

UJJIVAN SMALL FINANCE BANK LIMITED

Issue highlights

- Ujjivan Financial Services Ltd ("UFSL") the Promoters of Ujjivan Small Finance Bank Ltd ("USFB") was granted the RBI In-Principle Approval to establish an Small Finance Bank ("SFB"), on October 7, 2015. USFB was incorporated on July 4, 2016.
- USFB has deep understanding of mass market serving unserved and underserved segments and committed to building financial inclusion in the country.
- Among the leading SFBs in India, USFB had the most diversified portfolio, spread across 24 states and union territories as of March 31, 2019 (Source: CRISIL Report).
- USFB is Customer centric organization with multiple delivery channels. 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 7 were business correspondent centres) and additionally operated 4 Asset Centres. In Fiscal 2019 alone, they operationalized 287 Banking Outlets.
- USFB has Pan India presence; 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 5 languages as well as internet banking facility for individual and corporate customers.

Brief Financial Details*

(₹ In Cr)

	As at Sep' 30,		As at Mar' 31,		
	2019	2018	2019	2018	2017
Equity Share Capital	1,440.04	1,440.04	1,440.04	1,440.04	1,440.04
Reserves as stated	353.44	97.03	179.59	6.90	0.04
Net worth	1,993.48	1,737.07	1,819.63	1,646.94	1,640.07
Deposits as stated	10,129.85	4,188.12	7,379.44	3,772.52	206.41
Deposits Growth (%)	141.87%	-	95.61%	1,727.68%	-
Gross Advances as stated	12,863.65	8,319.23	11,048.59	7,561.20	6,383.98
Advances Growth (%)	54.63%	-	46.12%	18.44%	-
Interest Earned	1,259.70	833.33	1,831.61	1,467.88	217.01
Interest Earned Growth (%)	51.16%	-	24.78%	576.41%	-
EBITDA as stated	294.97	157.46	329.02	50.22	5.96
EBITDA (%)	23.42%	18.90%	17.96%	3.42%	2.75%
Profit Before Tax	259.04	130.36	268.42	8.54	1.19
Net Profit for the year	187.11	90.13	199.22	6.86	0.04
Net Profit as % to revenue	14.85%	10.82%	10.88%	0.47%	0.02%
Net Interest Margin	10.64%	10.88%	10.93%	10.31%	8.36%
Gross NPAs	109.40	153.89	97.85	275.92	16.40
Net NPAs	42.53	23.35	27.55	50.93	1.80
EPS (Rs.) as stated	1.21	0.63	1.20	0.05	0.00
RoNW (%) as stated	9.39%	5.19%	9.49%	0.42%	0.00%
Net Asset Value (Rs.)	13.84	12.06	12.64	11.44	11.39

Source: RHP *Restated Summary Statement, ~EPS for 6 months not annualized. #Gross Advances (including securitization / IBPC)

Issue Details

Fresh Issue of Equity shares aggregating upto ₹ 750 Crores

Issue summary

Net Issue size: ₹745.83 Cr – 745.95 Cr

No. of shares: 202,702,702-208,333,333

Face value: ₹ 10

UFSL Shareholders Reservation portion: Equity shares aggregating up to Rs.75 Cr

(Eligible UFSL Shareholders: Individuals and HUFs who are the public equity shareholders of UFSL, the Promoter, (excluding such persons who are not eligible to invest in the Issue under applicable laws) as on the date of the Red Herring Prospectus i.e.22nd Nov'2019).

Issue summary

Price band : ₹ 36 - 37

Bid Lot:400 Shares and in multiple thereof

UFSL Shareholder Discount: ₹ 2/- per equity shares

Post Issue Implied Market Cap =

₹ 6,242 – 6,394 Cr

BRLMs: Kotak Mahindra Capital, IIFL Securities, JM Financial

Registrar: Karvy Fintech Pvt. Ltd.

