

IPO Details		Company Background					
Opening Date	Jan 09, 2024	<ul style="list-style-type: none"> IBL Finance Limited was incorporated in the year 2017 and has its registered office in Surat, Gujarat, India. The company is a technology-driven fintech company that leverages technology and data science to make lending quick and easy. The company commenced its lending business to self-employed professional and small business entrepreneurs during the financial 2019. The company later migrated to a fintech-based financial services platform. The company launched its personal loans business to fulfil the needs of the underserved Indian population. As of 02, January 2024, the Company had 82 employees on its payroll. 					
Closing Date	Jan 11, 2024						
Stock Exchange	NSE SME						
Lot Size	2,000 Shares						
Issue Price	₹51 per share						
Issue Size	Aggregating up to 33.41 Cr.						
Fresh Issue	Aggregating up to 33.51 Cr.						
Offer For Sale	-						
Application Amount	₹ 1,02,000						
IPO Objective							
Augmenting the company's Tier 1 capital base to meet the company's future capital requirements.							
General corporate purposes.							
Pre-Issue Shareholding			Market Capitalization (In Cr.)				
Category	No. of Shares	% of Total Shares	Pre-Issue	Post-Issue			
Promoter & Promoter Group	1,55,51,984	85.54%	₹ 92.72	₹ 126.13			
Public	26,28,666	14.46%					
Promoter of the Company			Financial Summary (In Lac.)				
1. Manish Patel			For the Period Ended	Mar-21	Mar-22	Mar-23	Jul-23
2. Piyush Patel			Total Assets	339.10	1,022.85	2,218.11	2,317.59
3. Mansukhbhai Patel			Net Assets	312.73	355.47	2,048.74	2,169.34
4. Manishbhai Manuskbhai Patel HUF			Total Borrowings	-	640.58	9.12	7.51
5. Mansukhbhai Kunvarjibhai Patel HUF			Total Revenue	112.59	327.08	1,33.133	492.58
Competitive Strengths			Profit After Tax	-9.89	42.73	192.83	120.59
1. Mobile first approach driving better customer engagement and experience.			Tentative Timeline				
2. Risk management, data science and machine learning leveraged operating model.			Opening Date	Jan 09, 2024			
3. Stable and experienced management team.			Closing Date	Jan 11, 2024			
4. Strong financial performance.			Basis of Allotment	Jan 12, 2024			
			Initiation of Refunds	Jan 15, 2024			
			Credit of Shares to Demat	Jan 15, 2024			
			Listing Date	Jan 16, 2024			



Company Background and Analysis

IBL Finance Limited was incorporated in 2017. The company has decent experience in the industry. The company is a technology-driven fintech company that leverages technology and data science to make lending quick and easy. The company commenced its lending business to self-employed professional and small business entrepreneurs during the financial 2019. The company later in the year 2020 migrated to a fintech-based financial services platform. The company launched its personal loans business to fulfil the needs of the underserved Indian population.

The company launched its personal loans business to fulfil the needs of the underserved Indian population. Personal loans are the company's key financial product offerings. Under the personal loan lending business, the company extended instant personal loans up to ₹50,000 with tenors of up to 12 months. The annual interest rates the company charges on the loans disbursed during the Fiscal 2023 is over 18%.

Since the company's launch and up to March 31, 2023, they have disbursed 1,63,282 personal loans amounting to ₹ 7,105.44 lakhs. As of March 31, 2023, the personal loan business had an AUM of ₹ 1461.18 lakhs and disbursed 1,22,078 personal loans amounting to ₹ 5234.70 lakhs, with an average ticket size of approx. ₹4500. The average tenor of loans which is outstanding at the end of Fiscal 2023 is 5 months.

The company's target segment is the young, digitally connected, middle-class and lower middle-class population in India. The company's extensive range of ticket sizes and tenors of loans can address a large number of use cases such as: (a) planned personal expenses, e.g., home renovation, travel, high ticket purchases and weddings, (b) emergency medical expenses, and (c) short-term business needs.

To conclude, the company has decent experience in the industry. The company operates in the personal loan business sector.

