

MSEARCH

IPO OFFERING

UJJIVAN SMALL FINANCE BANK LTD



About Company

Recommendation: Subscribe

Bengaluru based Ujjivan Small Finance Bank Ltd (USFB) is a wholly owned subsidiary of the Ujjivan Financial Services Limited (UFSL). UFSL is an Rs 4000 Cr market cap NBFC-MFI providing a full range of financial services to the 'economically active poor' who were not adequately served by financial institutions. USFB aims to offer small size loan products to underserved & unserved segments in India who are not served by other financial institutions. It is one of the leading Small finance banks in India with diversified portfolio. It has wide presence across 24 states and union territories in India. USFB follows the integrated lending approach where it considers technology infrastructure and back-end support functioning before lending. As on 30 June 2019, it has 4.72 million customers, 474 Banking Outlets, 387 ATMs, 2- 24/7 phone banking units (in Bengaluru and Pune) and 50 additionally operated Asset Centres.

Price Band	: Rs. 36 to 37 per share
Bid Lot size	: 400 Shares
Issue size	: Rs. 745.95 Cr
Issue Opens	: December 2nd 2019, Monday
Issue Closes	: December 4th 2019, Wednesday
Min App Amount	: Rs. 14,800 /- at upper band

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected. UFSL Shareholders Reservation portion: Equity shares aggregating up to Rs.75 Cr, Eligible UFSL Shareholders as on the date of the Red Herring Prospectus i.e.22nd Nov'2019.

Msearch View:

We believe Ujjivan SFB provides good scope of growth as well as a favourable investment opportunity for investors as it accounts for 15% of the Industry AUM as of FY19. At Rs. 37, Ujjivan SFB commands a market cap of Rs. 6,394 crore and on valuation parse it trades at 2.5x P/BV multiples considering the issue proceeds and Rs. 250 crore of equity that Ujjivan raised two weeks ago which seems optimistically priced when compared to listed small bank peers which are trading around 7 times the book. We believe USFB has well managed asset quality with higher provisioning and resulting to higher return ratios comforting investors to invest at the offer price. Considering all rationales we recommend investors to "SUBSCRIBE" to the IPO offer and investors can expect healthy return on investment on short to medium term basis.