Issue opens on: Monday, 2nd Dec'2019

Issue closes on: Wednesday, 4th Dec'2019

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	09-12-2019
Refunds/Unblocking ASBA Fund	10-12-2019
Credit of equity shares to DP A/c	11-12-2019
Trading commences	12-12-2019

Issue break-up

	No. of Shares	₹ In Cr	% of Issue
QIB*	140,625,000-136,824,325	506.25	75%
NIB	28,125,000 – 27,364,864	101.25	15%
Retail	18,750,000 – 18,243,243	67.50	10%
UFSL S/Holders	20,833,333 – 20,270,270	70.95	-
Total	208,333,333-202,702,702	745.95	100%

* Company may allocate up to 60% Shares of the QIB Portion to Anchor Investors.

Listing : BSE and NSE

Shareholding (No. of Shares)

	Pre issue	Post issue^	Post issue#
No of shares	1,525,520,467	1,728,223,169	1,733,853,800

^@Upper price Band #@ Lower Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	94.40%	83.32%
Public	5.60%	16.68%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

Ujjivan Financial Services Limited (“**UFSL**”), the Company Promoter, was granted the RBI In-Principle Approval to establish an Small Finance Bank (“**SFB**”), on October 7, 2015. Ujjivan Small Finance Bank Limited (“**USFB**”) was incorporated on July 4, 2016 at New Delhi. Subsequently, UFSL transferred its business undertaking comprising of its lending and financing business to USFB, which commenced its business on February 1, 2017.

Sunil Vinayak Patel is the Part-Time Chairman and an Independent Director of the Bank. He was previously a director on the boards of L&T Investment Management Limited and Ujjivan Financial Services Limited.

Samit Kumar Ghosh is the Managing Director and Chief Executive Officer of the Bank. He was associated with First National City Bank in 1975 and later worked with Standard Chartered Bank, HDFC Bank, Citibank N.A., and the Bank Muscat Al Ahli Al Omani. He was the president of Microfinance Institutions Network and the chairman of Association of Karnataka Microfinance Institutions.

Jayanta Kumar Basu is the Non-Executive Director on the Board of the Bank. He is currently a partner at CX Advisors LLP. He was previously a senior vice president at Citibank.

Mona Kachhwaha is the Non-Executive Director of the Bank. She was previously employed with Citibank N.A. and Caspian Impact Investment Adviser Private Ltd.

Chitra Kartik Alai is the Non-Executive Nominee Director of the Bank. She is currently a general manager at the Chennai regional office of SIDBI.

Sachin Bansal, Luis Miranda, Biswamohan Mahapatra, Prabal Kumar Sen, Nandlal Laxminarayan Sarda, Vandana Viswanathan and Mahadev Lakshminarayanan are the Independent Director of the Bank.

Incoming Director

Nitin Chugh is the President of the Bank. He shall assume office as Managing Director and Chief Executive Officer with effect from December 1, 2019. He assumed office as President of the Bank with effect from August 17, 2019 and will continue till such time that he assumes office as Managing Director and Chief Executive Officer. He has previously worked with HDFC Bank Limited, Standard Chartered Bank, HCL Hewlett Packard Limited and Modi Xerox Limited.

Key Managerial Personnel

Sanjay Kao is the Chief Business Officer of the Bank. He was previously employed with Lipton India Limited, Dunia Finance LLC, Citibank, N.A. and ABN AMRO Bank, N.V. He was appointed as the Chief Business Officer of the Bank with effect from February 12, 2018.

Upma Goel is the Chief Financial Officer of the Bank. She was previously employed with L&T Finance Holdings Limited, Ujjivan Financial Services Limited and Escorts Securities Limited. She joined the Bank as the Chief Financial Officer with effect from February 1, 2017.

Jaya Janardanan is the Chief Operating Officer of the Bank. She was previously employed with Alpica Finance Ltd., JP Morgan Chase Bank N.A., ICICI Bank Limited, ING Vysya Bank, Bank of America, Mashreq Bank, Dhanlaxmi Bank and Aditya Birla Group. She was appointed as the Chief Operating Officer of the Bank with effect from October 22, 2018.

Chanchal Kumar is the Company Secretary and Compliance Officer of the Bank. He joined the Bank as the Company Secretary and Compliance Officer with effect from March 24, 2018.

