

AU FINANCIERS (India) Limited IPO

ISSUE SIZE	1912.51 CR	<u>IPO OBJECTIVES</u> 1. To achieve the benefits of listing the Equity Shares on the Stock Exchanges 2. To enhance the visibility of the bank and provide liquidity to its existing shareholders
PRICE BAND	Rs. 355-358	
FACE VALUE	10	
IPO DATE	20/06/17-30/06/17	
ISSUE SHARES	53,422,169	
LOT SIZE	41	
LISTING	NSE, BSE	

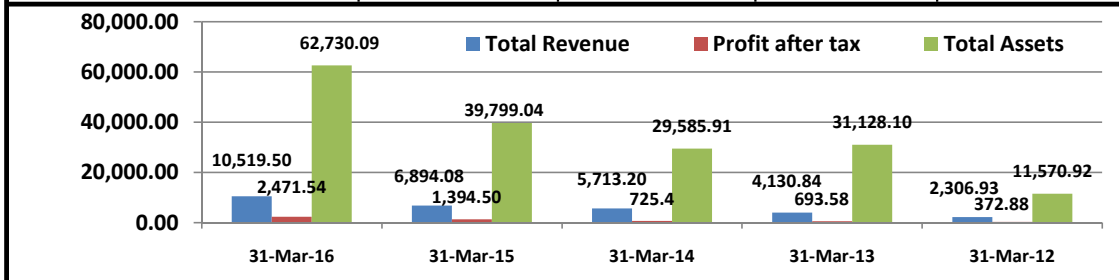
BACKGROUND & OPERATIONS

AU Financiers (India) Limited is a retail focused non-banking finance company (NBFC) primarily serving low and middle income individuals and businesses that have limited or no access to formal banking and finance channels. As NBFC, AU had a network of 300 branches across 10 states. It operates in 3 segments: (i) Vehicle Finance, (ii) MSME loans & (iii) SME Loans. The company received its license from the RBI to set up a 'small finance bank' (SFB) on December 20, 2016 and it is the only NBFC categorized as an asset finance company to obtain such license. It has access to diverse sources of liquidity for its capital requirements. It was featured in Spe 13 publication of Forbes India as one of the 14 hidden gems of India and was awarded the 'Best PE-Backed Financial Services Company 2012' at the VC Circle Awards. After setting up the Small Finance Bank, the company is offering other products like Current Account, Savings Account, Loan (housing, Gold loan etc), investment products, financial advisory etc.

<u>IPO Issue Allocation</u>	<u>% of Total</u>	<u>Loan Segment</u>	<u>Half year</u>	<u>Full year</u>
			<u>Sep-16</u>	<u>Mar-16</u>
Qualified Institutional Buyers	49%			
Retail Quota Liimit	34%	Vehicle Finance	4767	4174
Non-Institutional Investors	15%	MSME Loans	2577	2217
Employee Reservation Portion	2%	SME Loans	2023	1829
Total	100%	Total	9368	8221

Valuation as compared to its peers

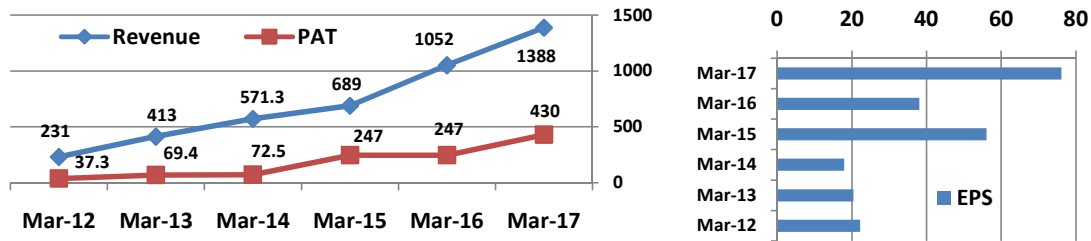
Names	EPS (2016)	CMP (18/5/17)	Current	In offer
AU Financiers	56.07			
Bajaj Finance	24.23	1312	54.15	38.93
RBL Bank	9.6	552	57.5	41.54
Equitas Holding	6.21	162	26.09	25.84
Ujjivan Financial	20.12	341	16.95	18.26



FINANCIAL DETAILS

1. The revenue of AU Financiers has grown at a CAGR of 46.13% over the previous Five Fiscals
2. In terms of PAT Au has grown at a CAGR of 60.45% from 373 million in 2012 to 2471 million in 2016, and a tremendous increase at 6853 in half year of 2017 .
3. Total Assets are growing at a CAGR of 52.59% which is great.
4. AU Financial is expected to grow at a CAGR of 40% over the coming years.

Revenue, PAT and EPS



Top Shareholders of the bank

SR.NO	SHAREHOLDER	Equity Shares	Percentage
1	Redwood Investment	59,770,794	21.03%
2	Mr. Sanjay Agarwal	58,477,128	20.57%
3	International Finance Corporation	30,288,678	10.66%
4	Labh Investments Limited	22,537,530	7.93%
5	Ourea Holdings Limited	21,149,064	7.44%
6	Ms. Jyoti Agarwal	14,182,272	4.99%
7	Ms. Shankuntala Agarwal	13,094,756	4.96%
8	Mr. Chiranji Lal Agarwal	8,119,770	2.86%
9	MYS Holdings Private Limited	7,460,466	2.62%
10	ICICI Prudential Life Insurance	4,857,144	1.71%
11	SBI Life Insurance	4,857,144	1.71%

KEY STRENGTHS

1. The biggest strength in bringing small finance banks into picture is that it targets the micro, small and medium enterprises, which are progressing at a very high rate and this can fuel up their progress story,
2. Au Financiers (India) Limited was one of the top ten applicants to get a license to set up a small finance bank by the RBI.
3. Au SFB has 300 branches spread across 11 different cities and has proposed to expand it to 400 branches by March 2018 showing growth potential.

KEY RISK FACTORS

1. Whenever it comes to Banking, whether it a Small Finance Bank or some other Bank, Non Performing Assets (NPA) are always a risk.
2. Shareholders as well as promoters reducing their stake can be a sign of concern although the bank is doing quite well in real terms.

TAKE AWAY

1. A very strong growth potential is something that can lure investors to this Au small finance bank for gains in short as well as long term..
2. Promoter holding is a bit on the lower side at approximately 33% held by the people from the same family and they are disinvesting 3% stake which seems questionable.
3. Listing would provide liquidity to its shareholders and enhance the visibility of the Bank along with providing public market for the shares to trade in India.

Conclusion:

Considering Au Financiers got a licence to set up a small finance bank and its exceptionally high growth rate and future prospects, we recommend our investors to:

SUBSCRIBE AU Financiers IPO for medium to long term.

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