

UJJIVAN SMALL FINANCE BANK LIMITED (SUBSCRIBE)



Issue Details:

Recommendation	Subscribe
Issue Open	Dec 2nd, 2019 – Dec 4th, 2019
Issue Type	Book Build Issue IPO
Issue Size	Up to Rs.750 crores
No. of shares	20,83,33,333 Equity Shares
Face Value	Rs 10 per Equity Share
Issue Price	Rs. 36 – Rs. 37 per share
Market Lot	400 Shares
Discount	Shareholders of UFSL will get Rs.2 per share to final issue price
Listing at	NSE/ BSE

Timelines of USFB IPO:

Bid/Offer Opens On	Dec 02 nd , 2019
Bid/Offer Closes On	Dec 04 th , 2019
Finalization of Basis of Allotment	On or about Dec 9, 2019
Initiation of refunds	On or about Dec 10, 2019
Credit of Shares to demat accounts	On or about Dec 11, 2019
Commencement of trading on the Stock Exchanges	On or about Dec 12, 2019

Company Profile

Incorporated in 2017, Ujjivan Small Finance Bank Limited (USFB) offers small finance to underserved & unserved segments in India. The bank aims to work for the financial inclusion of the country. USFB Bank is promoted by Ujjivan Financial Services Limited (UFSL) which is an NBFC providing financial services to the economically active poor, who are not served by the Financial Institutions.

UFSL offers small size loan products to economically poor women, individual loans to Micro and Small Enterprises (MSEs). It follows the integrated lending approach where the company considers technology infrastructure and back-end support functioning before lending.

USFB has a wide presence across 24 states and union territories in India. As on 30 September 2019, it has 4.9 million customers, 552 Banking Outlets, 441 ATMs, two 24/7 phone banking units (in Bengaluru and Pune) and 50 additionally operated Asset Centers. Customers can use USFB mobile banking application in 5 languages.

Lead Manager of the issue

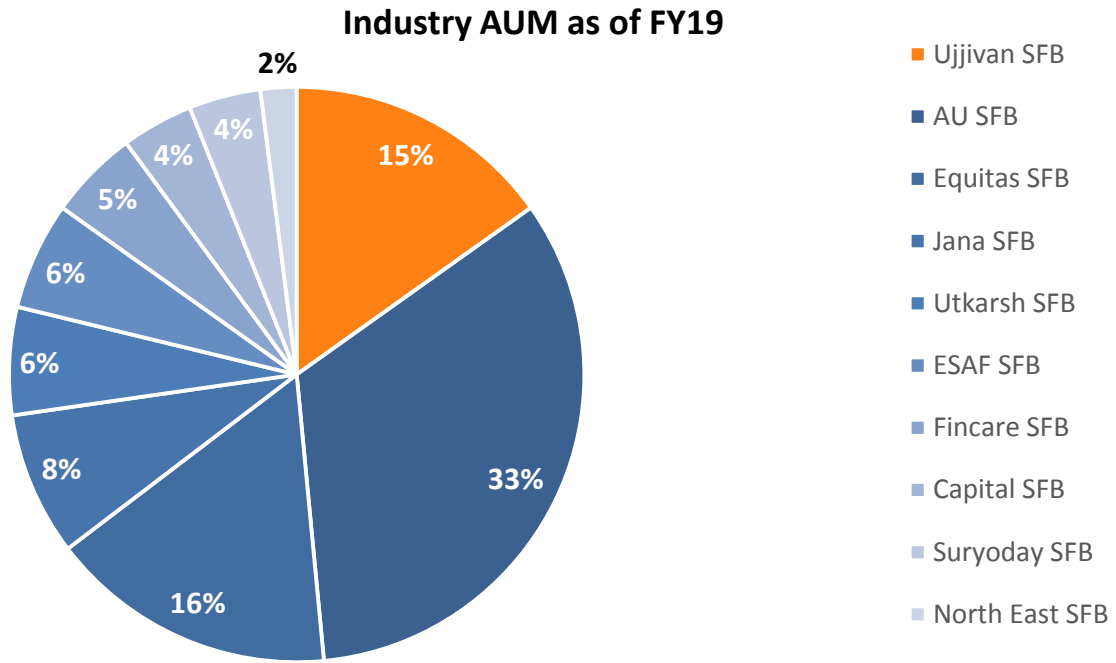
1. IIFL Holdings Limited
2. JM Financial Consultants Private Limited
3. Kotak Mahindra Capital Company Limited

Objective of the issue

Two main objective of the offer are :-

1. The bank will utilize the net proceeds from the Issue towards augmenting our Bank's Tier – 1 capital base to meet our Bank's future capital requirements.
2. Meeting the expenses in relation to issue.
3. Receive the benefits of listing the equity shares on the exchange

Industry growth and outlook



Top 3 players accounts for **64%** of the industry AUM as of FY19. Further, it is expected the loan portfolio of SFBs will grow at a CAGR of approximately **23% to 25%** in the near term due to support from