The Bank has won several Certificates of Recognition/ Certificates of Appreciation awards:

Year	Awards and Accreditations
2019	<ul style="list-style-type: none"> Recognised as one among ‘India’s 75 Best Workplaces for Women’ by Great Place to Work Institute India 2019 Recognition of the Outstanding Spirit of Innovation ‘Glow’ by Banking Frontiers’ Finnoviti 2019 ‘IDEX Legal Award for Legal Department of the Year’ under the medium large category ‘Best IT Risk Management and Cyber Security Initiatives’ under the small bank category at Banking Technology Conference, Expo and Awards presented by the Indian Banks’ Association ‘ERM Strategy of the Year’ at the ERM World Summit presented by RSA Banking, Financial Services and Insurance Awards for ‘Best HR practice in finance sector’ Ranked 6 by the Great Places to Work Institute India and the Economic Times in 2019

OBJECTS OF THE ISSUE

Objects	(₹ In Cr)
	Amount
To augmenting the Bank's Tier – 1 capital base to meet the future capital requirements.	750
General Corporate Purposes	[•]
Total	[•]

BUSINESS OVERVIEW

Ujjivan Small Finance Bank Limited (“USFB”) is a mass market focused SFB in India, catering to unserved and underserved segments and committed to building financial inclusion in the country. The Bank Promoter, Ujjivan Financial Services Limited (“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.

In the short span of time that USFB has 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 (*Source: CRISIL Report*). Among the leading SFBs in India, USFB 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, USFB served 4.94 million customers and operated from 552 Banking Outlets that included 141 Banking Outlets in Unbanked Rural Centres (“URCs”) (of which 7 were business correspondent centres) and additionally operated 4 Asset Centres. In Fiscal 2019 alone, they operationalized 287 Banking Outlets.

As of September 30, 2019, USFB 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 5 languages as well as internet banking facility for individual and corporate customers.

USFB’s portfolio of products and services includes various asset and liability products and services. Their asset products comprise:

- Loans to the 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, and
- Vehicle loans.

On the liability side, USFB offers 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. 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 has partnered with Parinaam Foundation, their Group Company, for the formulation and implementation of financial literacy programs such as Diksha+, and continue to support them in their initiatives, which aides in raising the level of financial awareness of their customers.

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 Centres 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.

USFB has grown in a sustainable manner:

The major performance highlights for the 6 month period ended Sep'30, 2019:

- The Gross Advances (including securitization/ IBPC) were ₹ 12,863.65 crore. Of the Gross Advances (including securitization/ IBPC), secured advances increased to 19.39%
- The Net Interest Income was ₹ 740.42 crore and the Net Interest Margins was 10.64%.
- Total deposits have increased to ₹ 10,129.85 crore. Of the total deposits, USFB's share of retail deposits was 41.93% and the CASA to total deposits ratio has improved to 10.39%.
- The portfolio at risk was ₹ 211.08 crore and the provision coverage ratio (including technical write-offs) was 61.12%.
- The percentage of gross NPAs to gross advances was 0.85% while the percentage of net NPAs to Net Advances was 0.33%.
- The Profit after Tax as restated was ₹ 187.11 crore.
- The return on average assets and return on average equity was 2.51% and 19.57 respectively.

Further, the long term bank facilities have been rated CARE A+; Stable by CARE Ratings Limited, their certificate of deposits have been rated CRISIL A1+ by CRISIL Limited.

KEY FINANCIAL AND OPERATIONAL METRICS

Yield, Spreads and Margins

(₹ In Cr, except %)