Business Strategies

1. Grow the existing lines of business by further enhancing the capabilities -

The company is committed to growing the existing lines by attracting new users and driving engagement from existing customers through a continuously improving user experience on the IBL: Insta Personal Loan App and by providing tailored services that integrate with the existing offerings.

2. Continued investment in technology and data science capabilities -

The company plans to continue to develop and invest in sophisticated technology to further strengthen the technology infrastructure. The company will continue to strengthen its microservices technology architecture, an organisational software development approach that utilises a collection of small autonomous services, to make the IBL: Insta Personal Loan App more agile and scalable.

3. Depen, strengthen, and expand geographical presence -

The company seeks to establish new branches in areas that are adjacent states to its existing markets, or which may have similar customer demographics and financing needs.

4. Enhance the brand recall to attract new customers -

The company seeks to build its brand by engaging with existing and potential customers through customer literacy programs, sponsoring popular events in the regions the company operates and advertising in newspapers, hoardings and other advertising media.

5. Leverage the Network, Domain Expertise and Data to Enhance Product Offerings -

The company plans to continue to focus on personal loan offerings and increase its presence in the space. The company intends to continue to focus on the core business of providing financing services, the company believes additional products and cross-selling opportunities would also help strengthen the relationship with its customers and enable higher customer retention.

6. Co-lending arrangements -

With the capitalisation of the Company from the current Issue, the company would enter into Co-lending agreements with other financial institutions, which they believe would enable them to have wider access to the credit market in the priority sector.

Competitive Scenario and Peer Mapping

Competition

The company faces competition in all the lines of business. The company's primary competitors are other NBFCs, fintech companies, public sector banks, private sector banks, co-operative banks foreign banks and unorganized financiers who principally operate in the markets in which the company operates. For the personal loan businesses, companies generally compete on the basis of product offerings, ability to customize products, turnaround time and efficient loan process, ticket sizes, price, reputation and customer relationships.

Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -

Particulars	IBL Finance Limited	MAS Financial Services Limited	Arman Financial Service Limited	Apollo Finvest (India)Limited	CSL Finance Limited	Ugro Capital Limited
P/E	44.35	21.56	12.04	20.96	8.73	25.71
P/B	0.06	3.28	6.75	8.85	2.78	2.64
RoNW	17.69%	13.56%	25.90%	19.38%	12.74%	4.07%
NAV per share	0.40	1.90	0.27	0.09	1.88	6.79
CRAR (%)	114.80	25.25	32.61	77.96	49.88	20.00
Net Interest Margin	65.45%	4.83%	13.41%	13.63%	12.36%	5.30%

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -

Particulars	IBL Finance Limited	MAS Financial Services Limited	Arman Financial Service Limited	Apollo Finvest (India)Limited	CSL Finance Limited	Ugro Capital Limited
P/E	175.86	18.63	25.17	23.91	11.66	85.46
P/B	0.16	3.69	11.56	10.98	3.13	2.68
RoNW	3.89%	11.93%	15.09%	30.37%	10.31%	1.55%
NAV per share	0.07	2.49	0.23	0.05	1.70	5.49
CRAR (%)	40.39	26.35	29.10	43.42	63.82	34.00
Net Interest Margin	45.22%	4.30%	14.09%	22.81%	12.94%	5.85%

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -

Particulars	IBL Finance Limited	MAS Financial Services Limited	Arman Financial Service Limited	Apollo Finvest (India)Limited	CSL Finance Limited	Ugro Capital Limited
P/E	-728.57	32.89	49.42	31.66	5.69	30.70
P/B	0.16	0.00	13.17	15.79	3.87	2.72
RoNW	7.8%	12.37%	5.91%	14.07%	10.81%	3.04%
NAV per share	0.06	1.36	0.30	0.08	3.06	7.63
CRAR (%)	110.72	26.85	48.8	47.55	81.5	65
Net Interest Margin	21.39%	4.48%	13.82%	7.36%	15.33%	6.99%

Industry Overview

Exhibit 1: Gross National Savings (% of GDP)

