

Issue Details		
Issue Opens	17-03-21	
Issue Closes	19-03-21	
Issue Size (in Rs. Crs)	577.00-581.00	
Issue Size (Shares)	1,90,93,070	
Authorised Shares	12,50,00,000	
Issued, Subscribed and Paid Up Sh. Pre offer	9,79,80,826	
Offer for Sale	1,09,43,070	
Face Value	Rs. 10.00	
Lot Size (Sh)	49.00	
Price Band	Rs.303- Rs.305	
Issue Type	Book Building	
Book Value (in Rs.)(9mFY21)	133.54	
BRLMs	Axis Capital, ICICI Securities, IIFL Securities, SBI Capital Markets Services.	
Registrar	Kfin Technologies Pvt Ltd.	
Listing Venue	BSE/NSE	
Finalization of Allotment	On or about 24-March -21	
Initiation of refund	On or about 24-March -21	
Credit to Demat Account	On or about 25-March -21	
Listing	On or about 30-March-21	
Issue Structure		
Categories	Allocation	
QIBs	49.00%	
Non-Institutional	15.00%	
Employee Reservation	3.00%	
Retail Portion	34.00%	
Total	100.00%	
Shareholding Pattern		
Categories	Pre issue	Post Issue
Promoter & Promoter Group	30.35%	28.02%
Public	69.65%	71.88%
Total	100.00%	100.00%
Recommendation		
SUBSCRIBE		

Company Background

Suryoday Small Finance Bank Ltd. (SSFB), Headquartered in Navi Mumbai and co-founded by Bhaskar Babu Ramachandran was incorporated as Non-Banking Financial Institution named Suryoday Micro Finance Ltd in FY08. The NBFC-MFI was carrying out microfinance operations and operated the joint liability group-lending model for providing collateral-free, small ticket-size loans to economically active women belonging to weaker sections. Subsequently, it commenced operations as a small finance bank on January 23, 2017 on receipt of RBI final approval and received the status of a scheduled commercial bank in FY18. The Bank have been backed by a group of marquee institutional investors like IFC, TIAA, HDFC Life Insurance, Gaja Capital Fund II Ltd, TVS entities etc.

Objects of the Issue

- The Bank proposes to utilize the net Proceeds from the fresh issue towards augmenting Bank's Tier - 1 capital base to meet its future capital requirements.
- To receive benefits of listing on the stock exchanges.

Key Points

- As of December 2020, SSFB had operations spread across 13 states and Union Territories catering to a client base of over 14.4 lakh customers through 554 branches including 153 Unbanked Rural Centres. The advances stood at Rs 3782.26 crores as on YTD where metropolitan & urban areas contributed to nearly 65% of the loan book.
- The Bank also had outstanding deposits aggregating Rs 3343.84 crores, where low cost current account and savings account (CASA) deposits constituted 13.32%. The retail deposits constituted 72.4% of the total deposits as of December 31st 2020 and major business came in from Maharashtra and Tamil Nadu alone.
- The Bank's gross loan portfolio has grown at a CAGR of 50% in two years till Dec 31, 2020. The Bank's Gross loan of Rs 3908.23 crore as on YTD was highly concentrated towards joint liability groups which comprised 70.35% of the total loan portfolio. The balance 29.65% includes commercial vehicle (CV) loan (primarily CV to large fleet operators), home loans, loan against property, etc.
- SSFB's net interest income for 9mFY21 had marginally declined by 2.18% YoY to Rs. 353.28 crores against Rs. 361.13 crores in 9mFY20. For the full year FY20 it posted net interest income growth of 44.77% YoY to Rs. 490.50 crores.
- The Bank is reasonably capitalized as the CRAR for nine months ended December 2020 stood at 41.17%/Tier-1 at 36.94% Vs min requirement of 15%/7.5% which was the highest among all SFBs (Small Finance Banks) in India.
- The micro finance and general banking industry grew by 16% YoY to reach Rs.3.3 trillion in March 2020 and is expected to reach Rs.3.5 trillion in FY21. SSFB has undertaken to expand its presence in under banked areas and spread geographically. **One can subscribe to the issue with long term view. At Rs.305 the stock is available at 2.3x its YTD BV.**

Particulars (₹ Crs.)	9mFY21	9mFY20	Var%	FY20	FY19	FY18
Interest Earned	624.35	563.22	10.85	766.68	530.11	286.88
Other Income	64.92	63.14	2.82	87.45	66.92	38.04
Total Income	689.27	626.36	10.04	854.14	597.03	324.92
Interest Expended	271.07	202.08	34.14	276.18	191.29	123.15
Operating Expenses	231.64	188.37	22.97	272.12	193.53	131.38
Provision & Contingencies	131.70	109.23	20.58	151.86	73.83	60.27
PAT	54.87	126.68	-56.69	110.94	86.60	10.13
EPS (in Rs.)	6.19	15.49	-60.04	12.81	10.61	1.50
Book Value (in Rs.)	133.54	124.58	7.19	123.13	107.38	79.46
Equity	89.19	86.31	3.33	86.59	81.58	67.50