	Six Months ended Sep' 30,		As of/ for the year ended March 31,		
	2019	2018	2019	2018	2017
Interest income on interest-earning assets (advances)	1,191.48	788.90	1,736.08	1,371.07	193.31
Interest expense on interest-bearing liabilities	519.28	326.99	725.20	606.86	109.36
Average interest-earning assets*	13,919.82	9,278.09	10,130.95	8,349.10	7,963.31
Average interest-earning assets (advances)	11,666.43	7,687.45	8,944.33	6,598.63	5,815.63
Average interest-bearing liabilities^	12,314.26	7,836.40	8,707.18	7,061.59	6,656.88
Average total assets	14,925.06	9,928.31	11,607.54	8,954.39	8,515.39
Net Interest Income	740.42	506.34	1,106.41	861.01	107.65
Average interest-earning assets (advances) as a % of average total assets	78.17%	77.43%	77.06%	73.69%	68.30%
Average interest-bearing liabilities as a % of average total assets	84.24%	80.58%	82.58%	78.86%	78.17%
Average interest-earning assets (advances) as a % of average interest bearing liabilities	92.79%	96.09%	93.31%	93.44%	87.36%
Yield	18.16%	17.95%	17.01%	17.66%	16.86%
Loan Yield	19.93%	19.82%	18.66%	19.66%	18.73%
Cost of Funds	8.43%	8.32%	8.33%	9.01%	10.01%
Spread	11.50%	11.49%	10.33%	10.65%	8.72%
Net Interest Margin	10.64%	10.88%	10.93%	10.31%	8.36%
Other Income to Total Income ratio	0.12	0.10	0.10	0.07	0.03
Average cost of borrowings	9.96%	9.01%	9.18%	9.78%	10.31%

*Average interest earning assets are interest-earning assets calculated on the basis of quarterly average.

^Average interest bearing liabilities are interest-bearing liabilities calculated on the basis of month end balance averages. Net Interest Income is difference of total interest earned and total interest expended.

Cost of Funds for the year ended March 31, 2019 calculated on the basis of daily averages was 8.49%.

Financial Ratios of the Bank

	Six Months ended Sep' 30,		As of/ for the year ended March 31,		
	2019	2018	2019	2018	2017
Return on average equity	19.57%	10.62%	11.49%	0.42%	0.02%
Return on average assets	2.51%	1.81%	1.72%	0.08%	0.00%
Dividend payout ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Cost to average assets	8.13%	8.89%	8.57%	7.26%	7.92%
Average net worth to total average assets	12.81%	17.04%	14.93%	18.35%	10.28%
Credit to total deposit ratio	126.99%	198.64%	149.72%	200.43%	3092.94%
Retail to total deposit ratio	41.93%	30.06%	37.07%	11.32%	3.15%
CASA to total deposits ratio	11.87%	9.01%	10.63%	3.68%	1.57%
Cost to income ratio	66.95%	74.63%	76.45%	67.13%	95.35%

Return on Equity and Assets

(₹ In Cr, except %)

	Six Months ended Sep' 30,		As of/ for the year ended March 31,		
	2019	2018	2019	2018	2017
Net profit	187.11	90.13	199.22	6.86	0.04
Average shareholders' equity	1,911.91	1,692.00	1,733.28	1,643.50	875.17
Net profit as a percentage of average total assets	2.51%	1.81%	1.72%	0.08%	0.00%
Net profit as a % of average shareholders' equity	19.57%	10.62%	11.49%	0.42%	0.02%
Average shareholders' equity as a % of average total assets	12.81%	17.04%	14.93%	18.35%	10.28%
Gross Advances (including securitization / IBPC)	12,863.65	8,319.23	11,048.59	7,561.20	6,383.98
Net Advances	12,780.40	8,038.68	10,552.46	7,336.21	5,861.05

Funding

(₹ In Cr, except %)

	Six Months ended Sep' 30,		As of/ for the year ended March 31,		
	2019	2018	2019	2018	2017
Period end/Year-end balance	10,129.85	4,188.12	7,379.44	3,772.52	206.41
Average balance during the period not captured	8,754.65	3,980.32	5,575.98	1,989.46	103.20
Interest on deposits	329.14	145.38	357.08	110.91	0.14
Average interest rate during the period	7.52%	7.29%	6.40%	5.57%	0.85%
Interest at period end	329.14	145.38	357.08	110.91	0.14

