

## INDOSTAR CAPIAL FINANCE LIMITED – OFFER FOR SALE

20 - August - 2021

### OFFER BACKGROUND

Indostar Capital (the "Seller"), being one of the promoters of Indostar Capital Finance Ltd (the "Company") proposes to sell up to an aggregate of 6,189,737 Equity Shares (representing 5.00% of the total issued and paid-up Equity Share capital of the Company on a non-fully diluted basis and 4.56% of the total issued and paid-up Equity Share capital of the Company on a fully diluted basis) ("Base Offer Size") on August 20, 2021 ("T Day") (for non-retail investors only) and on August 23, 2021 ("T+1 Day") (for retail investors and for non-retail investors who choose to carry forward their un-allotted bids), with an option to additionally sell up to 6,189,737 Equity Shares (representing 5.00% of the total issued and paid-up Equity Share capital of the Company on a non-fully diluted basis and 4.56% of the total issued and paid-up Equity Share capital of the Company on a fully diluted basis) (the "Oversubscription Option" and in the event the Oversubscription Option is exercised, the Equity Shares forming part of the Base Offer Size and the Oversubscription Option will, collectively, hereinafter be referred to as the "Sale Shares"; but in the event the Oversubscription Option is not exercised, the Equity Shares forming part of the Base Offer Size will hereinafter be referred to as the "Sale Shares"), through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE" and together with BSE, the "Stock Exchanges") (such sale referred to hereinafter as the "Sale/ Offer").

### THE SYNOPSIS OF THE OFFER FOR SALE IS AS FOLLOWS:

Name of the Seller (Promoter /Promoter Group)	Indostar Capital (the "Seller"), being one of the promoters of Indostar Capital Finance Ltd (the "Company")
Name of the company whose shares are proposed to be sold and ISIN	Indostar Capial Finance Limited
Name of the stock exchanges where orders shall be placed	NSE and BSE
Name of the designated stock exchange	BSE
<b>Date and time of opening and closing of the sale</b>	<b>Date: August 20, 2021 for Non-Retail; Open: 9.15am; Close: 3.30 pm Date : August 23, 2021 for retail; Open : 9:15am; Close : 3.30pm</b>
<b>Total number of equity shares being offered in the Sale</b>	6,189,737 Equity Shares (representing 5.00% of the total issued and paid-up Equity Share capital of the Company on a non-fully diluted basis and 4.56% of the total issued and paid-up Equity Share capital of the Company on a fully diluted basis) ("Base Offer Size") with an option to additionally sell up to 6,189,737 Equity Shares (representing 5.00% of the total issued and paid-up Equity Share capital of the Company on a non-fully diluted basis and 4.56% of the total issued and paid-up Equity Share capital of the Company on a fully diluted basis) (the "Oversubscription Option" and in the event the Oversubscription Option is exercised
Name of the broker(s)	Indian Clearing Corporation Limited
<b>Retail Reservation</b>	<b>10% of the offer size</b>
<b>Retail Discount</b>	<b>No discount</b>
<b>Floor Price</b>	<b>Rs. 290</b>
<b>Allocation Methodology</b>	<b>The allocation shall be at or above the Floor Price on price priority method at multiple clearing prices ("Clearing Prices") basis in accordance with the SEBI OFS Circulars.</b>

### Stock Data

Latest Data as on 18 August, 2021	
Latest Equity(Subscribed)	123.79
Latest Reserve	123794729.00
Latest EPS -Unit Curr.	0.00
Latest Bookvalue -Unit Curr.	297.77
Face Value	10.00
Stock Exchange	BSE
<b>Latest Market Price--Unit Curr.</b>	<b>338.55</b>
Latest P/E Ratio	0.00
Latest P/BV	1.14
52 Week High -Unit Curr.	416.95
52 Week High-Date	11/06/2021
52 Week Low -Unit Curr.	238.10
52 Week Low-Date	17/08/2020
<b>Market Capitalisation</b>	<b>4191.07</b>
Dividend Yield -%	0.00

### Pbv Chart



### AVERAGES – VOLUME (BSE)

	Total Volume	Avg Volume	No. Of Days
Weekly	1442308	288461.6	5
Fornightly	2982191	298219.1	10
Monthly	4064958	184770.8	22
Quarterly	12866565	197947.2	65
Half Yearly	14780318	121150.2	122
Yearly	23199186	92796.74	250

