



IPO Note

Usha Financial Services Limited

Recommendation: **AVOID!**

- Incorporated in 1995, the company has their registered office in Delhi, India.
- **Business Activity:** The company is registered with the Reserve Bank of India as a NBFC-ICC (Investment & Credit) - base layer- non-systemically important non-deposit taking NBFC with over 9 years of lending experience specializing in providing lending solutions to fellow NBFCs, corporates, MSMEs, and individuals.
- **Revenue Mix:** Its product portfolio includes loans to NBFCs and corporates, MSME loans, and green financing. As of September 2024, loans to NBFCs and corporates accounted for 59.53% of total revenue, followed by MSME loans at 27.43%. Processing fees contributed 10.49% of the total revenue.
- **Partnerships and Geographic Concentration:** The company has collaboration with 13 business partners for MSME loans and has presence in over 15 States with Delhi and West Bengal contributing to 20% and 19% of total revenue as of September 2024.
- As of October 2024, the company had a total of 43 employees on its payroll.

Objects of the Issue -

- Augment the capital base of the Company.
- General Corporate Purposes.

Promoters Name -

Rajesh Gupta, Anoop Garg, Geeta Goswami, Nupur Gupta, and BR Hands Investments Private Limited.

Rationale for recommendation -

- ✓ Overvalued P/E
- ✓ Unsustainable operating margins, investors can wait and watch for one year and decide whether to invest or not.
- ✓ Projected Industry slowdown from 18% to 13% and anticipated increase in cost of borrowing for NBFCs
- ✓ Highly competitive industry

IPO Details

Opening Date	October 24, 2024
Closing Date	October 28, 2024
Allotment Date	October 29, 2024
Listing Date	October 31, 2024
Stock Exchange	NSE SME

Lot Size	800 Shares
Issue Price Per Share	₹160 to ₹168 per share
Issue Size	₹98.45 Cr
Fresh Issue	₹98.45 Cr
Offer for Sale	-
Application Amt	₹1,34,400 (800 shares)

INDUSTRY – NBFC

Average P/E of Peers – 45.47

KPI's	KPIs			(In Lakhs)
	FY 22	FY 23	FY 24	Jun 24
Revenue	2,502.62	4,563.17	6,322.20	2,651.14
EBITDA	1,594.31	3,496.64	4,703.00	1,743.82
Net Profit	414.42	1,016.55	1,344.95	504.16
RoCE	15.47%	16.58%	24.55%	7.72%
ROE	8.69%	12.39%	12.69%	4.54%
P/E	47.86	22.64	19.44	26.86

Promoter Share Holding Pattern

98.91% 72.24%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	8.64	4.57
BVPS	66.78	98.63
P/E	19.44	36.77
P/BV	2.52	1.70
Mkt Cap (In Cr)	266.74	365.19* Annualised

Lead Managers -

Narnolia Financial Services Ltd. And Unistone Capital Pvt. Ltd.

Registrar -

Skyline Financial Services Private Ltd

Business Overview -

Usha Financial operates two business models to generate revenue:

- | | |
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| <p>1. Retail Lending:</p> <ul style="list-style-type: none"> ○ Provides financial products directly to MSMEs, shopkeepers, and individual entrepreneurs. ○ Offers green financing for electric vehicles and batteries. ○ Collaborates with business partners across states for efficient loan service <p>• Vision: To be the market leader and empower customers and businesses to achieve financial goals through innovative and accessible solutions.</p> | <p>2. Wholesale Lending:</p> <ul style="list-style-type: none"> ○ Offers financing solutions to fellow NBFCs for further lending. ○ Provides working capital loans to body corporates. ○ Employs strict due diligence practices to assess borrowing institutions' creditworthiness. <p>• Mission: To provide innovative, reliable, and accessible financial solutions that empower individuals and businesses while maintaining high standards of integrity, customer service, and social responsibility.</p> |
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Amount in Lakhs

Particulars	March 22	March 23	March 24	September 24
Total Number of borrowers	20,429	30,125	28,727	18,997
No. of loan disbursed during the year	8,725	22,461	10,941	1,375
Average Loan size disbursed during the year per borrower	2.09	1.9	2.85	13.68
Amount of loan disbursed during the year	18,202.12	42,602.86	31,255.43	18,809.27