Deposits

	Six Months ended Sep' 30,				As of/ for the year ended March 31,					
	2019		2018		2019		2018		2017	
	Amount (Rs in Cr)	% to Total	Amount (Rs in Cr)	% to Total	Amount (Rs in Cr)	% to Total	Amount (Rs in Cr)	% to Total	Amount (Rs in Cr)	% to Total
Demand deposits	207.18	2.05%	29.21	0.70%	80.55	1.09%	10.23	0.27%	0.00	0.00%
Savings deposits	995.59	9.83%	348.25	8.32%	703.54	9.53%	128.45	3.40%	3.24	1.57%
Total CASA	1,202.77	11.87%	377.46	9.01%	784.09	10.62%	138.68	3.67%	3.24	1.57%
Time deposits	8,927.08	88.13%	3,810.66	90.99%	6,595.35	89.37%	3,633.83	96.32%	203.17	98.43%
Total Deposits	10,129.85	100.00%	4,188.12	100.00%	7,379.44	100.00%	3,772.52	100.00%	206.41	100.00%

Borrowings

(₹ In Cr, except %)

	Six Months ended Sep' 30,		As of/ for the year ended March 31,		
	2019	2018	2019	2018	2017
Period end/Year-end balance	3,470.17	4,186.87	4,166.09	3,852.85	6,291.40
Average balance during the period not captured*	3,818.13	4,019.86	4,009.47	5,072.12	6,553.67
Interest on RBI/Inter-bank borrowings and other interest expended	190.14	181.61	368.12	495.96	109.22
Average interest rate during the period^	9.96%	9.01%	9.18%	9.78%	10.31%
Interest at period end~	190.14	181.61	368.12	495.96	109.22

* Average balances outstanding. ^ Represents the ratio of interest expense on all borrowings to the average of balances of all borrowings.

~ Represents the total interest paid on account of all borrowings during the period.

Capital Adequacy

(₹ In Cr, except %)

	Six Months ended Sep' 30,		As of/ for the year ended March 31,		
	2019	2018	2019	2018	2017
Tier I Capital	1,820.72	1,598.64	1,653.37	1,482.95	1,460.14
Tier II Capital	68.39	50.50	49.79	48.13	47.96
Total Capital	1,889.10	1,649.14	1,703.17	1,531.08	1,508.09
Total Risk Weighted Assets	10,025.60	6,930.45	8,989.68	6,645.25	7,157.53
Capital Adequacy Ratio					
Tier I Capital (as a % of Total Risk Weighted Assets (%))	18.16%	23.07%	18.39%	22.32%	20.40%
Tier II Capital (as a % of Total Risk Weighted Assets (%))	0.68%	0.73%	0.55%	0.72%	0.67%
Total Capital (as a % of Total Risk Weighted Assets (%))	18.84%	23.80%	18.95%	23.04%	21.07%

Non-Performing Assets

(₹ In Cr, except %)

	Six Months ended Sep' 30,		As of/ for the year ended March 31,		
	2019	2018	2019	2018	2017
Gross NPAs	109.40	153.89	97.85	275.92	16.40
Specific provisions	66.87	130.54	70.30	224.99	14.60
Floating provisions	-	-	-	-	-
NPA net of provisions	42.53	23.35	27.55	50.93	1.80
Gross advances	12,847.27	8,169.22	10,622.76	7,561.20	5,875.65
Net Advances	12,780.40	8,038.68	10,552.46	7,336.21	5,861.05
Gross NPAs/gross advances (%)	0.85%	1.88%	0.92%	3.65%	0.28%
Net NPAs/Net advances (%)	0.33%	0.29%	0.26%	0.69%	0.03%
Specific provision as a percentage of gross NPAs	122.93%	112.29%	71.85%	81.54%	89.04%
Total provisions as a percentage of gross NPAs	122.93%	112.29%	126.95%	94.77%	760.93%
Provision cover (including prudential write-offs)	61.12%	85.22%	71.90%	81.87%	89.04%

