nearly 16% market share as of December 31st. It is a major company in Tamil Nadu. 2022 (Source: CRISIL Report). Total loan portfolio as on March 31, 2023 was Rs 92,082.96 crore. They believe their business model helps promote financial inclusion by serving low-income customers.

As of March 31, 2023, the company had 2.77 million active customers served by 10,227 employees across 1,172 branches across 321 districts across 18 states and union territories in India. They have built a branch network with a focus on underserved and rural markets with growth potential to ensure easy access to customers.

Their wide range of lending products are aimed at catering to the life-cycle needs of rural households



The history of the Muthoot Pappachan Group in working with customers at the bottom of the economic pyramid helps us better address the needs of women in rural households and design lending products to cater to their requirements. Company's Branch Network. Over the past few years, they have significantly implemented the use of technology across their microfinance operations. They have an in-house information technology team that has built their technology platform into a business tool, which they believe helps them in achieving and maintaining high levels of customer service, enhancing operational efficiency, and creating competitive advantages for their organization.

To improve their underwriting capabilities using technology, they have developed a unique credit score card along with Equifax to evaluate the creditworthiness of customers by assigning individual credit scores to their customers. As a result, they can risk profiling each of their customers individually based on parameters such as payment track record (including any credit defaults in the past two years), demographics, age, and location. This allows them to strategically allocate more capital to "very low risk" and "low risk" customers, as compared to "medium risk" and "high risk" customers (as per the categorization based on the score cards), to maximize their collection efficiency. Apart from utilizing their unique credit score, they also analyze customers' credit bureau reports to establish their creditworthiness and repayment behavior. Further, to expand their digital collections infrastructure, they 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. Through Mahila Mitra, the customers are able to pay directly from their bank account through a secure platform that requires authentication via OTP and/or PIN payments, track and maintain digital records and statements of transactions, and earn cashback or reward points on payment transactions.

Objects of The Offer

The Company proposes to utilize the Net Proceeds towards the funding of the following objects:

- To undertake our existing business activities, and
- To undertake the activities proposed to be funded from the Net Proceeds. Further, the Company expects to receive the benefits of listing the Equity Shares on the Stock Exchanges, including enhancing the brand image among existing and potential customers and creating a public market for the Equity Shares in India.

Track Record Of Financial Performance

The following table sets forth our key financial and operational metrics as of or for the years indicated:

	As of/ for the year ended March 31,	As of/ for the year ended March 31,	As of/ for the year ended March 31,
	2023	2022	2021
Gross Loan Portfolio (₹ million) ⁽¹⁾	92,082.96	62,549.42	49,867.11
Period on period growth in Gross Loan Portfolio (%)	47.22	25.43	3.06
Disbursements (₹ million) ⁽²⁾	81,044.74	46,469.63	26,367.66
Period on period growth in Disbursements (%)	74.40	76.24	(35.42)
Number of Loans Disbursed (million) ⁽³⁾	2.11	1.35	0.76
Customers to whom loans were disbursed during the Period (million) ⁽⁴⁾	1.52	1.02	0.70
New Customers (million) ⁽⁵⁾	1.01	0.45	0.21
Active Customers (million) ⁽⁶⁾	2.77	2.05	1.86
Customers with Mahila Mitra app downloads (million) ⁽⁷⁾	1.18	0.87	0.02
Customers who Transacted Digitally with Us (million) ⁽⁸⁾	1.70	0.52	0.13
Overall Digital Collection (₹ million) ⁽⁹⁾	10,955.40	1,683.01	308.59
Revenue from Operations (₹ million) ⁽¹⁰⁾	14,287.64	8,325.06	6,841.67
Net Interest Income (₹ million) ⁽¹¹⁾	8,797.54	4,923.52	3,848.39
Net Interest Margin ⁽¹²⁾	11.60%	9.60%	8.24%
Ratio of Operating Expenses to Annual Average Gross Loan Portfolio	5.96%	5.82%	5.20%
Ratio of Provisions and Write Offs to Annual Average Gross Loan Portfolio	2.89%	1.98%	2.69%
Pre-provision operating profit before Tax (₹ million) ⁽¹³⁾	4,361.88	1,758.74	1,412.79
Profit After Tax (₹ million) ⁽¹⁴⁾	1,638.89	473.98	70.54
Total comprehensive income for the year (₹ million) ⁽¹⁵⁾	2,033.06	797.23	(173.10)
Debt to equity (times) ⁽¹⁶⁾	3.99	2.99	3.39
RoA ⁽¹⁷⁾	2.16%	0.92%	0.15%
RoE ⁽¹⁸⁾	11.06%	4.26%	0.79%
Net Worth ⁽¹⁹⁾	16,258.49	13,365.79	8,898.90
Cost to income ratio (%) ⁽²⁰⁾	51.39%	65.02%	64.41%
Average annual cost of borrowings (%) ⁽²¹⁾	10.94%	10.44%	11.08%
Impairment allowance coverage ratio (%) ⁽²²⁾	80.32%	76.68%	81.32%
Capital to risk assets ratio (CRAR) (%) ⁽²³⁾	21.87%	28.75%	22.55%
Insurance Premium collected (₹ million) ⁽²⁴⁾	3,380.93	1,856.03	981.15
Life Insurance (₹ million) ⁽²⁵⁾	2,440.26	1,383.05	772.36
Medical Insurance (₹ million) ⁽²⁶⁾	598.28	387.54	175.44
Natural Calamity Insurance (₹ million) ⁽²⁷⁾	342.38	85.43	33.36