Total Amount of loan (in lakhs)/ (AuM)/Total Outstanding Loan Portfolio	15,162.86	35,768.94	30,695.76	31,817.70
Growth in AUM %	43.70%	135.90%	-14.18%	3.66%
Gross NPA on AUM	766.1	681.55	1,101.32	1,260.97
Net NPA on AUM	612.28	545.24	881.05	900.41
Gross NPA as % of AUM	5.05%	1.91%	3.59%	3.96%
Net NPA as % of AUM	4.04%	1.52%	2.87%	2.83%

Yield on Average Term Loans (Gross) (%)	17.69%	15.92%	17.64%	16.96%
Average Cost of borrowings (%)	13.01%	12.48%	13.89%	11.91%
CRAR (%)	33.03%	22.50%	30.46%	33.54%

Product-Wise bifurcation of Revenue, AUM and NPA

Product		Mar-22	Mar-23	Mar-24	Sep-24
Loans to NBFCs & Corporates	Revenue	1434.27	2757.11	3621.24	1578.09
	AUM	11069.93	25527.31	22478.19	26612.86
	NPA	-	-	704	964.76
MSME Loans	Revenue	839.93	1293.14	2166.56	727.28
	AUM	4092.93	9855.5	7575.92	4653.11
	NPA	766.1	681.55	396.12	213.09
Green Financing	Revenue	-	4.17	74.97	67.69
	AUM	-	386.13	641.62	551.74
	NPA	-	-	1.2	83.12
Processing Fees	Revenue	228.42	508.75	459.43	278.07

Technology

- **Loan Management System (LMS):** Uses Vexil software for efficient loan management.
- **Financial Accounting:** Uses Tally software.
- **Data Reconciliation:** Employs separate systems for data reconciliation.

Recommendation: **AVOID!**

NPA stands for Non-Performing Assets. These are loans or advances that have not been repaid in full or in part within a specified period, typically 90 days.

Yield on Average Term Loans (Gross): Represents the average interest rate earned by a company on its term loans. It indicates the profitability of its lending operations. Usha Financial Services gives loan at an average rate of 18%.

Average Cost of Borrowings: Represents the average interest rate paid by a company on its borrowings taken from sources like banks, etc. It reflects the cost of funding its operations.

Relationship: The difference between these two metrics is the **Net Interest Margin (NIM)**, which is a key indicator of profitability. A higher NIM indicates a wider spread between interest earned and interest paid, resulting in better financial health.

CRAR: (Capital to Risk Assets Ratio) is a measure of a financial institution's capital adequacy, indicating its ability to absorb losses

Success Factors: The company's success is rooted in strong relationships with NBFC partners and long-term business associates. Building this network combines diverse marketing strategies with solid interpersonal relationships.

Marketing Strategy: Marketing activities focus on:

1. Customizing services to address specific customer needs.
2. Developing and maintaining strong customer bonds.
3. Ensuring comprehensive risk management practices.

Sales & Outreach Activities:

- **Direct Client Sourcing:** Leads are generated when NBFCs approach through internal sources or are connected by the credit team.
- **Conference Participation:** Networking at NBFC, Fintech, and MFI events helps generate contacts and display offerings.
- **Referral Program:** Satisfied clients refer new customers, enhancing credibility through trust and positive word-of-mouth.

Business Strategies –

- **Leveraging Technology for Growth:** Usha Financial Services Limited is currently developing a dedicated loan origination app for green financing. This app will streamline the customer onboarding and loan application process, providing greater convenience for both customers and dealers. The vendor selection process has been completed, and app development is underway.
- **Expanding the Loan Portfolio:** The company plans to utilize the funds raised through the IPO to expand its product offerings. By diversifying its portfolio, Usha Financial Services aims to better cater to evolving customer needs and seize new market opportunities.

Competition -

The NBFC industry in India is highly competitive, with key players including banks, other NBFCs, and fintech companies. The primary competitive factors are product range, customization, speed of loan approvals, pricing, reputation, and customer relationships.

Porter's Five Forces Analysis:

- **Threat of New Entrants: High** - The NBFC industry has a relatively **low** barrier to entry, allowing new players to enter the market. New entrants may leverage fintech innovations to bypass traditional barriers, using technology to attract niche markets. This has been a growing trend, increasing competitive pressure from new tech-enabled NBFCs.

Recommendation: **AVOID!**

- **Bargaining Power of Buyers: Moderate** - Customers have a moderate bargaining power, as they have multiple options for obtaining loans.
- **Bargaining Power of Suppliers: Low** - NBFCs have limited bargaining power over suppliers, such as technology providers and funding sources.
- **Threat of Substitute Products: High** - There are various substitutes for NBFC loans, including credit cards, personal loans from banks, and peer-to-peer lending platforms.
- **Intensity of Competitive Rivalry: High** - The industry is characterized by intense competition among existing players, leading to price pressures and a focus on differentiation.