Productivity Ratios

	Six Months ended Sep' 30,,		As of/ for the year ended March 31,		
	2019	2018	2019	2018	2017
Banking Outlets (Including Asset Centres) (Nos.)	556	462	524	464	457
ATMs (Nos.)	441	319	385	146	12
Total number of employees (Nos.)	16,776	13,169	14,752	11,242	10,167
Gross Advances (incl. securitization / IBPC) per employee (₹ Cr)	0.77	0.63	0.75	0.67	0.63
Gross Advances (incl. securitization / IBPC) per Banking Outlet and Asset Centres (₹ Cr)	23.14	18.01	21.09	16.30	13.97
Total Accounts	0.86	0.51	0.75	0.45	0.40
- Lending Accounts (Nos. in Cr)	0.48	0.39	0.44	0.40	0.39
- Deposit Accounts (Nos. in Cr)	0.38	0.12	0.31	0.05	0.01
Disbursements per Banking Outlet & Asset Centres (₹ Cr)	11.84	9.70	21.20	17.40	2.04
Disbursements per employee (₹ Cr)	0.39	0.34	0.75	0.72	0.09
Deposits per employee (₹ Cr)	0.60	0.32	0.50	0.34	0.02
Deposits per Banking Outlet (₹ Cr)	18.22	9.07	14.08	8.13	0.45

COMPETITIVE STRENGTHS

- Deep understanding of mass market serving unserved 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 unserved and underserved segments in India. Bank's SFB operations are focused on serving the financially unserved 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 as per the Census 2011. As of September 30, 2019, 25.54% of their Banking Outlets were located in URCs and the 'priority sector advances' net of PSLC and IBPC were 77% of Adjusted Net Bank Credit ("ANBC").

- 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 realise their savings goals. Besides their Banking Outlets and Asset Centres, 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**

As of March 31, 2019, USFB were among the leading SFBs in terms of branch count and geographical spread across India (Source: CRISIL Report). As of September 30, 2019 they were present in 24 states and union territories encompassing 232 districts in India. As of September 30, 2019, USFB operated from 552 Banking Outlets that included 141 Banking Outlets in URCs (of which 7 were business correspondent centres) and additionally operated 4

Asset Centres. As of September 30, 2019, USFB operated 131, 167, 173 and 81 Banking Outlets (including in URCs) in the North, South, East and West regions, respectively.

- **Technology driven operating model with advanced digital platform**

USFB leverages technology to serve their customers better, identify opportunities, deliver innovative products and services and advance on their goal of facilitating financial inclusion in India. In Fiscal 2019, USFB enabled UPI on their digital platforms. USFB also provide customers the ability to repay loans in a cashless manner and through digital wallets and payment gateways. Their **mobile application, 'Ujjivan Mobile Banking', had a customer rating of 4.6/5 on the Google Playstore as of October 30, 2019.**

- **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. **The Bank's GNPA was the lowest among the small finance banks in India, as of March 31, 2019 (Source: CRISIL Report).** Bank's effective risk management framework is also evident from their low portfolio at risk ratio that has been consistently declining since inception and was 1.49% and 1.64% as of March 31, 2019 and September 30, 2019, respectively.

- **Strong track record of financial performance**

USFB has maintained strong growth credentials since their inception through high rates of customer retention, geographical expansion, operationalization of Banking Outlets, improved productivity, lower credit cost and growth in customer base.

- **Professional management, experienced leadership with focus on employee welfare**

USFB is professionally managed and their senior management team has a diversified track record in the financial services industry. Their Board consists of Directors with a diverse mix of experience in various sectors, in particular, the financial services industry and technology. Their employee base has grown to 16,776 employees as of September 30, 2019.

KEY BUSINESS STRATEGIES

- **Diversify product offerings to enable multiple customer relationships**

The bank intends to develop and offer a comprehensive suite of asset and liability products that will help them attract new customers and deepen their relationship with their existing customer base. Currently, their micro banking customer base largely comprises women. With the introduction of Credit Linked Subsidiary Scheme under the Pradhan Mantri Awas Yojana, USFB is presented with significant opportunities to offer their existing and prospective customers with affordable housing finance products. In the vehicle finance segment, USFB has entered into memoranda of understanding with certain original equipment manufacturers to provide customers with financing facilities for electric vehicles.

- **Continue to focus on technology and data analytics to grow operations**

The optimum use of advanced, cost-effective technology has significantly driven USFB's operations, and going forward, they intends to strategically invest their resources for further integration of technology into their operations. The bank intends to work further on developing various digital platforms in order to establish them as a modern technology enabled bank. In order to enhance adoption of digital channels among the underserved segment, they have undertaken measures to improve their mobile application by activating voice-enabled and gesture enabled interfaces in regional languages.

