|  |
| --- |
|  |
|  |
| **IPO Details**  |
| Opening Date | September 05, 2024 |
| Closing Date | September 09, 2024 |
| Allotment Date | September 10, 2024 |
| Listing Date | September 12, 2024 |
| Stock Exchange | NSE SME |
| Lot Size | 1,200 Shares |
| Issue Price Per Share | ₹104 - ₹110 |
| Issue Size | 33.26 Cr. |
| Fresh Issue | 33.26 Cr. |
| Offer for Sale | - |
| Application Amt | ₹ 1,32,000 (1,200 shares) |
|  **KPIs (In Lakhs)** |
|

|  |  |  |  |
| --- | --- | --- | --- |
| **KPI’s** | **FY 22** | **FY 23** | **FY 24** |
| **Revenue** | 2,838.25 | 5,346.00 | 7,107.24 |
| **EBITDA** | 118.29 | 573.31 | 1,278.28 |
| **Net Profit** | 46.86 | 346.76 | 835.52 |
| **RoCE** | 17.90% | 53.66% | 61.22% |
| **ROE** | 10.70% | 41.07% | 49.74% |
| **P/E** | 174.60 | 26.25 | 10.90 |

 |
| **Promoter Share Holding Pattern** |
| Pre-Issue |  | Post Issue |  |
|  **Valuation Parameters** |  |
| **Particulars**  |  **Pre-Issue** |  **Post Issue** |
| EPS | 10.09 | 7.33 |
| BVPS | 20.07 | 14.75 |
| P/E | 10.90 | 15.00 |
| P/BV | 5.48 | 7.46 |
| Mkt Cap (In Cr) | 92.05 | 125.31 |
|  | **Lead Managers –** **Hem Securities Limited****`** |  |
|  |  |  |
|  |  |
|  |  |
| **Registrar –** **Skyline Financial Services Private Limited**  |  |
|  |  |
|  |  |
|  |  |



IPO Note

**My Mudra Fincorp Limited**

Recommendation: **AVOID!**

**Company Background –**

* My Mudra, established in 2013 has their registered office in New Delhi, India.
* **Business Activity:** The company acts as an intermediary, connecting customers with financial institutions. They use tele-calling, digital marketing, referrals, and physical branches for customer acquisition and service.
* **Revenue Model:** Primarily commission-based, earning from successful loan/credit card applications and insurance sales. The model incentivizes high sales volumes.
* **Revenue Generation:** Sub-DSAs play a crucial role in company’s revenue generation, accounting for 79% of the total revenue in FY24. While Delhi remains the company's primary market, contributing 49.43% of revenue, Uttar also represents a significant 10.41% share.
* As of May 31, 2024, My Mudra had 143 employees, including 10 employees from the IT and CRM development team.

**Objects of the Issue -**

* Repayment of a portion of certain borrowing availed by the Company
* Investment in technology development and digital infrastructure
* General Corporate Purposes.
* To meet the Working Capital Requirement.

**Promoters Name –**

Vaibhav Kulshrestha And Nisha Kulshrestha

**Rationale for recommendation –**

* The company's current revenue growth rate appears unsustainable.
* High reliance on top 5 customers and geographical concentration poses a risk.
* Opaque fund allocation raises concerns.

**Business Overview -**

* **Background and Mission:** Established in 2013, My Mudra Fincorp Limited is a Channel Partner (DSA- Corporate Direct Selling Agent) connecting customers with major banks and NBFCs in India. Their mission is to empower individuals, corporates, and professionals by facilitating access to financial products and services.

**Growth Trajectory and Strategic Plans**

* **Historical Growth:** My Mudra achieved a revenue CAGR of about 58% from FY 2021-22 to FY 2023-24, driven by increased business volume, geographic expansion, and a growing network of sub-DSAs.
* **Future Growth Drivers:**
	+ **Expanding Consumer Reach:** Plans to attract new customers and expand into rural areas through new branches.
	+ **Product Diversification:** Introducing gold loans and expanding insurance offerings.
	+ **Technology Investments:** Continued investment in digital infrastructure to boost efficiency and scalability.
	+ **Strategic Partnerships:** Strengthening ties with banks and NBFCs for exclusive products.
	+ **Customer Retention:** Focusing on personalized support and promotions to increase loyalty.
	+ **Sales and Marketing:** Intensifying efforts through digital and physical channels to boost brand visibility.
* **Fundraising & Impact:** The company aims to raise capital for Investment in technology development and digital infrastructure, repayment of borrowing as well as to meet the working capital requirement wanting to drive growth and profitability.

