

## Company Profile

Ujjivan SFB is a mass market focused SFB in India, catering to unserved and underserved segments and committed to building financial inclusion in the country. Their Promoter, UFSL commenced operations as an NBFC in 2005 with the mission to provide a full range of financial services to the 'economically active poor' who were not adequately served by financial institutions. UFSL's erstwhile business was primarily based on the joint liability group-lending model for providing collateral free, small ticket-size loans to economically active poor women. UFSL also offered individual loans to Micro and Small Enterprises ("MSEs") and adopted an integrated approach to lending, which combined a customer touchpoint similar to microfinance, with the technology infrastructure and related back-end support functions similar to that of a retail bank. They were included in the second schedule to the Reserve Bank of India Act, 1934 as a scheduled bank on July 3, 2017. In the short span of time that have been operational as an SFB, they are among the leading SFBs in India in terms of deposits, advances, branch count and geographical spread, as of March 31, 2019.

Among the leading SFBs in India, They had the most diversified portfolio, spread across 24 states and union territories as of March 31, 2019 (Source: CRISIL Report). As of September 30, 2019, they served 4.94 million customers and operated from 552 Banking Outlets that included 141 Banking Outlets in Unbanked Rural Centres ("URCs") (of which seven were business correspondent centres) and additionally operated four Asset Centres. In Fiscal 2019 alone, they operationalized 287 Banking Outlets. As of September 30, 2019, they had a network of 441 ATMs (including 18 ACRs), two 24/7 phone banking units based in Bengaluru and Pune that service customers in 11 languages, and a mobile banking application that is accessible in five languages as well as internet banking facility for individual and corporate customers.

Their portfolio of products and services includes various asset and liability products and services. Their asset products comprise: (i) loans to micro banking customers that include group loans and individual loans, (ii) agriculture and allied loans, (iii) MSE loans, (iv) affordable housing loans, (v) financial institutions group loans, (vi) personal loans, and (vii) vehicle loans. On the liability side, they offer savings accounts, current accounts and a variety of deposit accounts. In addition, they also provide non-credit offerings comprising ATM-cum-debit cards, Aadhaar enrolment services, distribute third party insurance products and point of sales ("POS") terminals.

Their Gross Advances (including securitization/ IBPC) have grown from ₹63,839.77 million as of March 31, 2017 to ₹110,485.91 million as of March 31, 2019 and were ₹128,636.45 million as of September 30, 2019. Their deposits have increased from ₹ 2,064.05 million as of March 31, 2017 to ₹73,794.40 million as of March 31, 2019 and were ₹101,298.49 million as of September 30, 2019. As of September 30, 2019, their percentage of gross NPAs to gross advances was 0.85% while their percentage of net NPAs to Net Advances was 0.33%. Their profit after tax as restated for Fiscal 2018 and 2019 was ₹ 68.63 million and ₹ 1,992.18 million, respectively while for six months ended September 30, 2019, their profit after tax as restated was ₹1,871.10 million. Further, their long term bank facilities and non-convertible debentures have been rated CARE A+; Stable by CARE Ratings Limited, their certificate of deposits have been rated CRISIL A1+ by CRISIL Limited and their non-convertible debentures programme is rated CARE A+; Stable by CARE Ratings Limited.

## ISSUE DETAILS

1	Name of the Company	UJJIVAN SMALL FINANCE BANK LIMITED
2	Issue Offer	Initial public offer of up to [●] equity shares of face value of ₹10 each (“equity shares”) of Ujjivan Small Finance Bank limited (“bank” or “issuer”) for cash at a price of ₹[●]# per equity share (including a share premium of ₹[●] per equity share) aggregating up to ₹7,500 million* (“issue”). The issue includes a reservation of up to [●] number equity shares, aggregating up to ₹750 million, for subscription by eligible UFSL shareholders (“UFSL shareholder reservation portion”). The UFSL shareholder reservation portion shall not exceed 10% of the issue. The issue less the UFSL shareholder reservation portion is hereinafter referred to as the “net issue”. The issue and the net issue shall constitute [●]% and [●]%, respectively, of the post-issue paid-up equity share capital of our bank.
3	Issue Size	~ ₹10,000 million
4	IPO Date	December 2 <sup>nd</sup> , 2019 to December 4 <sup>th</sup> , 2019
5	Price Band	₹36 to ₹37 per Equity Share
6	Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
7	Offer Ratio	QIB: [●]%, HNI: [●]%, Retail: [●]%

### Key Strengths

- Deep understanding of mass market serving unserved and underserved segments
- Customer centric organization with multiple delivery channels
- Pan-India presence
- Technology driven operating model with advanced digital platform
- Robust risk management framework
- Strong track record of financial performance
- Professional management, experienced leadership with focus on employee welfare

### Key Strategies

- Diversify product offerings to enable multiple customer relationships
- Continue to focus on technology and data analytics to grow operations
- Strengthen liability franchise and focus on increasing retail base
- Expand distribution network to increase customer penetration
- Focus on developing responsible banking behavior for unserved and underserved segments
- Diversify their revenue streams

## Risk Factors

- They are subject to stringent regulatory requirements and prudential norms and their inability to comply with such laws, regulations and norms may have an adverse effect on business, results of operations, financial condition and cash flows.
- They significantly depend on micro banking business, particularly group loans, and any adverse developments in this segment could adversely affect business, results of operations, financial condition and cash flows.
- They have a continuous requirement of funds and inability to access sources of funds in an acceptable and timely manner or any disruption in the access to funds would adversely impact results of operations and financial condition.
- Any downgrade of debt ratings could adversely affect business.
- The Promoter, certain Directors and Key Managerial Personnel have interests in them other than reimbursement of expenses incurred and normal remuneration or benefits.
- Their funding requirements and the proposed deployment of Net Proceeds have not been appraised and management will have broad discretion over the use of the Net Proceeds.
- A significant change in the Government of India's economic liberalization and deregulation policies could adversely affect business and the price of Equity Shares.
- Financial difficulty and other problems in certain financial institutions in India could materially adversely affect business and the price of Equity Shares.
- Holders of Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby may suffer future dilution of their ownership position.
- Company has not paid dividend in the past on our Equity Shares. Their ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and lender consents and there can be no assurance that they will be able to pay dividends in future.

*(Investors can read the entire list of risk factors given in section II (page 22 onwards) given in RHP.)*

## Financial

(Rs. In Millions)

Particulars	FY17-18	FY18-19	Sept 2018	Sept 2019
Revenue	15,794	20,376	9,245	14,349
PAT	68.89	2,043.91	953.07	3,054.73
Net Worth	16,469	18,196	17,371	19,935
Borrowings	38,529	41,661	41,869	34,702

## Comparison with peers

Company	Yield on advances (%)	NIMS (%)	Cost of Funds (%)	GNPA (%)	ROE (%)	ROA (%)
Ujjivan SFB	20.5%	9.5%	7.6%	0.90%	12%	1.7%
Equitas SFB	19%	5.9%	8.2%	2.50%	10%	1.4%
Utkarsh SFB	22.6%	9.2%	8.3%	1.39%	16%	1.75%
BFIL	19%	11.9%	12.1%	0.8%	26.7%	8.9%

Source: Company Reports, Crisil Research

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