



IPO DETAILS

Issue Date	17 th Mar-19 th Mar 2020
Price Band	303-305 per Share
Bid Lot	49 & in multiple there
Face Value	Rs 10/Share
Listing	BSE, NSE
Issue Size	19093070 Eq Shares
Fresh Issue	8150000 Eq Shares
Offer For Sale	109430470 Eq Shares
Pre Issue Eq Shares	97980826 Eq Shares
Pre Issue Eq Shares	106130826 Eq Shares
BRLM	Axis Capital Limited ICICI Securities Ltd, IIFL Securities Ltd, SBI Capital Markets Ltd
Registrar	KFin Technologies Private Limited

Suryoday SFB commenced microfinance operations in 2009 and have since expanded its operations. As of December 31, 2020, bank's customer base was 1.44 million and its employee base comprised 4,770 employees and bank operated 554 Banking Outlets including 153 Unbanked Rural Centres ("URCs").

Key Highlights:

Strong Financials: SFB's Gross Loan Portfolio has grown at a CAGR of 46.98% from ₹ 17,177.84 million as of March 31, 2018 to ₹ 37,108.42 million as of March 31, 2020 and was ₹ 39,028.29 million as of December 31, 2020. Bank's return on average assets was 0.67%, 3.17%, 2.53% and 1.24% (annualized) / 0.93% (unannualized) as of and for the years ended March 31, 2018, 2019 and 2020 and as of and for the nine months ended December 31, 2020, respectively, while its return on average equity was 2.25%, 14.77%, 11.27% and 6.32% (annualized) / 4.74% (unannualized) in similar periods. Bank's cost-to-income ratio is lowest among SFBs in India. Bank's core strength is to perform operations in a cost efficient and effective manner without compromising on the quality of service. Bank's cost-to-income ratio has reduced from 64.44% in Fiscal 2018 to 47.05% in Fiscal 2020 and was 55.39% in the nine months ended December 31, 2020.

Multiple distribution channels: SFB's distribution and service channels comprise its Banking Outlets, ATMs, phone banking, mobile banking, tablet banking, CSPs and internet banking services. As of December 31, 2020, SFB operated 554 Banking Outlets including 153 URCs across 13 states and union territories. As of March 31, 2020, it operated 58, 150, 79 and 190 Banking Outlets (including URCs) in the north, south, east and west regions, respectively, as per RBI classification of regions while as of December 31, 2020, SFB operated 101, 168, 91 and 194 Banking Outlets (including URCs) in the north, south, east and west regions, respectively, as per RBI classification of regions.

Experienced leadership team, professional management and strong corporate governance: SFB is a professionally managed bank led by Baskar Babu Ramachandran, founder, Managing Director and Chief Executive Officer who has held leadership positions in companies like HDFC Bank Limited, GE Capital Transportation Financial Services Limited amongst others. Bank's operations are also funded by growth capital provided by a diverse group of investors, including development finance institutions such as International Finance Corporation and DEG, private equity investors including Lok Capital Growth Fund, Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited), Gaja Capital Fund II Limited, ASK Pravi Private Equity Opportunities Fund and Jhelum Investment Fund I, institutional investors such as HDFC Life Insurance Company Limited, IDFC FIRST Bank Limited and Kotak Mahindra Life Insurance Company Limited.

Valuation

Bank is bringing the issue at p/b multiple of approx 1.96x at higher end of price band of Rs 303-305/share on post issue book values basis.

Although bank is fast evolving deposit franchise with sustainable return profile & significant AUM growth but looking after valuations which we find a little higher we recommend "Long term Subscribe" on the issue.