**Order Book –**

The company’s total contract value of ongoing projects amounts to Rs. 842.78 lakhs.

* **Values and Culture:** Company emphasizes customer-centricity, transparency, and efficiency. They offer a diverse product portfolio, streamline loan processes, and strive to secure competitive rates for their clients.
* **Pan-India Presence:** Operating in 8 states with 9 branches and 140+ franchisees/partners, My Mudra effectively reaches diverse markets in urban and rural areas.
* **Strong Partnerships:** Collaborations with major banks and NBFCs provide competitive products and rates, strengthening company’s value proposition.
* **Capital-Efficient:** My Mudra’s asset-light model minimizes capital requirements and operational costs, boosting profitability.

|  |  |  |
| --- | --- | --- |
| **Product/Service** | **Description** | **End Customer** |
| **Personal Loans** | Unsecured loans for various personal needs (marriage, holidays, medical, etc.) | Individuals |
| **Business Loans** | Unsecured loans for businesses (working capital, MSME term loans) | Businesses & Startups |
| **Professional Loans** | Tailored loans for professionals (CAs, CSs, doctors, architects) based on qualifications & experience | Professionals |
| **Secured Loans** | Loans secured against assets (home loans, loans against property, used car loans) | Individuals & Businesses |
| **Credit Cards** | Credit cards with benefits and rewards, offered in partnership with banks & NBFCs | Individuals |
| **Insurance** | Life, health, & general insurance products | Individuals & Businesses |

**Risk Factors –**

In FY24, top 5 customers contributed 42.54% of revenue, indicating a significant concentration risk. Loss of these key clients could impact company’s profitability.

High geographical concentration in Delhi (49.43% of revenue) poses a significant risk. Any adverse economic conditions or regulatory changes specific to Delhi could disproportionately impact the company's performance.

My Mudra Fincorp has faced DSA penal charges from banks and NBFCs, amounting to Rs. 2.33 lakhs in FY24, Rs. 2.25 lakhs in FY23, and Rs. 1.23 lakhs in FY22. Recurrence of such penalties could adversely impact the company's financials, operations, and reputation.

The company has had negative operating cash flow for FY 2022.

**Competition -**

**Technological Influences:** Fintech disruption requires My Mudra to adapt and innovate.

**Social Influences:** Shifting consumer behaviour necessitates a focus on digital channels and financial literacy.

**Macroeconomic Influences:** My Mudra must navigate economic fluctuations and regulatory changes.

**Porter's Five Forces:**

* **New Entrants:** Low barriers to entry intensify competition.
* **Suppliers:** Dependence on banks and NBFCs creates supplier power.
* **Buyers:** Customer choice necessitates competitive offerings and excellent service.
* **Substitute Products:** Alternative lending platforms pose a threat.
* **Rivalry:** High competition demands aggressive strategies.

**Industry & Business Cycle:**

* Industry growth presents opportunities for My Mudra to expand.
* Economic cycles require adaptability.

**PEER ANALYSIS**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **My Mudra Fincorp Limited** | **Akiko Global Services Ltd.** |
|  | **FY 22** | **FY 23** | **FY 22** | **FY 23** |
| NP Margin | 1.7% | 6.49% | 5.62% | 11.44% |
| EBITDA Margin | 4.17% | 10.72% | 8.50% | 15.86% |
| RoCE | 17.90% | 53.66% | 68.21% | 88.26% |
| ROE | 10.70% | 41.07% | 61.79% | 78.37% |
| EPS (INR) | 0.63 | 4.19 | 2.86 | 12.62 |
| P/E | 174.60 | 26.25 | - | - |

Akiko Global consistently outperforms My Mudra in all profitability metrics across both years. This indicates Akiko's superior ability to generate profits from its operations and utilize its capital and assets efficiently.

**Note:** Akiko Global's recent listing in July limits the comparability of its valuation metrics, particularly the P/E ratio, as it might not yet reflect the market's full assessment of its value.



**Insurance Sector**

* **Overview:** Significant growth potential, driven by regulatory developments and increased awareness. General insurance market CAGR of 7.1% during 2024-2028.
* **Trends:** New distribution channels (bank assurance, online) and rising private sector participation.
* **My Mudra:** Recently expanded into insurance, capitalizing on growing demand, particularly for health insurance. Can leverage its network to reach underserved areas and increase awareness.
* **Key Policies and Initiatives:**
* **Insurance Regulatory and Development Authority of India (IRDAI) Regulations:** Focus on promoting insurance penetration and simplifying the insurance buying process.
* **Increased FDI Limit:** The increased FDI limit in the insurance sector to 74% attracts foreign investment and fosters competition, benefiting customers with more choices and potentially leading to lower premiums.