Risk Factors –

Outstanding litigation against the Promoters, pending before an arbitral tribunal in India, involves ₹3,05,33,350. An adverse decision could impact the business, operations, and financial condition. Further liabilities are possible.

Company had negative cashflows in FY 22, 23 and period ended September 24.

PEER ANALYSIS –

Particulars	Usha Financial Services Limited			IBL Finance Ltd.		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	16.56%	22.28%	21.27%	12.84%	15.30%	16.10%
EBITDA Margin	63.71%	76.63%	74.39%	18.65%	21.83%	23.07%
RoCE	15.47%	16.58%	24.55%	15.60%	13.78%	5.09%
ROE	8.69%	12.39%	12.69%	11.83%	9.87%	4.07%
EPS (INR)	3.51	7.42	8.64	0.29	1.24	1.07
P/E	47.86	22.64	19.44	-	-	48.60

Industry Overview – NBFC

- **Market Size:** The NBFC sector in India has grown significantly, reaching a market size of USD 326 billion in 2023.
- **Growth Rate:** The sector is projected to have a CAGR of 13-15% between 2023 and 2025.
- **Key Trends:** Digital transformation, government initiatives, and changing consumer behavior are driving growth.

Usha Financial Services Limited: Key Challenges and Opportunities

Challenges:

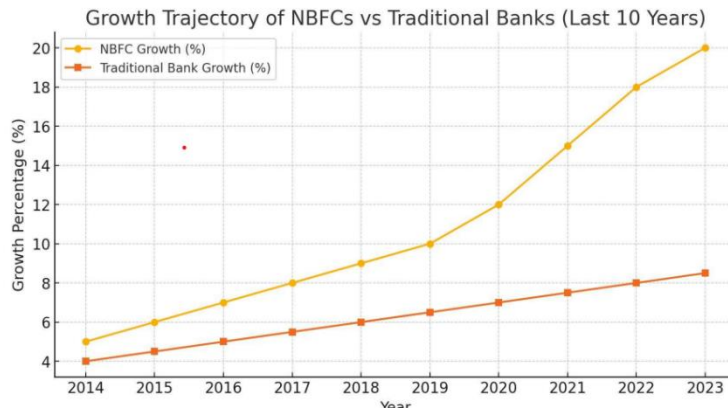
- **Funding Costs:** The company might face difficulties in obtaining funds at competitive rates, impacting profitability.
- **Regulatory Compliance:** Adhering to evolving regulations, such as the RBI's scale-based regulatory approach, can be operationally demanding and costly.
- **Competition:** Intense competition from banks, fintech companies, and other NBFCs can pressure pricing and market share.
- **Economic Downturns:** Economic downturns can lead to increased NPAs and reduced demand for loans.

Opportunities:

- **Green Financing:** Growing focus on sustainability presents opportunities for offering green financing products.
- **Co-Lending:** Collaborating with banks can expand reach and access to funding.
- **Underserved Markets:** Targeting rural and semi-urban areas can provide new growth opportunities.
- **Technological Innovation:** Leveraging AI, ML, and blockchain can improve efficiency, customer experience, and risk management.

Recommendation: **AVOID!**

- **Product Diversification:** Expanding into insurance and wealth management can enhance revenue streams and customer relationships.






Technological Factors

- **AI and Machine Learning:** These technologies are being used for credit risk assessment, customer segmentation, and personalized product offerings.
- **Blockchain:** Blockchain can streamline processes like loan origination, disbursement, and repayment, enhancing transparency and security.
- **Cloud Computing:** Adopting cloud-based solutions can reduce IT costs, improve scalability, and ensure data security.
- **Open Banking:** Leveraging open banking APIs can enable partnerships with other financial institutions and offer customers a wider range of services.

Regulatory Environment

- **RBI's Scale-Based Regulatory Approach:** This framework categorizes NBFCs based on size and risk, imposing different regulatory requirements.
- **Key Regulatory Changes:** Enhanced capital adequacy norms, stricter governance, and reporting standards are some of the key changes introduced by the RBI.
- **Impact on NBFCs:** These regulations aim to ensure financial stability and protect consumer interests while allowing NBFCs to grow sustainably.

