

Subscribe for Long Term

Issue Details	
Price Band (Rs)	Rs. 36 - 37
Face Value (Rs)	10
Issue Size (Rs)	750 Cr
Issue Type	Book Building
Minimum lot	400
Issue Opens	December 02,2019
Issue Closes	December 04,2019
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	December 09,2019
Unblocking of Funds	December 10,2019
Credit of shares to Demat Account	December 11,2019
Listing on exchange	December 12,2019

Other Detail	
Book Running Lead Managers	Kotak Mahindra Capital Company Limited, IIFL Securities Limited, JM Financial Limited
Registrar	KarvyFintech Private Limited

"Individuals and HUFs who are the public equity shareholders of Ujjivan Financial Services Ltd. as on 22nd November, 2019 can subscribe at Rs.35"

Ujjivan Small Finance Bank Limited

Company Background

Incorporated in 2017, Ujjivan Small Finance Bank (USFB) is a mass market focused small finance bank (SFB) in India, catering to un-served and underserved segments. The bank is promoted by Ujjivan Financial Services (UFSL) - an NBFC, which began operations 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. Ujjivan Financial Services is among the 10 recipients of SFB license from the Reserve Bank of India (RBI) in 2015. Subsequently, UFSL transferred its business undertaking comprising its lending and financing business to USFB, which commenced business on Feb 1, 2017.

Issue Details

The offer comprises fresh issue of 20.27Cr to 20.83Cr equity shares to raise Rs.750 cr.

Objectives Of the Issue are:

- To augment the bank's Tier - 1 capital base to meet the future capital requirements.
- To meet the RBI's listing requirement within three years from bank launch.

IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.36	Number of Shares at Rs.37	Issue Size (Rs. Cr)
QIB	75%	140625000	136824324	506
Non-Institutional	15%	28125000	27364865	101
Retail	10%	18750000	18243243	68
UFSL Shareholder*		20833333	20270270	75
Total		208333333	202702703	750

Source: Company RHP, ACMIIL Research

* Individuals and HUFs who are the public equity shareholders of UFSL as on 22nd November, 2019 can subscribe at Rs.35

Outlook and Valuations

USFB is good investment avenue owing to its the deep pan-India presence, brand recognition, better growth with healthy asset quality, robust risk management system, equipped with basic retail banking infrastructure, and sizeable market to grow. At the upper price band of Rs.37, stock is valued at 2.6x H1FY20BV. **We recommend to SUBSCRIBE the issue for listing gains and also from a long-term perspective.**

Business Overview

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's portfolio of products and services includes various asset and liability products and services.

Its asset products comprise:

- Loans to micro banking customers that include group loans and individual loans,
- Agriculture and allied loans
- MSE loans

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- 4) Affordable housing loans
- 5) Financial institutions group loans
- 6) Personal loans
- 7) Vehicle loans

On the liability side, it offers savings accounts, current accounts and a variety of deposit accounts. USFB also provides non-credit offerings comprising ATM-cum-debit cards, Aadhaar enrolment services; distribute third-party insurance products and point of sales (“POS”) terminals.

USFB offers their customers with various digital platforms including internet banking, mobile banking, SMS banking, bill payments, biometric ATMs and RuPay Platinum debit cards. Their customers are also able to register savings bank accounts on UPI based mobile applications. They also provide customers the ability to repay loans in a cashless manner through digital wallets and payment gateways. USFB intends to reduce their costs, increase operating efficiencies and move their customers from an assisted mode to a self-service mode of digital and phone banking. They will selectively operationalize additional Banking Outlets, convert their existing Asset Centers to Banking Outlets, expand the ATM and ACR network and engage more business correspondent agents to grow their customer base and increase the advances and deposits.

Investment Rationale

Deep understanding of mass market serving un-served and underserved segments

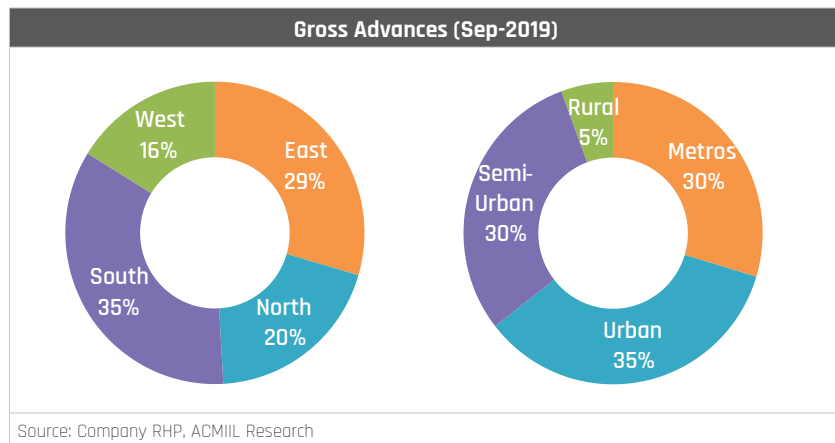
USFB is an SFB providing a variety of banking services in mass market customer segments with a focus on serving the financially un-served and underserved segments in India. Bank’s SFB operations are focused on serving the financially un-served and underserved segments in India. As of September 30, 2019, they operated 235 Banking Outlets located in 107 districts classified by the RBI as under-banked districts. Moreover, with experience of Promoter, UFSL as an erstwhile microfinance institution, coupled with USFB ability to address mass market customer segments has allowed bank to become among the leading small finance banks in India in terms of deposits, branch count and geographical spread, as of March 31, 2019.

