

## Ujjivan Small Finance Bank Ltd IPO Note

### About the Company:

Ujjivan Small Finance Bank Limited (USFB) incorporated in the year 2017, offers small finance to underserved and unserved segments in India. Ujjivan SFB has established a diversified portfolio, spread across 24 states and union territories. As of 30 June 2019, it served 4.72 million customers operating from 474 banking outlets. This includes 120 banking outlets in Unbanked Rural Centres (“URCs”) and additionally operated 50 Asset Centres. In Fiscal 2019, the bank operationalized additional 287 banking outlets. As of 30 June 2019, it had a network of 387 ATMs, two 24/7 phone banking units based in Bengaluru and Pune that service customers in 11 languages. Bank also has a mobile banking application that is accessible in five languages and internet banking facility for individual and corporate customers.

### Company Promoters:

The Promoter of the company is Ujjivan Financial Services Limited.

### Ujjivan SFB IPO Snapshot:

<b>Open Date:</b>	<b>02 - Dec - 2019</b>
<b>Close Date:</b>	<b>04 - Dec - 2019</b>
<b>Total Shares:</b>	<b>208,333,333 Eq. Shares</b>
<b>Face Value:</b>	<b>₹ 10 Per Equity Share</b>
<b>Issue Size:</b>	<b>Rs. 750 cr</b>
<b>Lot Size:</b>	<b>400 Shares</b>
<b>Issue Price:</b>	<b>Rs.36 – 37 Per Equity Share</b>
<b>Shareholder Discount:</b>	<b>Rs.2 per Share from upper price band ie., Rs 35/ sh</b>
<b>Listing At:</b>	<b>NSE, BSE</b>
<b>Listing Date:</b>	<b>12 – Dec - 2019 (Tentative)</b>

### Objects of the Issue:

USFB proposes to utilize the net proceeds from the issue towards following objectives,

- Augmenting the bank's Tier - 1 capital base.
- To meet bank's future capital requirements.
- Receive the benefits of listing the Equity Shares on the Stock Exchanges.

### Products and Services offered:

- Various wide varieties of deposits and loans
- Advances to micro banking customers that include group loans and individual loans.
- Agriculture and allied loans.
- MSE loans.
- Affordable housing loans.
- Financial institutions group loans.
- Personal loans.
- Vehicle loans especially electric three vehicle loans.

The bank has a diversified portfolio offering savings, current & deposit accounts, Aadhaar enrolment services, ATM-cum-debit cards, point of sales terminals and distributing 3rd party insurance products. USFB is focussed on digital platform and provides bill payments, SMS banking, mobile banking, RuPay Platinum debit cards, internet banking and biometric enabled ATMs services. The bank also allows registering savings account on UPI based mobile applications. It has an automated tablet-based loan origination system, digitalised credit processing and automated receipt collection system to reduce the turnaround time of customers.

### Key strengths:

- Pan-India presence.
- Digitally advanced platform.
- Professional management, experienced leadership with a focus on employee welfare.
- Customer centric organization with multiple delivery channels.
- An established risk management framework.
- Serving mass-market segment of unserved and underserved.
- Strong track record of financial performance.

**Risk factors to be considered:**

- Relatively new form of business.
- Ability to withstand competition in the sector.
- Significant dependence on micro banking business.
- Pending legal proceedings.
- Cost for initial expansion/ setting up of bank branches.
- Banking outlets, asset centres, registered office and corporate office are located in leased premises.
- Micro banking loan portfolio, personal loans and certain categories of MSE loans are not supported by any collateral.

**Financials:**

Particulars (Rs in Cr)	31-Mar-17	31-Mar-18	31-Mar-19
Total Revenue	223.87	1579.3	2037.6
Profit After Tax	0.035	6.9	204.4
Total Assets	8435.90	9472.87	13742.21

**Reasons to invest/ subscribe for the issue:**

- Consistent growth in banks net profit margin.
- Growth in revenue
- Improvement in net interest income
- Growth in EPS
- Significant growth in advances and deposits.
- Strong participation by various fund houses and HNI's in pre-IPO funding.
- Reasonable pricing.

**Investment rationale:**

Ujjivan Small Finance Bank's revenue are steadily growing. Its margins are also improving. Small finance bank as a business concept in India is still evolving and expected to see growth going forward. This bank has added advantage of accessing customer base of its parent and promoter company Ujjivan Financial Services Limited which has significant presence all over India. Issue is reasonably priced. Considering all these factors, one can invest in this IPO with a 3-5 years tenure. Investors can also apply for possible initial listing gains.

**Information sources:**

Information gathered in this document are from company's Draft Red Herring Prospectus (DHRP) filed by the company with SEBI and from other freely accessible web sources.

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