



IPO OFFERING:

AU SMALL FINANCE BANK LTD



About Company

Recommendation: Subscribe for Long term

Jaipur based AU Small Finance Bank, formerly known as AU Financiers has transitioned from an asset financing NBFC providing loans for vehicle purchase, MSMEs and SMEs (split 50:30:20, of Rs. 10,734 crore AUM as of 31-3-17) to a small finance bank (SFB) effective 19th April 2017, having 269 branches and 121 asset centers (31-5-17) across West and Central India, mainly in Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Chhattisgarh, with focus on low income and middle income group (LIG and MIG) customers.

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Price Band	: Rs. 1760 to Rs. 1766 per share
Bid Lot size	: 8 Shares
Issue opens	: Wednesday, 28th June 2017
Issue Closes	: Friday, 30th June 2017
Min App Amount	: Rs 14678/- at upper band

Msearch View:

We believe AU transition from an asset financing NBFC to Small bank provided scope of growth as well as a favourable investment opportunity for long term investors. At Rs. 358, AU will have a market cap of Rs. 10,176 crore, which is nearly as much as its 31st March 2017 AUM of Rs. 10,734 crore. On valuation perse AU trades at 4.2x P/BV multiples which seems aggressively priced when compared to listed NBFC peers which are trading around Median range of 2.6x times while AU is a new entrant yet to prove its courage as a bank, different set of RBI regulations govern the two - take for example, priority sector lending at 40% versus 75% for small finance banks. Considering all parameters we recommend investors to subscribe to the IPO offer and investors can expect healthy return on investment on long term basis.

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