**4. Credit Card Industry**

* **Overview:** Steady growth, driven by consumer spending and convenience. Outstanding credit cards grew 15% from April 2022 to April 2023.
* **Trends:** Digital payments boost credit card adoption. Reward programs are key for attracting customers.
* **My Mudra:** Can tap into the untapped market and explore co-branded card partnerships. Needs to manage credit risk effectively.

**Industry Overview -**

1. **Financial Services Sector**
* **Overview:** Rapid growth driven by rising incomes and digital adoption. Fintech market projected at US$ 150 billion by 2025.
* **Trends:** Technological disruption, evolving regulations, and demand for digital solutions.
* **My Mudra:** Investing in digital infrastructure to stay competitive and meet changing customer preferences.

**Key Policies and Initiatives:**

* **National Strategy for Financial Inclusion (NSFI):** Focuses on enhancing access to financial services, particularly in underserved areas.
* **Digital India:** Promotes digital adoption and innovation in various sectors, including financial services. My Mudra benefits from increased digital penetration and the growing acceptance of online financial transactions.

**2. Banking Sector**

* **Overview:** Upward trajectory, supported by economic growth and easier credit access. Bank credit grew 18.1% in FY24.
* **Trends:** Digital payments and transactions are surging, with UPI transactions reaching 10.241 billion by August 2023. Financial inclusion initiatives are expanding banking access in rural areas.
* **My Mudra:** Leverages diverse loan portfolio and partnerships to meet rising credit demand. Investing in digital infrastructure to align with digital banking trends. Focuses on thorough customer profiling to minimize NPA risks for partner banks.

**Key Management -**

|  |  |
| --- | --- |
| **Key Management Persons Name -** | **Vaibhav Kulshrestha** |
| **Age**  | 40 |
| **Designation and No. of years of experience** | Promoter, Chairman & Managing Director, 14 Years of experience in the field of Financial Services Industry |
| **Qualification** | Bachelor of commerce from Dr. Bhimrao Ambedkar University, Agra, Uttar Pradesh |
| **Roles and Responsibility**  | Business development, accounts & finance as well as overall management of the business of the Company |
| **Other Ventures** | M/s. My Mudra Finance Company (Proprietorship Firm) |

|  |  |
| --- | --- |
| **Key Management Persons Name -** | **Nisha Kulshrestha** |
| **Age**  | 38 |
| **Designation and No. of years of experience** | Promoter, 14 years of experience |
| **Qualification** | Bachelor of Commerce |
| **Roles and Responsibility**  | Not provided in RHP |
| **Other Directorships** | M/s. My Mudra Finance Company (Proprietorship Firm) |

* **Abhisek Dhal, 38, Whole-Time Director** at My Mudra since 2020. Holds a PG Diploma in Management and has **12+ years’ experience** in Sales, Marketing, & Loans from ICICI & HDFC Bank. Focuses on driving growth through innovation. Oversees new client acquisition and Sales & Marketing.
* **Ganesh Kumar Mishra, 35, Non-Executive Director** at My Mudra since inception. **10+ years’ experience** in loan processing. Key liaison between banks and clients, ensuring smooth loan disbursements. Also manages HR & Admin.
* **Sarita, 36, Independent Director**, Company Secretary, and lawyer with **8+ years** in corporate laws and secretarial matters.
* **Sudhir Kumar Jain, 65, Independent Director** with **38 years** in banking. Retired as AGM from Punjab & Sind Bank. Holds a Master's in Economics and is a registered Insolvency Professional.

The management team presents a mix of experience and potential.

**FINANCIAL SNAPSHOT**

**Statement of Profit and Loss Amt in Lakhs.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **FY 22** | **FY 23** | **FY 24** |
| Revenue from Operations | 2,838.25 | 5346 | 7,107.24 |
| Other Income | 7.93 | 9.8 | 7.11 |
| **Total Income** | **2,846.18** | **5,355.80** | **7,114.35** |
| **Expenses** |  |  |  |
| Employee Benefit Expenses | 159.45 | 197.56 | 222.12 |
| Finance Cost | 74.63 | 83.35 | 109.62 |
| Depreciation and Amortisation | 47.62 | 18.57 | 20.12 |
| Other expenses | 92.92 | 98.34 | 164.10 |
| **Total Expenses** | **357.8** | **509.52** | **674.83** |
| **EBITDA** | **40.37** | **55.35** | **108** |
| **EBITDA Margin** | **15.93** | **41.97** | **57.78** |
| **Profit/(Loss) before tax** | **69.92** | **485.79** | **1,119.61** |
| **Tax Expense** |  |  |  |
| Current tax | 22.01 | 145.84 | 292.83 |
| Deferred Tax | 1.05 | -6.81 | -8.74 |
| **Total Tax** | **23.06** | **139.03** | **284.09** |
| **Profit/(Loss) for the year** | **46.86** | **346.76** | **835.52** |
| **Net Profit Margin** | **1.65%** | **6.49%** | **11.76%** |