- **Strengthen liability franchise and focus on increasing the retail base**

With simple, flexible products, which are accessible through assisted and self-serviced channels, USFB can position themselves as a reliable alternative to informal players. USFB has identified the key retail and institutional customer segments and put together a range of saving accounts, current accounts, recurring and fixed deposits along with services such as bill pay, UPI based money transfer, e-NACH, cash management and POS terminals.

- **Expand the distribution network to increase customer penetration**

USFB intends to operationalize additional Banking Outlets, convert their existing Asset Centres to Banking Outlets, expand the ATM network and business correspondent agent network to grow their advances and deposits. They also

intend to deploy ACRs for the convenience of their customers. Also, USFB intends to improve their existing internet banking system and mobile banking platform, including UPI integration. They also intend to explore strategic partnerships with fintech companies to increase customer acquisition, lower processing and onboarding costs, reduce turnaround time and improve overall customer experience.

- **Focus on developing responsible banking behaviour for unserved and underserved segments**

USFB's focus will continue to remain on serving the unserved and underserved segments to build responsible banking behavior by educating potential customers and increasing financial literacy. Their focus will be to continue to remain transparent, responsibly price their loan offerings, effectively redress grievances of their customers and disclose all product related information in vernacular languages.

- **Diversify the revenue streams**

USFB intends to leverage on their Banking Outlet network, digital channels and their increasingly diversified product and service portfolio to develop their fee and commission-based business. For MSE customers, they aim to market fee and non-fund based products. For their retail customers, they intend to follow a relationship based approach by providing and expanding the third-party product offerings.

INDUSTRY OVERVIEW

Profitability parameters (as of FY19)

Player	Yield on advances (%)	NIMs (%)	Other income (% of average assets)	Cost of Funds (%)	Cost of Income (%)	PCR (%)^	GNPA (%)^	ROE (%)	Post Tax ROA (%)
SFB									
AU SFB	15.5%	4.6%	1.8%	7.4%	65.5%	37.0%	2.00%	14.0%	1.5%
Equitas SFB	19.0%	5.9%	1.9%	8.2%	79.9%	43.0%	2.50%	10.0%	1.4%
Ujjivan SFB	20.5%	9.5%	1.7%	7.6%	76.5%	72.0%	0.90%	12.0%	1.7%
Jana SFB	20.4%	4.6%	1.2%	10.2%	204.0%	NA	8.08%	(177.0)%	(20.3)%
Utkarsh SFB	22.6%	9.2%	1.1%	8.3%	58.6%	91.0%	1.39%	16.0%	1.7%
ESAF SFB	26.8%	9.7%	1.8%	9.0%	66.4%	30.0%	1.61%	15.0%	1.5%
Fincare SFB	27.5%	11.7%	2.2%	8.9%	66.4%	23.5%	1.30%	20.0%	3.2%
Capital SFB	15.6%	3.5%	0.8%	5.9%	79.4%	27.7%	1.30%	8.0%	0.5%
Suryoday SFB	24.7%	11.4%	2.3%	9.1%	48.0%	58.0%	1.81%	12.0%	2.9%
North East SFB	NA	NA	NA	NA	54.0%	50.0%	1.02%	7.0%	1.4%
Microfinance									
BFIL	19.0%	11.9%	0.00%	12.1%	65.7%	NA	0.8%	26.7%	8.9%
CreditAccess Grameen	20.6%	12.9%	0.03%	10.0%	35.6%	NA	0.6%	16.9%	5.2%
Satin Creditcare	18.2%	8.3%	0.00%	13.5%	67.5%	NA	2.9%	19.1%	3.0%
Arohan	20.3%	20.2%	0.12%	18.9%	29.0%	NA	NA	21.1%	3.6%