Customer centric organization with multiple delivery channels

USFB launched “Sampoorna Banking” in April 2019 that extends full banking services including education loans, vehicle loans, deposits, funds transfer facilities and distribution of insurance to families of the existing micro banking customers. They also offer a variety of demand deposits and other services so that their customers can realize their savings goals. Besides their Banking Outlets and Asset Centers, the delivery channels also include ATMs, ARCs, mobile and internet banking services. As of September 30, 2019, USFB had a network of 441 ATMs that accept RuPay, Visa and MasterCard. As of September 30, 2019, their two 24/7 phone banking units based in Bengaluru and Pune service customers in 11 languages while the mobile banking application is accessible in 5 languages.

Pan-India presence

According to Crisil, As of March 31, 2019, USFB were among the leading SFBs in terms of branch count and geographical spread across India. As of September 30, 2019 they were present in 24 states and union territories encompassing 232 districts in India. Moreover, USFB operated from 552 Banking Outlets that included 141 Banking Outlets in URCs and additionally operated 4 Asset Centers. As of September 30, 2019, USFB operated 131, 167, 173 and 81 Banking Outlets in the North, South, East and West regions, respectively.



Robust risk management framework

Bank’s risk management framework is driven actively by the Board and management committee. USFB has implemented SaaS for measuring capital adequacy, asset liability management and preventing money laundering. As of September 30, 2019, the gross NPAs accounted for 0.85% of the gross advances, while the net NPAs accounted for 0.33% of the Net Advances. According to Crisil, The Bank’s GNPA was the lowest among the small finance banks in India, as of March 31, 2019.

Strong track record of financial performance

Key Financial Indicator (Amt in Mn)	2017	2018	2019	FY17-19 CAGR%
Total Income	2239	15794	20376	202%
Net Interest Income	1077	8610	11064	221%
Net Interest Margin	8.40%	10.30%	10.90%	--
Net Profit	0.4	69	1992	6957%
Cost to income ratio	95.35%	67.13%	76.45%	--
Advances	58610	73362	105525	34%
GNPA	0.28%	3.65%	0.92%	--
NNPA	0.03%	0.69%	0.26%	--
Capital Adequacy Ratio	21.1%	23%	19%	--
Deposit	2064	37725	73794	498%
CASA to total deposits ratio	1.57%	3.68%	10.63%	--
ROE	0.02%	0.42%	11.49%	--
ROA	0.003%	0.08%	1.72%	--

Source: Company RHP, ACMIIL Research

Risk and Concern

- USFB is subject to stringent regulatory requirements and prudential norms and USFB inability to comply with such laws, regulations and norms may have an adverse effect on bank business, results of operations, financial condition and cash flows.
- USFB significantly depend on micro banking business, particularly group loans, and any adverse developments in this segment could adversely affect bank business, results of operations, financial condition and cash flows.

Peer Comparison

Name of the company	Face Value (Rs)	P/BV	RoNW (%)	NAV (Rs)
Ujjivan Small Finance Bank Ltd	10	2.6	11.49%	12.64
AU Small Finance Bank Ltd	10	8.2	12.07%	108.19
Equitas Holdings Limited	10	2.01	7.24%	71.57
Bandhan Bank Limited	10	8.05	17.42%	93.89
CreditAccess Grameen Ltd	10	4.85	13.18%	164.75

Source: Company RHP, ACMIIL Research



Financials

Income statement

Particulars (Rs In Mn)	FY 17	FY 18	FY 19	H1- FY 20
Income				
Interest Earned	2,170	14,679	18316	12597
Other Income	69	1,115	2060	1752
Total Income	2,239	15,794	20,376	14,349
Expenditure				
Interest Expended	1094	6,069	7252	5193
Operating Expenses	1092	6,529	10034	6130
Provisions and Contingencies	52	3,127	1098	1155
Total Expenditure	2238	15725	18384	12478
Net Profit/ (Loss) for the period/year	0.4	69	1,992	1,871

Source: Company RHP, ACMIIL Research

Balance sheet

Particulars (Rs In Mn)	FY 17	FY 18	FY 19	H1- FY 20
Capital and Liabilities				
Capital	16,400	16400	16400	16400
Share Application Money Pending Allotment	--	--	--	359
ESOP	--	--	--	107
Reserves and Surplus	--	69	1796	3534
Deposits	2,064	37725	73794	101298
Borrowings	62,915	38528	41661	34702
Other Liabilities and Provisions	2980	2006	3772	4679
Total Capital and Liabilities	84,359	94,728	1,37,423	1,61,079
Assets				
Cash and Balances with RBI	2,609	2496	4465	4873
Balances with Banks	5019	2452	6480	2221
Investments	14,467	12325	15266	20184
Advances	58610	73362	105525	127804
Fixed Assets	1,398	1983	2845	2962
Other Assets	2256	2110	2842	3035
Total Assets	84,359	94,728	1,37,423	1,61,079

Source: Company RHP, ACMIIL Research

ACMIIL Retail Research Products

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