### AVERAGES – VOLUME (NSE)

	Total Volume	Avg Volume	No. Of Days
Weekly	510282400	102056480	5
Fornightly	1078667520	107866760	10
Monthly	1454717568	66123528	22
Quarterly	4656511488	71638640	65
Half Yearly	5301170688	43452220	122
Yearly	8062419968	32249680	250

## Key Findings

- IndoStar is a non-banking finance company "NBFC" registered with the Reserve Bank of India as a systemically important non-deposit taking company. It is professionally managed and institutionally owned organisation engaged in providing structured term financing solutions to corporates, used and new Vehicle Financing for transporters, Home Finance through our wholly-owned subsidiary IndoStar Home Finance Private Limited and loans to SME borrowers in India.
- During Q1FY22, retail AUM increases to 77%. The company is focus on Used CV and affordable Home finance. In line with its retailisation strategy, the share of retail is now 77%. The company is looking at growth opportunities in the CV and affordable home finance. In the CV finance business, company will focus on used vehicle financing. IndoStar is well placed to take advantage of the replacement demand in the 5 to 12 years old segment plus the demand which will unfold on account of scrappage policy. The company is also focusing on Affordable housing finance, which is focus area for the Government also. In the affordable home finance business which had been a 100% subsidiary of the company, the company has crossed the AUM of Rs 1,000 crore of AUM with good profitability and exceptional asset quality focusing on 6-7 states. The company is at an inflection point and has strengthened its senior leadership in key positions with an eye on the tremendous post pandemic opportunity available in the asset financing and affordable housing finance segment.
- IndoStar has one of the highest Capital Adequacy ratios amongst all listed NBFCs. With strong ALM and low leverage, the company reported more than 100% collections during this quarter, one of the most challenging quarters. As a strategy, the company has built a separate collection vertical, which will be able to further enhance its asset quality.
- Reduction of Corporate lending book to less than 10% of AUM by March 22. While, the company has an aspiration to build a large retail business, the company has also taken a bold decision to wind down gradually the corporate lending business. By March 2022 the corporate book component in the overall AUM will come down below 10%.
- Ready to capitalize sizeable post pandemic market opportunity: The conservative approach of ring-fencing balance sheet over last few quarters has strengthened IndoStar's position and places it ideally to take advantage of future growth opportunities. The company is now looking to accelerate the buildup of the retail business. The combination of opening smart branches along with the digitization initiative will help the company to enhance productivity and reduce operating expenses. The company is also expanding Geography, Products and customer segments to gain market share
- Stable credit rating and robust liquidity pipeline: The Company currently has liquid assets of approximately 23% of its borrowings, sufficient to cover all its repayment obligations for this financial year without any incremental borrowings. With a credit rating of AA- with stable outlook, even in the current challenging times, the company has a strong pipeline and multiple avenues to raise further liabilities to finance additional growth.
- **Consolidated financial update for the quarter ended June 30th 2021**
  - Net Revenue from Operations at INR 126.6 Crs
  - Positive ALM across all buckets
  - Gross and Net NPAs at 4.5% and 2.2% respectively

## Conclusion

**According to the management of the company, with the second wave of Covid-19 behind us and the economy gradually returning to normalcy, lending businesses certainly have their work cut out. However, the company has worked hard over the last 18 months to ensure too well positioned to capture a huge chunk of the retail market, and will be expanding its market share in Used CV financing and affordable housing. It has some of the world's leading private equity companies like Brookfield and ever stone providing us with the much needed capital to grow. Further, the company has also leveraged technology to make its branches and operations more efficient, and hired over 30 senior leaders across key positions keeping in mind its ambitious plans and targets for the future financial growth.**

**Offer Size = Rs.179.50 crore if oversubscribed the Rs.359 crore**

**View : Positive for Retail shareholder long term**

### Shareholding Pattern (%)

Description as on	30/06/2021	31/03/2021	31/12/2020	30/09/2020
Total Foreign	0.17	0.15	0.1	0.1
Total Institutions	2.09	2.69	2.65	2.44
Total Non Promoter Corporate Holding	0.13	0.4	0.39	0.4
Total Promoters	93.26	93.31	93.52	93.73
Total Public & Others	4.34	3.45	3.34	3.34

### Shareholding of securities of persons belonging to the category Public and holding more than 1% of the total number of shares

Description as on	% of Holding 30/06/2021	% of Holding 31/03/2021	% of Holding 31/12/2020	% of Holding 30/09/2020
Icici Prudential Life Insurance Company Limited	1.5	1.5	1.5	1.5

#### Allocation methodology

A minimum of 25% of the equity shares being offered in the Sale shall be reserved for allocation to mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended ("Mutual Funds") and insurance companies registered with the insurance Regulatory and Development Authority under the Insurance Regulatory and Development Authority Act, 1999, as amended ("Insurance Companies"), subject to receipt of valid bids/orders at the Clearing Prices.