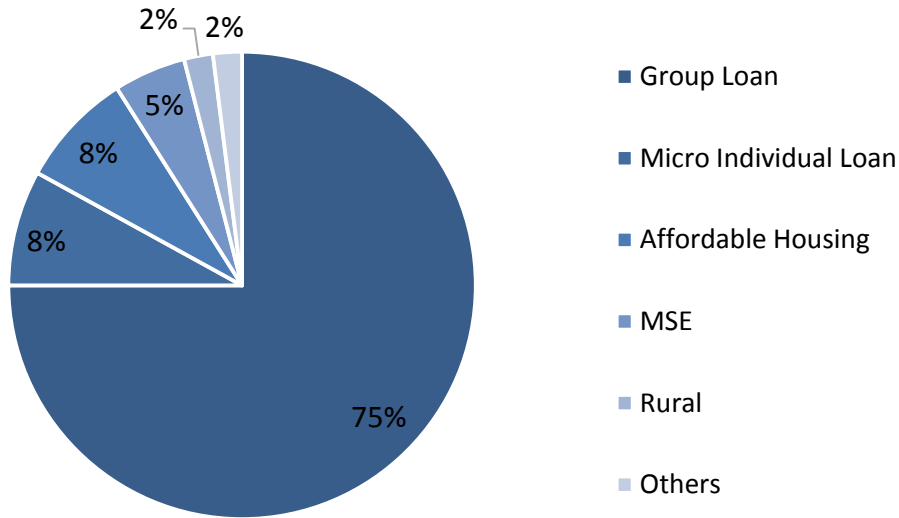
1. Significant market opportunity especially in the semi-urban and rural segment;
2. Presence of high informal credit channels;
3. Geographic diversification;
4. Ability to understand local markets,
5. Access to low cost funds,
6. Loan recovery and control on NPAs.

Competitive Strengths

1. Serving mass-market segment of unserved and underserved
2. Multiple delivery channel
3. Pan-India presence
4. Digitally advanced platform
5. An established risk management framework

Product Portfolio

We provide products and services to different customer segments with differentiated propositions for their personal and business banking needs. Our product portfolio includes:-

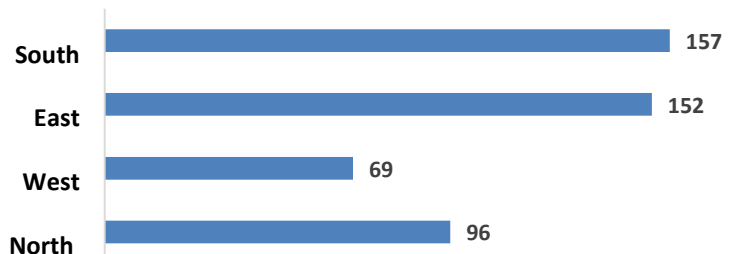


Peer Comparison

SFB	Yield on advances (%)	NIM (%)	Other Income (% of Avg asset)	Cost of funds (%)	Cost to income (%)	PCR (%)	GNPA (%)	ROE (%)	ROA (%)
Ujjivan SFB	20	9.6	1.77	7.6	76	72	0.9	11	1.7
AU SFB	16.3	5.2	1.8	7.4	65	37	2	14	1.5
Equitas SFB	19	7.9	1.95	8.2	64	43	2.5	10	1.4
Jana SFB	18.3	4.6	1.23	10.2	204	--	8.08	--	--
Utkarsh SFB	22.6	9.2	1.11	8.3	59	91	1.39	16	1.7
ESAB SFB	26.8	9.7	1.85	8.9	66	30	1.61	15	1.5
Fincare SFB	27.5	11.7	2.16	6.5	66	--	0.96	20	3.2

Branch Network

As of June 30, 2019, we operated from **474** Banking Outlets that included 120 Banking Outlets in URCs of which seven were business correspondent centers and additionally operated 50 Asset Centers.



Key Financials

Particulars	Fiscal Year (Rs. in Million)		
	Sept – 19	March – 19	March -18
Total Assets	1,61,078.96	1,37,422.15	94,728.73
Total Revenue	14,348.75	20,375.75	15,793.55
Profit After Tax	1,871.10	1,992.18	68.63

Particulars	2017	2018	2019
Net Interest Income	1,076.52	8,610.11	11,064.12
Net Interest Margin	8.36%	10.31%	10.93%
Cost of funds	10.01%	9.01%	8.33%
Average cost of Borrowings	10.31%	9.78%	9.18%
Return on average equity	0.02%	0.42%	11.49%
Return on average asset	0.003%	0.08%	1.72%
Credit to total deposit ratio	3092.94%	200.43%	149.72%
Retail to total deposit ratio	3.15%	11.32%	37.07%
CASA to Total Deposit ratio	1.57%	3.68%	10.63%
Cost to income ratio	95.35%	67.13%	76.45%
Total Deposits	2,064.05	37,725.18	73,794.40
Gross advances	58,756.46	75,611.99	10,6227.59
Tier I Capital	14601.36	14,829.50	16,533.74
Tier II Capital	479.55	481.30	497.91
Total Risk Weighted Assets	71,575.29	66,452.47	89,896.78
Provision as % of gross advances	2.12%	3.46%	1.17%
Provision as % of gross NPA's	760.94%	94.77%	126.95%
Gross NPA	0.28%	3.65%	0.92%
Net NPA	0.03%	0.69%	0.26%

Recommendation

Ujjivan Small Finance Bank Limited is one of the major player in small finance bank industry. It is expected that that SFB industry will grow by 23-25 percent CAGR over next few years which will benefit the company in future. The main objective of the IPO is to improve its CAR ratio. According to management the focus of the bank will be on mass market. They want to improve the performance of the bank using technology. Post issue the stake of the holding company will reduce to 85 percent from 95 percent and would eventually reduce further 40 percent by January, 2022. Comparing the bank with its peers, GNPA is the lowest and PCR maintained by bank is highest above the prescribed limit of RBI. The deposit and loan of the bank has increase gradually.

We recommend **Subscribe** for Ujjivan Small Finance Bank Limited IPO at its price band of Rs.36 – Rs.37 for a lot size of 400 shares.

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Disclosure of Interest Statement	
1. Financial interest of research analyst or IGSL or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or IGSL or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No