

Small finance banks see spurt in valuations

Valuations of the proposed SFB have gone up by almost 50-60% in the past year

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Valuations of the proposed small finance banks (SFB) have gone up by almost 50-60 per cent in the past year. The recent success of two listed entities - Ujjivan, which is yet to start operations as a bank, and Equitas, which is already operating as bank - has also helped pushed up valuations.

While the proposed SFBs were being valued at 1.5-1.8 times of their net worth around a year ago, at present they are being valued at 2.25-3 times of their net worth, said sources.

"At a macro level, the stock markets are performing well. The recent IPOs, for the most part, have attracted strong investor interest.

From both a political and regulatory

perspective, perceptions around MFIs have changed for the better. The SFBs have been the beneficiaries of all these factors," said Alok Prasad, industry expert and former chief executive officer of Microfinance Institutions Network.

ROSY PICTURE

- Ujjivan, which got listed in May this year has seen its stock price rise more than 100%
- Ujjivan's stocks closed at Rs 442 a share on September 23
- Equitas, which got listed in April, saw its price appreciate by around 65%
- Equitas' stocks closed at Rs 181 a share on September 23
- SFBs are required to bring down foreign equity to 49%
- Most of the proposed SFBs had foreign equity in excess of 70%

Ujjivan, which got listed in May this year at a price of Rs 210 a share, has seen the stock price rise more than 100 per cent so far. Ujjivan's stocks closed at Rs 442 a share on September 23.

Similarly, Equitas, which got listed in April with issue price of Rs 110 per share, saw its price appreciated by around 65 per cent so far (the company's stocks closed at Rs 181 a share on September 23). "There is a lot of interest in SFBs among investors. SFBs are being valued a multiple of around 2.5 of the net worth," said Abhijit Ray, co-founder and managing director, Unitus Capital.

PRICE MOVEMENT SINCE LISTING

UJJIVAN



EQUITAS



Source: BSE

Notably, SFBs are required to bring down foreign equity to 49 per cent. Most of the proposed SFBs had foreign equity in excess of 70 per cent. Hence, while a number of proposed banks have

closed deals with domestic investors to shore up domestic equity, others are in the process of doing so.

"At present, SFBs are being valued at a multiple of between 2.5 and 3. Last year, the valuations were at a multiple less than two. After the listing of Equitas and Ujjivan, the market for unlisted SFBs have also gone up," said R Baskar Babu, chief executive officer at Suryoday Micro Finance. The company had recently raised domestic equity from a clutch of domestic investors. Close to Rs 131 crore was infused in the company by primary investors, which included IDFC Bank, ASK Pravi and HDFC Standard Life. Under the secondary transaction, some of the investors included Responsibility, Gaja Capital and Evolvence India Fund.

Rajasthan-based A U Financiers, another proposed SFB, in its secondary sale round, saw shares oversubscribed by 2.5 times few months back. Its shares are presently roughly valued at Rs 1,050 a share, against the valuation of Rs 450 per share in January 2015, according to information available at the company's website. Foreign shareholding in the company was 64 per cent. "We are close to finalising deal for raising domestic equity. Valuations of SFBs have gone up after the listing of Equitas and Ujjivan. However, we had finalised our transactions before the IPOs. Those SFBs that are looking to strike a deal now will get better valuations as market has move up substantially," said Govind Singh, promoter and managing director, Utkarsh Micro Finance.

The proposed SFB is required to bring down foreign equity from 84 per cent to 49 per cent. Through the deal, the company expects to raise around Rs 395 crore from nearly eight investors.