SFBs and other players as of end-Fiscal 2020

Players	On-book AUM FY20 (Rs Bn)	On-book AUM growth (FY2017-2020)	Deposit (Rs Bn)	Deosit growth on – year (FY 2019-2020)	Credit to deposit ratio	Banking outlets	Number of employees	CAR	Tier I Capital	Presence in stated & UTs
SFB										
AU SFB	308.90	42%	261.60	35%	1.03	647	17112	22.00%	18.40%	12
Equitas SFB	146.10	27%	107.90	30%	1.27	854	16104	23.61%	22.44%	15
Ujjivan SFB	141.50	30%	107.80	46%	1.30	575	17841	28.80%	28.00%	24
Jana SFB	112.90	-4%	96.50	130%	1.03	585	16212	19.30%	13.10%	22
ESAF SFB	68.10	66%	70.20	63%	0.93	454	3337	24.03%	20.99%	18
Utkarsh SFB	66.60	60%	52.30	38%	1.20	507	8831	22.19%	19.41%	17
Fincare SFB	53.40	60%	48.50	138%	0.99	711	7363	29.29%	23.46%	19
Suryoday SFB	37.10	64%	28.50	79%	1.24	477	4695	29.57%	28.61%	12
Capital SFB	33.0	34%	44.40	21%	0.74	150	1646	19.11%	14.00%	5*
Microfinance										
Credit Access Grameen	98.9	38%	--	--	--	929	10824	23.60%	22.30%	9
Spandana	68.2	56%	--	---	--	1010	8224	53.00%	--	18
Universal Banks										
Bandhan Bank	718.50	60.5%	570.80	32%	1.17	4559	39750	27.43%	25.19%	34

Profitability

Profitability of players in Fiscal 2020

Players	Yield on advance (%)	NIMs (%)	Non Interest Income (%)	Cost of borrowing(%)	Opex(%)	Opex per banking outlet(Rs Mn)	Cost to income (%)	PCR (%)	GNPA (%)	Cedit cost(%)	ROE (%)	Post tax-ROA (%)
SFB												
AU SFB	13.7	5.5	1.7	7.4	3.8	2.19	56.1	52.5	1.7	1.1	15.8	1.6
Equitas SFB	19.1	9.7	1.6	8.0	6.7	1.19	66.3	45.2	2.7	1.9	9.8	1.4
Ujjivan SFB	21.7	10.8	21.7	10.8	2.0	8.1	8.32					
Jana SFB	22.7	9.3	3.7	9.4	9.9	1.99	80.6	--	2.8	3.0	3.5	0.3
Utkarsh SFB	20.8	9.6	1.2	8.2	5.6	0.94	57.6	75.1	0.7	3.0	19.0	2.2
ESAF SFB	22.3	10.6	1.6	8.7	7.3	1.42	64.9	79.93	1.5	2.4	19.2	2.3
Fincare SFB	24.9	11.8	2.6	9.5	7.6	0.75	56.0	91.4	0.9	5.1	18.3	2.5
Capital SFB	11.2	4.2	0.9	6.4	3.4	1.09	75.5	29.5	2.0	0.9	7.7	0.5
Suryoday SFB	22.5	10.7	1.9	8.1	6.0	0.71	47.1	84.71	2.8	4.3	11.4	2.4
Microfinance												
Credit Access Grameen	20.4	12.1	0.3	9.0	4.3	0.42	35.9	--	1.6	3.0	13.0	3.6
Spndana	24.8	16.6	5.5	11.9	4.0	0.22	19.7	--	0.36	3.0	15.6	6.5
Universal banks												
Bandhan Bank	14.0	9.6	2.1	7.8	3.3	0.53	30.8	60.78	1.5	2.6	22.9	4.1

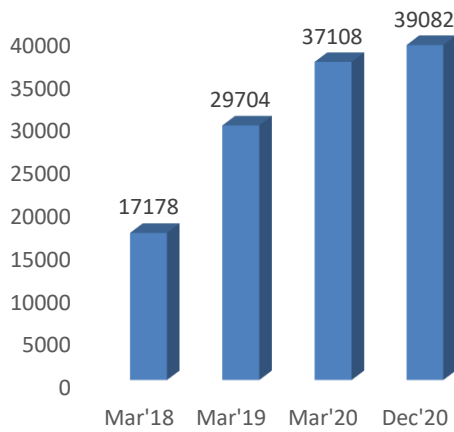
(Source: RHP)