Source: Company's RHP, Ace Equity, AUM Research

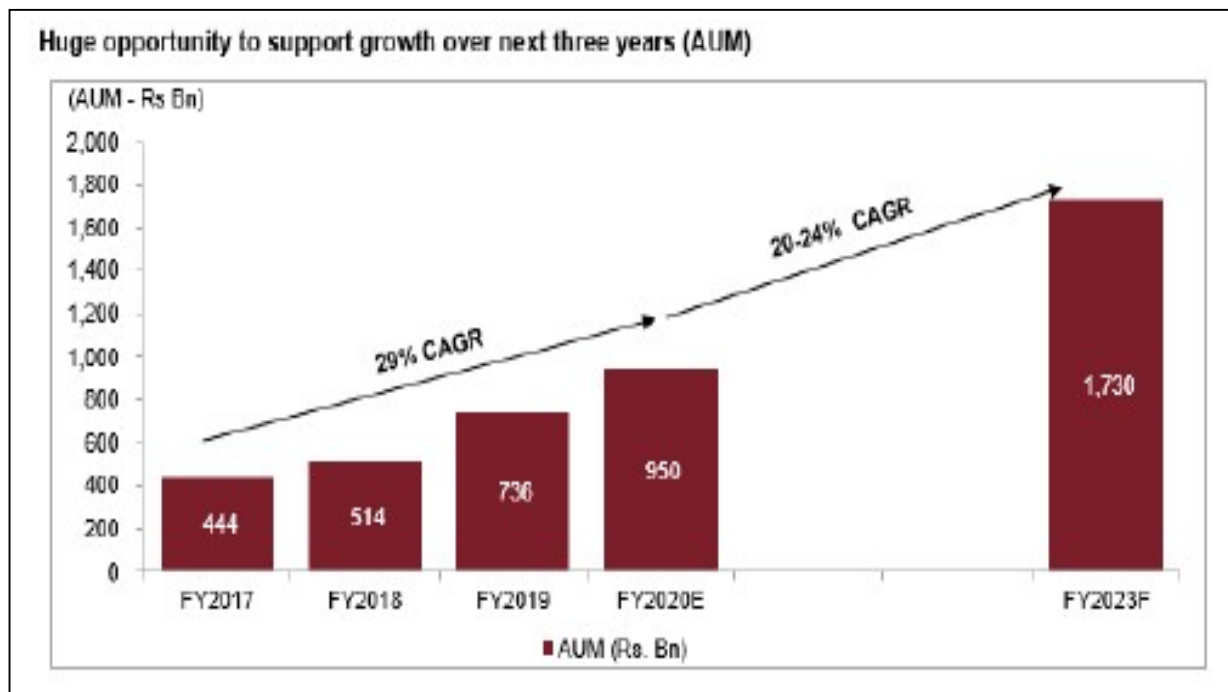
Competitive Strengths

- Customer centric approach with a focus on financial inclusion
- Diversified asset portfolio with a focus on retail operations
- Fast evolving granular deposit franchise
- Leveraging emerging technologies to enhance digital footprint
- Strong credit processes and robust risk management framework
- Track record of strong financial performance and cost efficient operations
- Multiple distribution channels

Risk Factors

- A significant portion of advances are concentrated towards customers located in the states of Tamil Nadu, Maharashtra and Odisha and any changes in the conditions affecting the regions can impact the business
- The Bank is exposed to operational and credit risks which may result in NPAs.
- The Bank has been in operation for the last five years hence one has limited operating history.
- The Banks business is vulnerable to interest rate risk and any volatility in interest rates can adversely impact NIMs.
- SSFB is significantly dependent on advances to inclusive finance (JLG) customers and any adverse developments in the microfinance sector including any regulatory changes could adversely affect its business.

SFBs Growth & Outlook



Source: Company's RHP, Ace Equity, AUM Research

Financial Highlights						
Particulars (Rs. Crs)	9mFY21	9mFY20	Var %	FY20	FY19	FY18
Interest Earned	624.35	563.22	10.85	766.68	530.11	286.88
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Adjusted EPS	6.19	15.49	-60.04	12.81	10.61	1.50
Capital and Liabilities (Rs.Crs)						
Equity Capital	89.19	86.31	3.33	86.59	81.58	67.50
Reserves & Surplus	1101.78	989.00	11.40	972.53	794.42	468.86
Deposits	3343.84	2491.36	34.22	2848.71	1593.43	749.52
Borrowings	1487.08	886.93	67.67	1264.62	1124.23	717.83
Other Liabilities and Provisions	328.53	135.56	142.35	184.96	163.18	156.39
Total	6350.41	4589.16	38.38	5364.52	3761.46	2163.50
Assets (Rs.Crs)						
Cash and Balances with RBI	88.90	74.17	19.87	60.53	48.30	30.82
Balance with banks and money at call	744.26	108.32	587.10	777.07	228.06	176.34
Investments	1511.44	892.83	69.29	808.20	664.39	311.34
Advances	3782.26	3360.90	12.54	3531.94	2679.58	1574.95
Fixed Assets + Capital Work in Progress	43.36	30.74	41.07	38.73	18.98	13.54
Other Assets	180.19	122.21	47.44	148.05	122.15	56.51
Total	6350.41	4589.16	38.38	5364.52	3761.46	2163.50
Adjusted Book Value	133.54	124.58	7.19	122.31	107.38	79.46
Analytical Ratios						
Capital Adequacy Ratio (%)	39.61	36.94	7.23	34.3	38.66	40.25
Debt to Equity (x)	4.06	3.14	29.30	3.86	3.09	2.72
Gross NPA (%)	0.78	2.78	-71.94	2.79	1.81	3.54
Net NPA (%)	0.33	0.52	-36.54	0.57	0.44	1.86
Return on Assets (ROA %)	0.93	3.02	-68.37	2.53	3.17	0.67
CASA Ratio (%)	13.32	11.93	11.65	11.45	11.25	11.03
Net Interest Margin (%)	6.36	9.22	-31.02	11.92	12.80	10.40
Yield on average interest earning assets (%)	14.82	15.79	-6.14	18.62	19.93	17.99
Cost of Funds (%)	6.04	6.62	-8.76	8.55	8.99	10.71
Provision Coverage Ratio (%)	89.58	84.22	6.36	84.71	75.80	48.33

Aum Capital RESEARCH DESK

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