**Statement of Assets and Liabilities Amt in Lakhs.**

| **Particulars** | **FY 22** | **FY 23** | **FY 24** |
| --- | --- | --- | --- |
| **EQUITY AND LIABILITIES** |  |  |  |
| **1. Shareholders’ funds** |  |  |  |
| Share Capital | 1.07 | 1.18 | 1.18 |
| Reserves and surplus | 436.81 | 843.08 | 1,678.61 |
| **Total Equity** | **437.88** | **844.26** | **1,679.79** |
| **2. Non-current liabilities** |  |  |  |
| Long-term borrowings | 130.33 | 140.2 | 303.11 |
| Long term Provisions | 3.48 | 5.66 | 10.62 |
| **Total non-current liabilities** | **133.81** | **145.86** | **313.73** |
| **3. Current liabilities** |  |  |  |
| Short -term borrowings | 210.87 | 230.9 | 661.3 |
| Trade Payables | - | - | - |
| Dues of MSME enterprises | 4.75 | 23.51 | 5.74 |
| Dues of creditors other than MSME enterprises | 25.21 | 15.88 | 18 |
| Other Current Liabilities | 120.2 | 105.43 | 90.91 |
| Short-term provisions | 6.89 | 119.16 | 258.35 |
| **Total Current liabilities** | **367.92** | **494.88** | **1,034.30** |
| **Total Liabilities** | **501.73** | **640.74** | **1,348.03** |
| **Total Equity and Liabilities** | **939.61** | **1,485.00** | **3,027.82** |
| **ASSETS** |  |  |  |
| **1. Non-current assets** |  |  |  |
| Property, Plant & Equipment and Intangible Assets |  |  |  |
| Tangible Assets | 101.91 | 114.9 | 200.17 |
| Intangible Assets | - | 0.32 | 0.19 |
| Intangible Assets under Development | - | 122.13 | 362.37 |
| Non-Current Investment | 25.98 | - | - |
| Deferred Tax Assets (Net) | 2.36 | 9.17 | 17.9 |
| Long Term Loans and Advances | 211.32 | 205.05 | 350.11 |
| **Total Non-Current assets** | **341.57** | **451.57** | **930.74** |
| **2. Current assets** |  |  |  |
| Current Investment | - | - | 800.09 |
| Trade Receivables | 378.23 | 693.75 | 1,254.61 |
| Cash & Cash equivalents | 43.82 | 73.48 | 33.11 |
| Short-term loans and advances | 175.11 | 265.39 | 18.16 |
| Other Current Assets | 0.88 | 0.87 | - |
| **Total Current assets** | **598.04** | **1,033.46** | **2,097.06** |
| **Total Assets** | **939.61** | **1,485.00** | **3,027.82** |

**Cash Flow Statement Amt in Lakhs.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **FY 22** | **FY 23** | **FY 24** |
| Net Cash Flow from Operating Activities  | -3.98 | 135.68 | 176.12 |
| Net Cash Flow from Investing Activities  | -3.17 | -145.14 | -553.73 |
| Net Cash Flow from Financing Activities  | 21.03 | 39.10 | 497.23 |

**Key Ratios**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Per Share Data** | **FY 22** | **FY 23** | **FY 24** |  | **Valuation Ratios (x)** | **FY 22** | **FY 23** | **FY 24** |
| Diluted EPS | 0.63 | 4.19 | 10.09 |  | EV/EBITDA | 6.22 | 1.99 | 1.92 |
| BV per share | 5.23 | 10.09 | 20.07 |  | Market Cap / Sales | 4.42 | 2.34 | 1.76 |
| **Operating Ratios** |  |  |  |  | P/E | 174.60 | 26.25 | 10.90 |
| EBITDA Margins | 4.17% | 10.72% | 17.99% |  | Price to Book Value | 21.02 | 10.90 | 5.48 |
| PAT Margins | 1.65% | 6.47% | 11.74% |  | **Solvency Ratios** |  |  |  |
| Debtor days | 48.64 | 47.37 | 65.49 |  | Debt / Equity | 0.78 | 0.44 | 0.57 |
| Creditor days | 3.85 | 2.69 | 1.22 |  | Current Ratio | 1.63 | 2.09 | 2.03 |
| **Return Ratios** |  |  |  |  | Quick Ratio | 1.63 | 2.09 | 2.00 |
| RoCE | 17.90% | 53.66% | 61.22% |  | Asset Turnover | 3.02 | 3.60 | 2.35 |
| RoE | 10.70% | 41.07% | 49.74% |  | Interest Coverage Ratio | 2.54 | 9.60 | 11.30 |
|  |  |  |  |  |  |  |  |  |