Statement of Profit and loss

(All amounts in INR millions, unless stated otherwise)

	Note	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2021
Revenue from operations				
Interest income	25	12,906.45	7,286.23	6,227.84
Fees and commission income	26	173.22	61.59	32.11
Net gain on fair value changes	27	1,115.37	910.31	409.25
Income on investments	28	83.35	58.29	169.95
Sale of services		9.25	8.64	2.52
Total revenue from operations		14,287.64	8,325.06	6,841.67
Other income	29	175.80	104.35	121.14
Total income		14,463.44	8,429.41	6,962.81
Expenses				
Finance costs	30	5,490.10	3,401.55	2,993.28
Fees and commission expenses	31	275.41	178.49	97.36
Impairment on financial instruments	32	2,233.18	1,111.53	1,322.24
Employee benefits expenses	33	3,225.58	2,370.81	1,870.90
Depreciation and amortisation expense	34	266.06	207.84	188.33
Other expenses	35	844.41	511.98	400.15
Total expenses		12,334.74	7,782.20	6,872.26
Profit before exceptional items and tax		2,128.70	647.21	90.55
Exceptional items		-	-	-
Profit before tax		2,128.70	647.21	90.55
Tax expense				
Current tax	36	679.91	224.05	347.29
Deferred tax	36	(142.59)	(56.14)	(317.72)
Tax relating to prior years		(47.51)	5.32	(9.56)
Profit for the year (A)		1,638.89	473.98	70.54
Other Comprehensive income				
Items that will not be reclassified to profit and loss				
Remeasurement of the net defined benefit (liability)/asset		(22.09)	(17.14)	(8.14)
Income tax relating to the above		5.56	4.31	2.05
Items that will be reclassified to profit and loss				
Remeasurement of loan assets		548.84	449.13	(317.46)
Income tax relating to the above		(138.14)	(113.05)	79.91
Other comprehensive income/(loss) for the year, net of tax (B)		394.17	323.25	(243.64)
Total comprehensive income/(loss) for the year (A+B)		2,033.06	797.23	(173.10)
Earning per equity share (face value of ₹ 10 each)				
Basic (₹)	37	14.19	4.15	0.62
Diluted (₹)		11.98	3.97	0.62



Strengths

- **Market leadership with a pan-India presence**
- **The company has rural-focused operations and is committed to the health and social welfare of customers.**
- **It also has a strong brand recall and synergies with the Muthoot Pappachan Group.**
- **Robust risk management framework leading to healthy portfolio quality.**
- **It has a streamlined and scalable operating model and technology-led systems and solutions for operations.**
- **Access to diversified sources of capital and effective cost of funds.**
- **Experienced promoters and management team.**

Risks

- **The business is vulnerable to interest rate risk, and volatility in interest can impact its profitability.**
- **An increase in the level of non-performing assets or provisions may adversely affect its financial condition.**
- **It is subjected to periodic inspections by the Reserve Bank of India.**
- **The company generates a significant portion of its revenues from South India.**
- **Negative cash flow was reported in the past.**
- **Any downgrade in credit ratings may constrain access to capital.**
- **Operates in a highly competitive industry.**

Valuation and Outlook



The issue's price range, in terms of valuation, is ₹277 to ₹291 per share. A P/E ratio of Muthoot Microfin is 20.50x is based on a price range above INR 291 and FY23 EPS of INR 14.19 with an industry average of 94.6X.

COMPARISON WITH LISTED INDUSTRY PEERS (As of Mar 31,2023)

Name of the company	Total Income (₹ in million)	Face Value (₹)	P/E	P/B	EPS (Basic) (₹)	EPS (Diluted) (₹)	RoNW (%)	NAV per equity share (₹)
Muthoot Microfin Limited	14,463.44	10	[•]	[•]	14.19	11.98	10.08%	139.15
<i>Listed peers</i>								
Equitas Small Finance Bank Limited	48,314.64	10	17.57	1.77	4.71	4.67	11.12%	46.44
Ujjivan Small Finance Bank Limited	47,541.90	10	6.33	1.83	5.88	5.87	27.79%	20.25
CreditAccess Grameen Limited	35,507.90	10	26.67	4.23	52.04	51.82	16.18%	326.89
Spandana Sphoorty Financial Limited	14,770.32	10	381.72	1.52	1.74	1.74	0.40%	436.58
Bandhan Bank Limited	183,732.50	10	17.32	1.94	13.62	13.62	11.21%	121.58
Suryoday Small Finance Bank Limited	12,811.00	10	22.31	1.09	7.32	7.32	4.90%	149.28
Fusion Micro Finance Limited	17,999.70	10	12.60	2.36	43.29	43.13	16.67%	230.74

The business dominates its market and is well-known throughout India. The business is also a member of the esteemed Muthoot Pappachan group. Its performance has increased steadily, and it has managed NPAs. On the basis of annualized earnings for FY24, the issue seems to be fairly valued.

We recommend giving this initial public offering (IPO) a "**SUBSCRIBE**" rating for decent listing gains and for investors who are prepared to take on sizable long-term risks, taking into account all relevant factors, including management and finances.

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