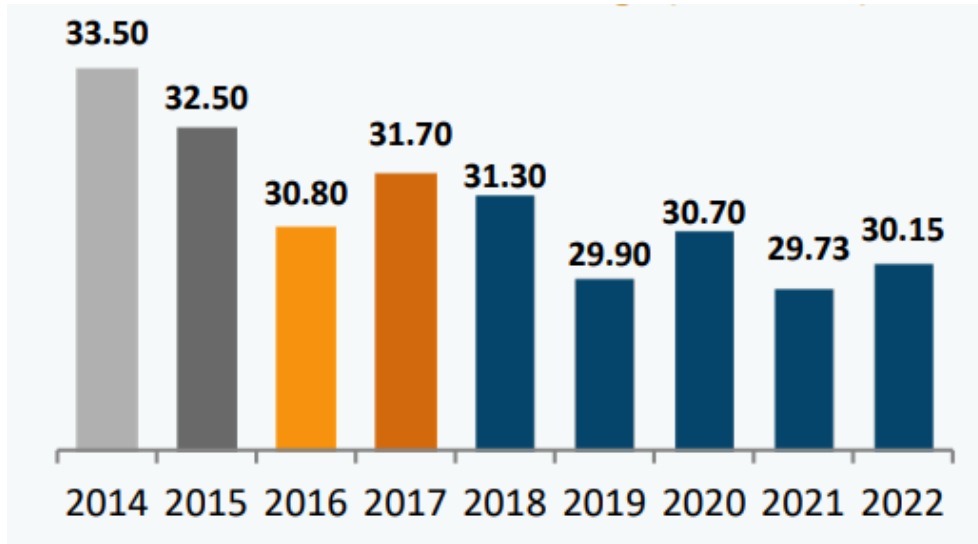
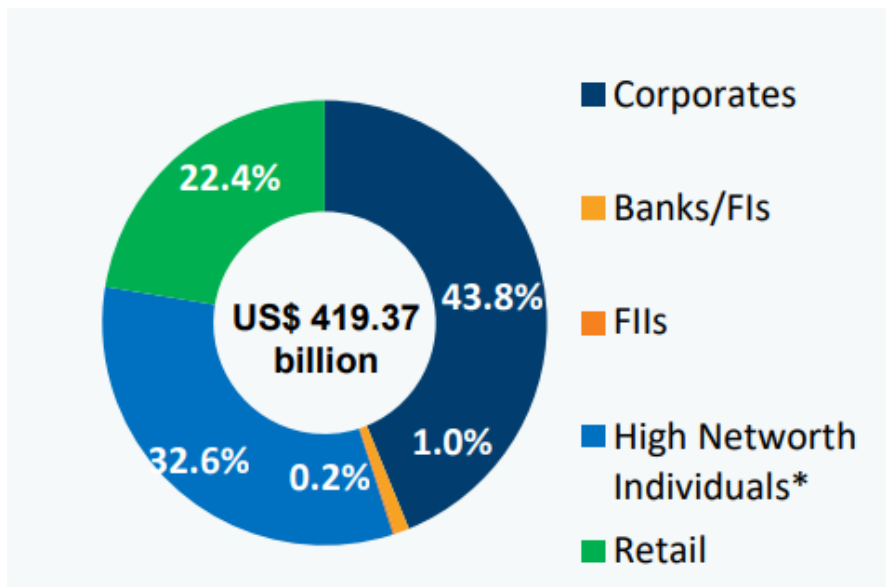


Exhibit 2: Investor Break-up of Financial Service Sector.



(Source: ibef.org)

India Financial Service Sector -

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payment banks to be created recently, thereby adding to the type of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.

The Government of India has introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for MSMEs, issuing guidelines to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by Government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

Road Ahead -

India's financial services industry has experienced huge growth in the past few years. This momentum is expected to continue. India's private wealth management industry shows huge potential. India is expected to have 6.11 lakh HNWIs by 2025. This will indeed lead India to be the fourth largest private wealth market globally by 2028. India's insurance market is also expected to reach US\$ 250 billion by 2025. This will further offer India an opportunity of US\$ 78 billion of additional life insurance premiums from 2020- 30. India is today one of the most vibrant global economies on the back of robust banking and insurance sectors.

The relaxation of foreign investment rules has received a positive response from the insurance sector, with many companies announcing plans to increase their stakes in joint ventures with Indian companies. Over the coming quarters, there could be a series of joint venture deals between global insurance giants and local players. The Association of Mutual Funds in India (AMFI) is targeting a nearly five-fold growth in AUM to Rs. 95 lakh crore (US\$ 1.47 trillion) and more than three times growth in investor accounts to 130 million by 2025.