Summary Snapshot (I/II)

 <p>Macro Trends</p>	<ul style="list-style-type: none"> • India's GDP grew at 7.2% in FY23, forecasted to grow between 5.3% to 6.5% YoY in FY24 • Most agencies have made upward revision of India's GDP forecast for FY24 • Major BFSI indicators, except insurance, grew at a healthy rate • RBI hiked repo rate six times in the FY23, aggregating 250 bps to 6.5%
 <p>Banks vs NBFCs</p>	<ul style="list-style-type: none"> • NBFCs post highest credit growth (17.3%) in last 5 years • NIMs inched higher for lenders on account of higher yields and increased by 30 bps for both lenders; CIR increased marginally • Profitability improved for NBFCs aided by record disbursements and improved asset quality • Most Banks/NBFCs reported lower GNPA; Credit costs also continue a downward trend • Valuation for NBFCs remained flat in the last 1 year; However, Diversified NBFCs command higher valuation than other categories
 <p>Key Performance Indicators</p>	<ul style="list-style-type: none"> • Absolute profit for the NBFC sector increased 39% YOY in FY23 driven by Diversified (68%) and MFI (220%) NBFCs • Reduction in credit costs (38bps YoY) and higher NIM (37bps YoY) boosting sector profitability • Diversified (28%) and Micro Finance (33%) NBFCs driving credit growth for the overall sector (17%) • Banks' lending to NBFCs is back, with share of bank's lending to NBFCs -2x during last 10 years

Strategic Recommendations

- **Customer-Centric Approach:** Focus on providing personalized services, leveraging technology to enhance customer experience, and building strong relationships.
- **Technology Adoption:** Invest in AI, ML, and blockchain to improve efficiency, reduce costs, and innovate product offerings.
- **Risk Management:** Implement robust risk management practices to mitigate credit risk and ensure compliance with regulatory requirements.
- **Product Diversification:** Expand into new product segments like green financing, insurance, and wealth management to diversify revenue streams.
- **Strategic Partnerships:** Collaborate with banks, fintech companies, and other stakeholders to leverage their strengths and expand reach.

Key Management



Key Management Persons Name - Age	Rajesh Gupta 53
Designation and No. of years of experience	Promoter and Managing Director, 13+ years of experience in Financial Market and metal recycling
Qualification	B. Com (Hons) from Delhi University
Roles and Responsibilities	developing medium- and long-term business strategies.
Other Directorships	Indian Private Companies Nupur Hospitality Private Limited; 2. Eligo Business & Advisory Private Limited; 3. Uninav Buildcon Private Limited; 4. Nupur Extrusion Private Limited; 5. Continent Buildwel Private Limited; 6. Uninav Developers Private Limited; 7. Nupur Infratech Private Limited; 8. Pragati Landcon private Limited; 9. Br Hands Investments Private Limited; 10. Vertex Buildwell Private Limited; 11. Frank Metals Recyclers Private Limited Indian Public Companies 1.Nupur Recyclers Limited; 2. S.D.M. Metalloys Limited

Key Management Persons Name - Age	Anoop Garg 49
Designation and No. of years of experience	Promoter and Executive Director, 13+ years of experience in financial market
Qualification	B. Com from IEC University of Himachal Pradesh
Roles and Responsibilities	Overseeing all aspects of day-to-day operations of the Company
Other Directorships	Indian Private Companies Uninav Buildcon Private Limited; 2. Vertex Buildwell Private Limited; 3. Paravest Educom Private Limited; 4. Wellvest Capitals India Private Limited; 5. Continent Buildwel Private Limited; 6. Uninav Developers Private Limited; 7. Nupur Infratech Private Limited; 8. Pragati Landcon Private Limited Indian Public Companies S.D.M. Metalloys Limited

Key Management Persons Name - Age	Geeta Goswami 41
Designation and No. of years of experience	Promoter, CEO and Executive Director, 13+ years of experience in financial market
Qualification	Company Secretary
Roles and Responsibilities	Provides guidance on key decisions, evaluates management performance, and monitors risk management practices
Other Directorships	Indian Private Companies Nupur Hospitality Private Limited and BR Hands Investments Private Limited Was previously associated with Financial Institutions like CSL Finance and RG group