In the event of any under subscription by Mutual Funds and Insurance Companies, the unsubscribed portion shall be available to the other bidders.

No single bidder other than Mutual Funds and Insurance Companies shall

#### Oversubscription option

In case the Oversubscription Option is not exercised, the equity shares of the Company forming part of the Base Offer Size will hereinafter be referred to as "Offer Shares") through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited ("NSE", and together with the BSE, the "Stock Exchanges"). The Offer shall be undertaken exclusively through the Seller's Brokers named below on a separate window provided by the Stock Exchanges for this purpose.

#### Conditions for withdrawal of the Sale

The Seller reserves the right to not to proceed with the Sale at any time prior to the time of opening of the Sale on the Sale Date.

In such a case, there shall be a cooling off period of 10 trading days from the date of withdrawal before an offer is made again. The Stock Exchanges shall suitably disseminate details of such withdrawal.

#### Conditions for cancellation of the Sale

In the event (i) the aggregate number of orders received in the Sale at or above the Floor Price is less than the total number of Sale Shares or (ii) of any default in settlement obligations, the Seller reserves the right to either conclude the Sale to the extent of valid bids / orders or cancel the Sale in full. The decision to either accept or reject the Sale shall be at the sole discretion of the Seller.

#### Conditions for participating in the Sale

Non-institutional buyers shall deposit 100% of the order value in cash up-front with the Clearing Corporation at the time of placing bids for the Sale.

In case of institutional investors who place orders with 100% of the order value deposited upfront, custodian confirmation shall be within trading hours.

In case of institutional investors who place orders without depositing 100% of the order value upfront, custodian confirmation shall be as per the existing rules for secondary market transactions.

The funds collected shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.

Modification or cancellation of orders would be allowed during the duration of the offer only for:

(i) Orders placed by institutional investors and by non-institutional investors, with 100% of the order value deposited upfront: Such orders can be modified or canceled at any time during the trading hours.

(ii) Orders placed by institutional investors without depositing 100 % of the order value upfront: Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.

The buyer shall also be liable to pay any other fees, as may be levied by the Stock Exchanges, including Securities Transaction Tax.

In case of any permitted modification or cancellation of the order / bid, the funds shall be released/ collected on a real-time basis by the clearing corporation.

In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.

## QUARTERLY PERFORMANCE

	Qtr Ending Jun. 21	Qtr Ending Jun. 20	VAR %
Total Income	264.76	333.43	-21
OPM (%)	36.6	72.82	
OP	96.9	242.79	-60
Other income	0.5	0.01	4900
PBIDT	97.4	242.8	-60
Net Finance Charges	138.68	184.36	-25
PBDT	-41.28	58.44	-171
Depreciation	7.97	7.91	1
PBT before EO	-49.25	50.53	-197
Tax expense	-12.43	3.32	-474
PAT	-36.82	47.21	-178