^ as per company reports

Source: Company reports, CRISIL Research

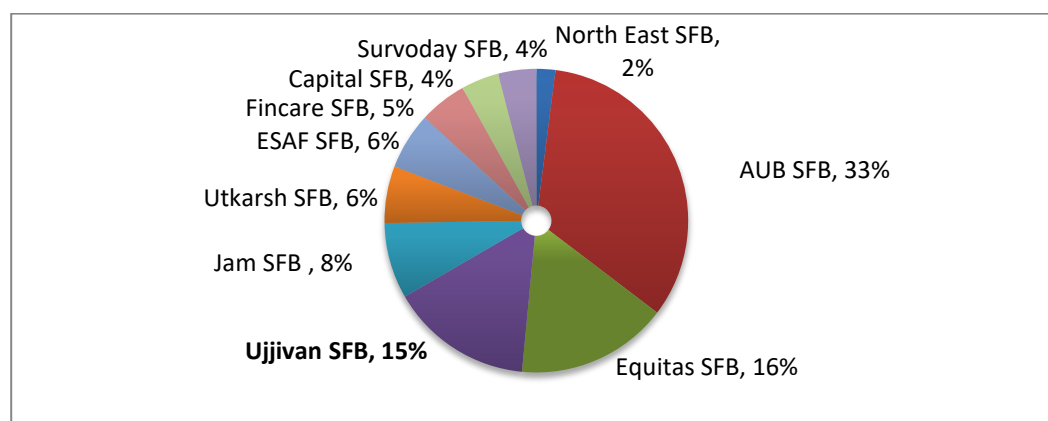
Details of SFB Players

Player – SFB	Type	Commence-ment Date	Aum FY19 (₹ Cr)	AUM Growth (FY16-FY19)	Deposits (₹ Cr)	Deposit Growth YOY (FY19)	Branches (FY19)	ATM*	States & UTs covered
AU SFB	NBFC	Apr'17	24,250	43%	19,420	91%	558	550	12
Equitas SFB	Microfinance	Sep'16	11,840	25%	9,010	145%	991	322	15
Ujjivan SFB	Microfinance	Feb'17	11,050	27%	7,260	61%	524	387	24
Jana SFB	Microfinance	Mar'18	6,220	(17)%	4,200	NA	NA	123	NA
Utkarsh SFB	Microfinance	Jan'17	4,670	48%	3,790	73%	482	127	11
ESAF SFB	Microfinance	Mar'17	4,590	33%	4,320	71%	424	141	14
Fincare SFB	Microfinance	Jul'17	3,530	123%	2,040	181%	569	77	13
Capital SFB	Local Area Bank	Apr'16	3,110	39%	3,670	29%	129	133	5
Suryoday SFB	Microfinance	Jan'17	2,710	40%	1,590	112%	382	26	11
North East SFB	Microfinance	Oct'17	1,390	42%	170	113%	155^	0	8^

* Including onsite and offsite ATMs. ^ as of FY18

Source: Company reports, CRISIL Research.

Top 3 players account for 64% of the Industry AUM as of FY19



COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2019)

Name of the Bank	Consolidated/ Standalone	Face Value	Total Income (₹ Cr)	EPS (Basic)	NAV	P/E~	RoNW (%)
Ujjivan Small Finance Bank Ltd	Restated	10	2,037.58	1.20	12.64	[•]	9.49%

Listed Peers

AU Small Finance Bank Ltd	Consolidated	10	3,410.87	13.16	108.19	60.85	12.07%
Equitas Holdings Ltd	Consolidated	10	2,358.53	5.18	71.57	16.65	7.24%
Bandhan Bank Ltd	Consolidated	10	7,707.10	16.36	93.89	34.23	17.42%
CreditAccess Grameen Ltd	Consolidated	10	1,283.32	23.37	164.75	33.08	13.18%
RBL Bank Ltd	Consolidated	10	7,743.06	20.25	176.58	15.70	11.43%
DCB Bank Ltd	Consolidated	10	3,391.65	10.53	100.65	17.35	10.44%

Source: Financial information for Ujjivan Small Finance Bank Ltd is based on the Restated Financial Statements for the year ended March 31, 2019. ~P/E Ratio has been computed based on the closing market price of equity shares on NSE on November 15, 2019

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