Key Management Persons Name - Age	Nupur Gupta 26
Designation and No. of years of experience	Promoter and Non-Executive Director, 6 years of experience in finance and audit
Qualification	Bachelor's degree in business administration and post graduate program in management for family business.
Roles and Responsibilities	Provides guidance on key decisions, evaluates management performance, and monitors risk management practices Indian Private Companies: Nupur Recyclers Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep 24
Revenue from Operations	2,502.62	4,563.17	6,322.20	2,651.14
Other Income	28.74	55.56	73.85	30.12
Total Income	2,531.36	4,618.73	6,396.05	2681.26
Expenses				
Employee Benefit Expenses	229.77	250.09	310.24	142.57
Finance Cost	1,042.89	2,150.47	2,977.74	1,101.16
Depreciation and Amortization Expense	32.25	22.89	26.69	10.71
Provision & Write-off	263.25	44.23	358.98	316.43
Other expenses	415.29	772.21	949.98	448.32
Total Expenses	1,983.45	3,239.89	4,623.63	2,019.19
EBITDA	1,594.31	3,496.64	4,703.00	1,743.82
EBITDA Margin	63.71%	76.63%	74.39%	65.78%
Profit/(Loss) before tax	547.91	1,378.84	1,772.42	662.07
Tax Expense				
Current tax	147.25	371.56	443.2	197.21
Deferred Tax	-13.76	-9.27	-15.73	-39.3
Total Tax	133.49	362.29	427.47	157.91
Profit/(Loss) for the year	414.42	1,016.55	1,344.95	504.16
Net Profit Margin	16.56%	22.28%	21.27%	18.80%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep 24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	658.17	941.81	1,587.76	1,587.76
Reserves and surplus	4,109.41	7,265.57	9,014.87	9,519.03
Total Equity	4,767.58	8,207.38	10,602.63	11,106.79
2. Non-current liabilities				
Long-term borrowings	4,564.23	11,042.33	7,368.15	9,849.39
Other Long-Term Liabilities	757.72	1,687.34	1,061.56	1,465.96
Long-term provisions	10.9	13.27	19.2	19.96
Total Non-current liabilities	5,332.85	12,742.94	8,448.91	11,335.31
3. Current liabilities				
Short-term Borrowings	5,158.99	13,709.08	10,760.07	9,012.55
Trade Payables				
(i) Total outstanding dues of MSME	15.12	3.63	2.39	0.97
(ii) Total outstanding dues of creditors other than MSME	33.63	65.46	45.09	42.88
Other Current Liabilities	782.05	2,229.01	3,402.38	3,111.53
Short-term provisions	337.85	265.14	324.34	523.63
Total Current liabilities	6,327.64	16,272.32	14,534.27	12,691.56
Total Liabilities	11,660.49	29,015.26	22,983.18	24,026.87
Total Equity and Liabilities	16,428.07	37,222.64	33,585.81	35,133.66
ASSETS				
1. Non-current assets				
Property, Plant & Equipment	65.12	47.88	720.21	710.81
Intangible Assets	3.67	1.19	0.45	
Capital work in progress	-	-	146.26	261.92
Intangible assets Under Development	-	-	0.26	0.26
Non-Current Investments	215.95	-	-	-
Deferred Tax Assets (net)	63.94	73.21	88.94	128.25

Particulars	FY 22	FY 23	FY 24	Sep 24
Long Term Loans & Advances	3,905.41	10,207.14	5,914.21	6,587.87
Other Non- current Assets	71.74	864.79	64.54	359.22
Total Non-Current assets	4,325.83	11,194.21	6,934.87	8,048.33
Cash & Cash equivalents	93.66	7.26	774.83	971
Bank balances other than cash	11,257.45	25,561.80	24,781.55	25,229.83
Other financials assets	751.13	459.37	1,094.56	884.50
Total Current assets	12,102.24	26,028.43	26,650.94	27,085.33
Total Assets	16,428.07	37,222.64	33,585.81	35,133.66

Cash Flow Statement		Amt in Lakhs.			
Particulars	FY 22	FY 23	FY 24	Sep 24	
Net Cash Flow from Operating Activities	-3,519.18	-17,715.95	7,146.67	-442.66	
Net Cash Flow from Investing Activities	19.84	178.11	-806.21	-94.88	
Net Cash Flow from Financing Activities	3,530.64	17,451.44	-5,572.89	733.71	