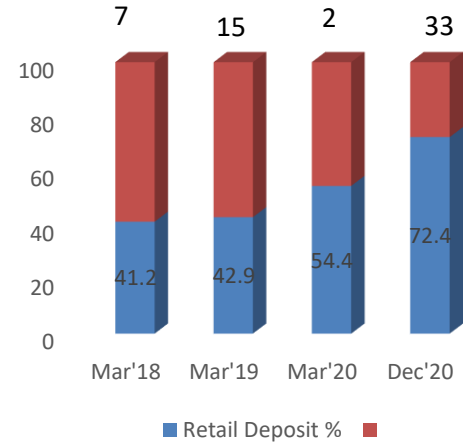
INVESTMENT RATIONALE

Strong & Consistent Financial Performance

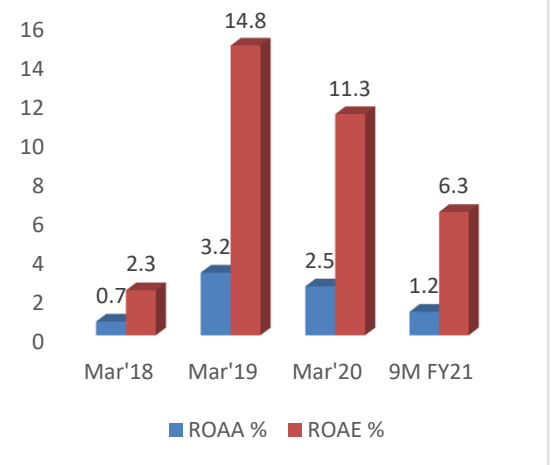
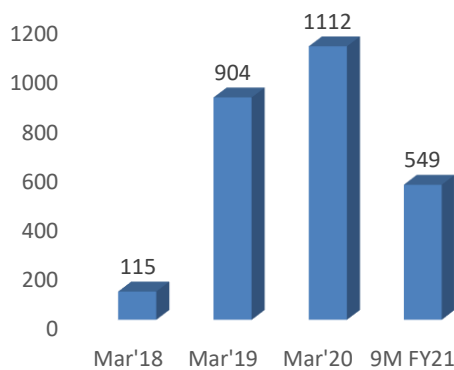
Gross Loan portfolio



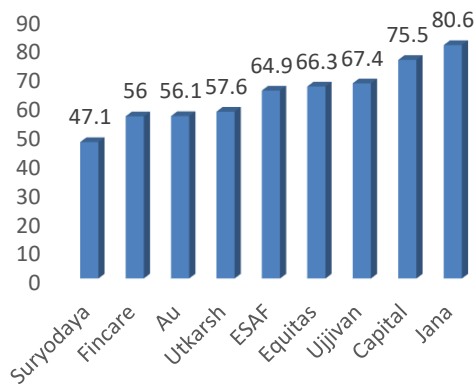
Bulk Deposit & Retail Deposit %



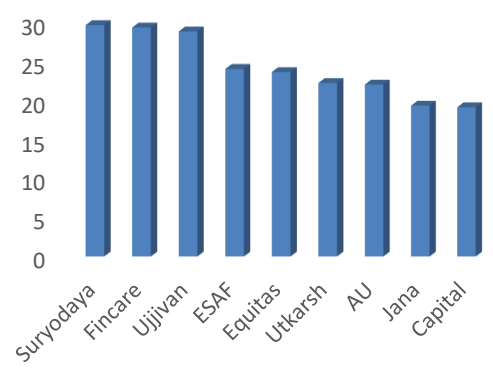
PAT (Rs Mn)



Cost To Income (%) FY20



CAR (%) For FY 20





BANK OVERVIEW

Company commenced operations as an SFB on January 23, 2017, pursuant to receipt of the RBI Final Approval. Prior to commencement of operations as an SFB, company operated as an NBFC – MFI carrying out microfinance operations.