India's Fintech space is expected to further fuel this growth in various segments. India's mobile wallet industry is estimated to grow at a Compound Annual Growth Rate (CAGR) of 150% to reach US\$ 4.4 billion by 2022, while mobile wallet transactions will touch Rs. 32 trillion (USD\$ 492.6 billion) during the same period. According to Goldman Sachs, investors have been pouring money into India's stock market, which is likely to reach >US\$ 5 trillion, surpassing the UK, and become the fifth-largest stock market worldwide by 2024.

(Source: Prospectus)

Key Managerial Personnel

Manish Patel, aged 37 years, is one of the Promoters, Chairman and Managing Director of the Company. He has been associated with the Company since incorporation. He holds a bachelor's degree in business administration. He has more than 5 years of experience in the field of business.

Piyush Patel, aged 43 years, is one of the Promoters, and Whole-Time Director of the Company. He has been associated with the Company since incorporation. He is an undergraduate, but he has completed his senior secondary course. He has more than 5 years of experience in the field of the business.

Mansukhbhai Patel, aged 69 years, is one of the Promoters, and Whole-Time Director of the Company. He has been associated with the Company since incorporation. He holds a bachelor's degree in commerce. He has more than 5 years of experience in the field of the business.

Bipin Hirpara, aged 47 years, is the Non-Executive Independent Director of the Company. He holds a bachelor's degree in commerce. He is a member of the Institute of Chartered Accountants of India. He has more than 10 years of experience in the audit and accounts sector.

Ajaykumar Baldha, aged 32 years, is the Non-Executive Director of the Company. He holds a bachelor's degree. He has more than five years of experience in the software industry.

Hitisha Chanchad, aged 35 years, is the Non-Executive Independent Director of the Company. She holds a bachelor's degree in commerce (special). She has more than 3 years of experience in the field of commerce.

To Conclude, the company has 5 promoters out of which 3 are individual promoters who have decent years of experience in the fields directly linked to the operations of the company. The remaining Directors have decent knowledge in the fields directly linked to the operations of the business, and in the fields which help in the growth of the business. The roles and responsibilities of the management are not provided accurately.

Financial Snapshot

P&L Statement				
(Amt in Lacs)				
Particulars	FY 21	FY 22	FY 23	Jul-23
Revenue from operations				
Interest income	108.96	316.24	1,183.18	248.33
Other Fees and Charges	3.63	10.84	147.34	244.25
Total Revenue from Operations	112.59	327.08	1,330.52	492.58
Other Income	-	-	2.61	-
Total Income	112.59	327.08	1,333.13	492.58
Expenses				
Finance Cost	0.47	8.33	122.58	9.80
Employee Benefits Expenses	47.83	102.13	271.71	75.90
Provisions and Loan losses	12.33	70.19	322.37	188.73
Depreciation, amortization and impairment	6.37	5.19	5.21	3.17
Other Expenses	54.87	84.71	336.74	65.53
Total Expenses	121.87	270.55	1,058.61	343.13
Profit Before Tax	-9.28	56.53	274.52	149.45
Tax Expenses	0.61	13.80	81.69	28.86
Current Tax	0.61	13.80	81.69	28.86
Profit after tax	-9.89	42.73	192.83	120.59

Balance Sheet				
(Amt in Lacs.)				
Particulars	FY 21	FY 22	FY 23	Jul-23
Assets				
Non-current Assets				
Property, plant and equipment	4.30	9.63	15.87	48.14
Intangible assets	4.96	2.6	0.93	52.03
Long-term loans and advances	18.22	3.48	9.67	27.28
Total Non-Current Assets	27.48	15.71	26.47	127.45
Current Assets				
Cash and bank balances	41.33	127.95	104.45	52.17
Short-term loans and advances	265.24	878.61	1,784.62	1,876.16
Other current assets	5.05	0.58	302.57	261.81
Total Current Assets	311.62	1,007.14	2,191.64	2,190.14
Total Assets	339.10	1,022.85	2,218.11	2,317.59
Liabilities				
Non-Current Liabilities				
Long term provisions	4.38	5.21	14.10	15.75
Total Non-Current Liabilities	4.38	5.21	14.10	15.75
Current Liabilities				
Short Term Borrowings	-	640.58	9.12	7.51
Trade Payables				
(i)total outstanding dues of micro enterprises and small enterprises				1.50
(ii)total outstanding dues of creditors other than micro enterprises and small enterprises	0.14	2.21	6.59	4.87
Other current liabilities	6.30	8.11	38.47	39.86
Short term provisions	15.54	11.28	101.08	78.75
Total Current Liabilities	21.98	662.18	155.26	132.49
Equity				