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Sep 24*	Valuation Ratios (x)				
					FY 22	FY 23	FY 24	Sep 24*	
Diluted EPS	3.51	7.42	8.64	6.25	EV/EBITDA	2.03	2.12	0.84	3.04
BV per share	72.44	87.14	66.78	135.04	Market Cap / Sales	14.59	8.00	5.78	6.89
Operating Ratios					P/E	47.86	22.64	19.44	26.86
EBITDA Margins	63.71%	76.63%	74.39%	65.78%	Price to Book Value	2.32	1.93	2.52	1.24
PAT Margins	16.56%	22.28%	21.27%	18.52%	Solvency Ratios				
Creditor days	7.11	5.53	2.74	3.03	Debt / Equity	2.04	3.02	1.71	0.67
Return Ratios					Current Ratio	1.91	1.60	1.83	2.13
RoCE	15.47%	16.58%	24.55%	12.93%	Quick Ratio	1.91	1.60	1.83	2.13
RoE	8.69%	12.39%	12.69%	4.63%	Asset Turnover	0.15	0.12	0.19	0.15
*Annualised					Interest Coverage Ratio	1.50	1.62	1.57	3.15

Interpretation -

- **EBITDA Margins:** The company has maintained strong EBITDA margins, indicating efficient operations and cost control, however, it is significantly higher than industry averages which raises concerns about whether it is sustainable or not.
- **PAT Margins:** While PAT margins have increased, they remain relatively low compared to the industry average, suggesting potential cost pressures or revenue limitations.
- **Return on Equity (ROE):** ROE has shown a positive trend, indicating that the company is generating returns for its shareholders.

Efficiency Ratios:

- **Creditor Days:** The company has improved its creditor days, suggesting better management of payables.
- **Asset Turnover:** The asset turnover ratio has improved, indicating more efficient utilization of assets.

Solvency Ratios:

- **Debt/Equity Ratio:** The company's debt levels have increased, but they remain manageable.
- **Current Ratio and Quick Ratio:** The company maintains adequate liquidity to meet its short-term obligations.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Narnolia Financial Services Limited and Unistone Capital Privat Limited.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Narnolia Financial Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Pranik Logistics Limited	22.47	77.00	Oct 17, 2024	87.85
2.	Divyadhan Recycling Industries Limited	24.17	64.00	Oct 04, 2023	88.20
3.	Share Samadhan Limited	24.06	74.00	Sep 16, 2019	61.93
4.	Aesthik Engineers Limited	26.47	58.00	Aug 16, 2024	78.05
5.	Ztech India Limited	37.30	110.00	June 05, 2024	440.15

The company has handled 14 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 24th Oct 2024.

As per the offer document, the above-mentioned mandates Ztech India Limited has opened at a discount and remaining all have opened at a premium on the listing day.

Unistone Capital Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Diffusion Engineers Limited	158.00	168.00	Oct 04, 2024	440.25
2.	Deccan Transcon Leasing Limited	65.06	108.00	Sep 24, 2024	63.20
3.	Arkade Developers Limited	410.00	128.00	Sep 24, 2024	141.85
4.	Shree Tirupati Balajee Agro Trading Company Limited	169.65	83.00	Sep 12, 2024	70.72
5.	Saraswati Saree Depot Limited	160.01	160.00	Aug 20, 2024	125.30

The company has handled 17 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 24th October 2024.

As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

The NBFC sector in India is projected to face significant challenges due to tightened funding availability, potentially slowing growth after two strong years, according to ICRA. Asset growth is expected to moderate to 13-15% in FY2025, down from 18% previously. Key issues include the need for approximately ₹5.6 to 6 trillion in new debt funding to support AUM growth. Slower funding could impact the sector's AUM, anticipated to surpass ₹50 trillion this year, up from ₹47 trillion in March 2024.

Asset quality is also under pressure, with expected declines of 30–50 basis points in retail loans (excluding housing finance). Rising funding costs, increased competition, and portfolio seasoning from rapid growth in recent years are creating headwinds for profitability and margins, which are expected to dip by 25–45 basis points. This has raised concerns about potential delinquencies and heightened credit risk, particularly with increasing unsecured loans and overleveraging.

Company Analysis

Founded in 1995, the company shows strong experience in the sector, outperforming peers across key metrics. However, margin sustainability may be at risk as competitors hold lower margins. Although the company maintains a robust CRAR at an average of 30% (above the RBI's 10% requirement), GNPA stands at 3.96%, slightly above the sector's 2–2.9% mean. The company's P/E ratio, overvalued at 36.77, indicates caution.

Investors may **AVOID** this IPO for the time being. The industry is highly competitive and has evolved at a fast pace owing to A.I., ML, etc. It is worth observing whether a company would be able to compete when its cost of borrowing increases so investors should consider waiting a year to assess post-listing performance.

Disclaimer

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