## Financial Overview

	202003	201903	201803	201703	201603
Equity Paid Up	92.45	92.26	78.68	78.36	73.35
Networth	2680.56	3006.29	2074.73	1902.75	1541.8
Capital Employed	9360.33	12068.02	6903.07	5310.23	4567.54
Total Debt	6679.77	9061.73	4822.76	3373.29	3000.85
Gross Block (Excl. Reval. Res.)	434.86	393.05	59.98	13.6	6.28
Sales	1527.88	1205.63	788.97	719.91	644.05
PBIDT	387.26	960.97	642.74	636.77	582.98
PBDT	-406.58	397.38	317.19	324.92	293.72
PBIT	357.16	942.74	638.03	634.89	582.47
PBT	-436.68	379.15	312.48	323.04	293.21
PAT after Minority Interest & P/L Asso.Co.	-324.63	240.79	200.33	210.8	191.64
Adjusted PAT	-324.44	240.91	200.89	210.8	191.64
CP	-294.53	259.02	205.04	212.68	192.15
Revenue earnings in forex	0	0	0	0	0
Revenue expenses in forex	0	1.16	0	0	0
Book Value (Unit Curr)	289.94	325.86	263.69	242.82	210.19
Book Value (Adj.) (Unit Curr)	289.94	325.86	263.69	242.82	210.19
Market Capitalisation	2312.66	3866.97	0	0	0
Financial Years High & Low Prices					
High Date (BSE)	1-Apr-19	24-May-18			
High Price (BSE)	442.85	606.6	0	0	0
Low Date (BSE)	10-Dec-19	23-Oct-18			
Low Price (BSE)	166	275	0	0	0
Year End Price Date (BSE)	31-Mar-20	29-Mar-19			
Year End Price (BSE)	250.15	419.15	0	0	0
High Date (NSE)	1-Apr-19	24-May-18			
High Price (NSE)	442.7	607.8	0	0	0
Low Date (NSE)	11-Dec-19	11-Oct-18			
Low Price (NSE)	166	275.8	0	0	0
Year End Price Date (NSE)	31-Mar-20	29-Mar-19			
Year End Price (NSE)	248.3	416.1	0	0	0
CEPS (annualised) (Unit Curr)	-32.27	27.87	26.06	27.14	26.2
EPS (ann.) after Minority Interest (Unit Curr)	0	26.1	25.46	26.9	26.13
EPS (ann.) after Minority Interest (Adjusted) (Unit Curr)		0	26.1	25.46	26.926.13

	202003	201903	201803	201703	201603
Dividend (annualised%)	10	20	0	0	0
Payout (%)	-5.62	3.86	0	0	0
Cash Flow From Operating Activities	1745.29	-2090.74	-546.52	-689.98	-542.7
Cash Flow From Investing Activities	-2310.77	260.39	-842.31	-193.53	316.7
Cash Flow From Financing Activities	-350.22	2786.53	1459.46	589.04	365.46
Free Cash Flows to Equity	1414.44	16.02	41.82	-242.8	-327.87
Free Cash Flows to the Firm	2335.44	-1732.81	-385.89	-493.43	-356.6
Price to Free Cash Flows to Equity	1.64	241.36	0	0	0
Price to Free Cash Flows to the Firm	0.99	-2.23	0	0	0
Rate of Growth (%)					
ROG-Net Worth (%)	-10.83	44.9	9.04	23.41	19.96
ROG-Capital Employed (%)	-22.44	74.82	30	16.26	17.57
ROG-Gross Block (%)	10.64	555.3	341.03	116.56	85.8
ROG-Sales (%)	26.73	52.81	9.59	11.78	21.97
ROG-PBIDT (%)	-59.7	49.51	0.94	9.23	20.24
ROG-PBDT (%)	-202.32	25.28	-2.38	10.62	29.53
ROG-PBIT (%)	-62.11	47.76	0.49	9	20.31
ROG-PBT (%)	-215.17	21.34	-3.27	10.17	29.71
ROG-PAT (%)	-234.82	20.2	-4.97	10	28.58
ROG-CP (%)	-213.71	26.33	-3.59	10.68	28.32
ROG-Revenue earnings in forex (%)	0	0	0	0	0
ROG-Revenue expenses in forex (%)	-100	0	0	0	0
ROG-Market Capitalisation (%)	-40.19	0	0	0	0
Key Ratios					
Debt-Equity Ratio	2.77	2.73	2.06	1.85	1.97
Long Term Debt-Equity Ratio	2.63	2.28	1.26	1.07	1.19
Current Ratio	14.99	6.26	2.04	0.98	1.27
Turnover Ratios					
Fixed Assets Ratio	3.69	5.32	21.45	72.43	133.34
Inventory Ratio	0	0	0	0	0
Debtors Ratio	5771.09	4549.55	0	0	0
Total Asset Turnover Ratio	0.14	0.13	0.13	0.15	0.15
Interest Cover Ratio	0.45	1.67	1.96	2.04	2.01
PBIDTM (%)	25.32	79.71	81.46	88.45	90.52
PBITM (%)	23.35	78.19	80.87	88.19	90.44
PBDTM (%)	-26.58	32.96	40.2	45.13	45.61
CPM (%)	-19.26	21.48	25.99	29.54	29.83
APATM (%)	-21.23	19.97	25.39	29.28	29.76
ROCE (%)	3.33	9.94	10.45	12.85	13.78
RONW (%)	-11.42	9.48	10.07	12.24	13.56



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