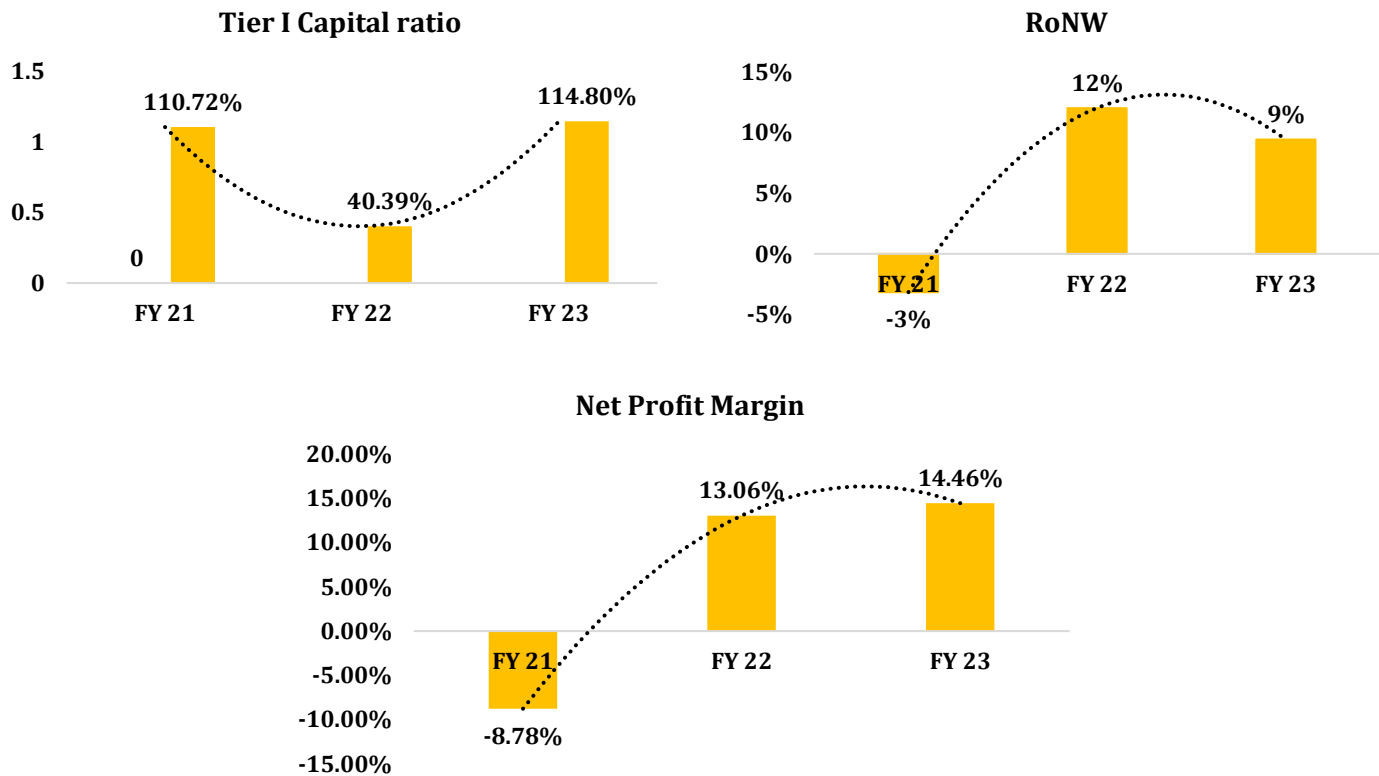
Balance Sheet		(Amt in Lacs.)			
Equity Share Capital	326.00	326.00	909.03	1,818.07	
Reserves and Surplus	-13.27	29.47	1,139.71	351.27	
Total Equity	312.73	355.47	2,048.74	2,169.34	
Total Liabilities and Equity	339.09	1,022.86	2,218.10	2,317.58	