**Per Share Data:**

* Significant earnings growth (Diluted EPS: 0.63 to 10.09) is highly positive for investors.
* BV per share growth reflects increased net asset value.

**Operating Ratios:**

* Improved profitability and efficiency (EBITDA & PAT margins up) implying the company is generating more profit from its operations.
* An increasing trend suggests it's taking longer to collect receivables. This needs monitoring as it can impact cash flow.

**Return Ratios:**

* Higher ROCE & ROE signify efficient capital and asset use, boosting investor confidence

**Valuation Ratios:**

* Lower EV/EBITDA (indicating the company might be becoming more attractive relative to its earnings and sales), Market Cap/Sales, and P/E suggest potential undervaluation.

**Solvency Ratios:**

* Healthy liquidity (Current & Quick Ratios) indicating sufficient liquidity to meet short-term obligations.
* Improved debt management (Debt/Equity).

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Hem Securities 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 –

**Hem Securities Limited** **–**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sr. No.** | **Company Name** | **Issue Size in Cr.** | **Issue Price/Share (In INR)** | **Listing Date** | **CMP\*****(INR)** |
| 1. | Sunlite Recycling Industries Limited  | 30.24 | 105.00 | August 20, 2024 | 162.50 |
| 2. | Aprameya Engineering Limited | 29.23 | 58.00 | August 01, 2024 | 68.00 |
| 3. | Chetana Education Limited | 45.90 | 85.00 | July 31, 2024 | 90.75 |
| 4. | Ganesh Green Bharat Limited | 125.23 | 190.00 | July 12, 2024 | 439.75 |
| 5. | Aimtron Electronics Limited | 87.02 | 161.00 | June 06, 2024 | 495.95 |
| 6. | Vilas Transcore Limited | 95.26 | 147.00 | June 03, 2024 | 421.35 |
| 7. | Aztec Fluids & Machinery Limited | 24.12 | 67.00 | May 17, 2024 | 110.65 |
| 8. | Premier Roadlines Limited | 40.36 | 67.00 | May 17, 2024 | 128.15 |
| 9. | Energy-Mission Machineries (India) Limited | 41.15 | 138.00 | May 16, 2024 | 387.50 |
| 10. | TGIF Agribusiness Limited | 6.39 | 93.00 | May 15, 2024 | 89.73 |

The company has handled 49 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 4th September 2024.

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

**Recommendation -**

**Concerns Regarding My Mudra Fincorp Limited's Fund Utilization**

**Transparency and Allocation:**

* **Lack of Clarity:** The company is raising ₹33 crores but only provides a detailed breakdown for ₹19.85 crores. This lack of transparency regarding the allocation of the remaining funds is a significant concern.
* **Debt Repayment:** A substantial portion of the funds (6.25 Cr.) is allocated to repay working capital loans. This raises questions as the company has a healthy debt-to-equity ratio (0.59) and positive cash flow. A certain level of debt can be beneficial due to tax advantages under the Indian Income Tax Act, 1961, which allows interest payments on business loans to be deducted from taxable income.
* **Growth Plans:** Most of the proceeds don't seem to be directed towards the company's stated growth plans, which is a cause for concern.

**Additional Red Flags:**

* **Increasing Debtor Days:** As previously noted, the increasing trend in debtor days signals potential challenges in collecting receivables, which could impact cash flow. While a definitive assessment is currently limited due to insufficient industry benchmark data, this trend warrants attention.
* **Customer Concentration:** A high dependence on a few key customers increases the company's vulnerability to any adverse changes in their business relationships.

**Overall Assessment:**

While My Mudra Fincorp Limited exhibits promising growth and profitability, the lack of clarity regarding fund utilization, coupled with existing red flags, raises concerns about its financial management and strategic direction.

Thus, one can **AVOID** this IPO for the time being.

**Disclaimer**

**We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.**

**OUR WEBSITE:**

[**www.tiareconsilium.com**](http://www.tiareconsilium.com)

 **OUR APP AVAILABLE ON:**

**CONNECT WITH US ON :**