Cash Flow Statement		(Amt in Lacs.)			
Particulars	FY 21	FY 22	FY 23	Jul-23	
Cash Flow from Operating Activities	-80.58	-563.67	-894.39	32.14	
Cash Flow from Investing Activities	65.52	11.77	-8.17	-92.11	
Cash Flow from Financing Activities	-0.47	638.52	879.06	7.69	

Particulars	FY 21	FY 22	FY 23
Banking ratios			
Tier I Capital ratio	110.72%	40.39%	114.80%
Tier II Capital ratio	0.00%	0.00%	0.00%
Total Capital ratio (CRAR) (%)	110.72%	40.39%	114.80%
Return Ratios (%)			
RoNW	-3%	12%	9%
RoA	-2.92	4.18	8.69
Valuation Ratios			
P/E	-728.57	175.86	44.35
P/B	0.16	0.16	0.06
Leverage Ratios			
Leverage Ratio	92.22%	34.75%	92.36%
Debt-to-Capital Ratio	0.00	1.80	0.004
Net Interest Margin	21.39%	45.22%	65.45%

NPA		(In Lacs.)			
Particulars	2021	2022	2023	Jul-23	
NPA (Gross)	52.95	20.92	75.77	77.39	
NPA Gross (%)	20.15	2.48	5.19	5.02	
NPA (Net)	39.22	15.69	56.83	58.03	
NPA (Net) (%)	15.75	1.87	3.94	3.81	

Financial Charts



Key Risk Factors

1. The company Directors and Promoter are subject to certain legal proceedings amounting to Rs. 10.47 lakhs and any adverse decision in such proceedings may affect the business, financial condition and results of operations.
2. The company have had negative net cash flows from operating cash flows for all the FY ended 2021, 2022, and 2023. Any negative cash flows in the future may adversely affect the results of operations and financial condition.

Track Record of Lead Manager

The lead manager to the issue is Fedex Securities Private 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 –

Fedex Securities Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	KK Shah Hospitals Limited	8.78	45.00	November 06, 2023	73.4
2.	Committed Cargo Care Limited	24.98	77.00	October 18, 2023	62.00
3.	Sharp Chucks and Machines Limited	16.84	58.00	October 12, 2023	72.0
4.	Oneclick Logistics India Limited	9.91	99.00	October 11, 2023	77.4
5.	Kundan Edifice Limited	25.22	91.00	September 26, 2023	213.00
6.	Pramara Promotions Limited	15.27	63.00	September 13, 2023	134.00
7.	Yasons Chemex Care Limited	20.57	40.00	August 03, 2023	29.7
8.	Pattech Fitwell Tube Components Limited	12.00	50.00	April 21, 2023	59.9
9.	Lead Reclaim and Rubber Products Limited	4.88	25.00	February 21, 2023	36.7
10.	Moxsh Overseas Educon Limited	10.42	153.00	December 30, 2022	117.00

The company has handled 15 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of 8th January 2024.

As per the offer document, from the above-mentioned mandates 3 have opened at discounts and the remaining mandates have opened at premiums on the listing day.

Recommendation

The company has been in the industry since 2017 and thus has decent experience in the industry. The company has seen a sudden surge in the increase of its interest income earned. The company has a negative bottom line for FY 2021.

The management outlook of the company is not satisfactory, and the roles and responsibilities of the management are not provided accurately.

The P/E on an annualized and post-IPO basis is around 37.57 times which makes it highly priced by looking at the performance of the company and its peers. The Sector P/E is 21.6 times.

The company operates in a very competitive industry. The financial outlook of the company is not satisfactory. The company is relatively very new to the industry. The management overview is not satisfactory. We believe the company requires a few more years to be self-established. The company has also had a negative bottom line for FY 2021. Thus, keeping in mind, the above-mentioned points, we believe one can **AVOID** to this IPO.



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