Product Portfolio

Company’s product portfolio includes asset products, largely advanced to customers in unbanked and underbanked segment and liability products in the form of deposits.

Asset Products

Company categorize its asset products into (i) inclusive finance loans, primarily comprising loans to joint liability groups (“**JLGs**”); (ii) commercial vehicle loans; (iii) affordable housing loans; (iv) secured business loans (“**SBL**”); (v) micro business loans (T-Nagar); (vi) MSME/ SME loans (unsecured); (vii) loans to financial intermediary groups (“**FIGs**”); and (viii) other loans.

Categorization is largely determined by customer profile, type of security and end-use.

The table below sets forth the Bank’s Gross Loan Portfolio by product as of the dates indicated:

	As of Mar 31						As of Dec 31,2020	
	2018		2019		2020		(Rs Mn)	% of Total
	(Rs Mn)	% of Total	(Rs Mn)	% of Total	(Rs Mn)	% of Total	(Rs Mn)	% of Total
Inclusive Financ (JLGs)	15441.32	89.89%	24191.24	81.44%	28147.75	75.85%	27495.76	70.35%
Commercial Vehicle Loans	85.48	0.50%	2185.14	7.36%	3705.49	9.99%	3680.09	9.42%
Affordable Housing Loans	219.00	1.27%	796.76	2.68%	1811.84	4.88%	2460.30	6.30%
Secured Business Loans	351.56	2.05%	675.34	2.27%	1062.51	2.86%	1420.32	3.63%
Micro Business Loans (T-Nagar)	63.23	0.37%	273.12	0.92%	428.13	1.15%	386.72	0.99%
MSME/SME Loan	826.32	4.81%	966.79	3.25%	375.05	1.01%	399.46	1.02%
Financial Intermediary Group Loans	90.80	0.53%	484.43	1.63%	1004.88	2.72%	1866.96	4.78%
Others	100.13	0.58%	131.60	0.44%	572.77	1.54%	1372.68	3.51%
Gross Loan Portfolio	17177.84	100.0%	29704.42	100.0%	37108.42	100.00%	39082.29	100.0%



Risk Factors:

Bank is dependent on a limited number of customers for a portion of its deposits. Deposits from bank's 20 largest depositors amounted to ₹ 4,434.05 million, ₹ 7,119.74 million, ₹ 11,045.51 million and ₹ 9,977.14 million as of March 31, 2018, March 31, 2019 and March 31, 2020 and as of December 31, 2020 and represented 59.16%, 44.68%, 38.77% and 29.84% of bank's total deposits as of March 31, 2018, March 31, 2019 and March 31, 2020 and as of December 31, 2020, respectively

Objects of Issue:

Fresh Issue

Bank proposes to utilize the Net Proceeds from the Fresh Issue towards augmenting Tier – 1 capital base to meet bank's future capital requirements.

Financial Statement

(Rs Cr)

	FY18	FY19	FY20	9MFY21
Interest Income	286.88	530.11	766.69	624.35
Growth %		84.78	44.63	(18.57)
Other Income	38.04	66.92	87.45	64.92
Net Income	324.92	597.03	854.14	689.27
Growth %		83.75	43.06	(19.30)
Total Expenses	252.38	380.48	547.90	502.71
Pre Provision Profit	72.538	216.553	306.237	186.566
Growth %		198.54	41.41	(39.08)
Provisions	61.01	126.16	195.04	131.70
PAT	11.53	90.40	111.20	54.87
Growth %		683.82	23.01	-50.66
Eq Cap	67.50	81.58	86.59	89.19
Net Worth	538.49	880.37	1,066.23	1,190.96
Eq Shares	6.75	8.16	8.66	8.92
EPS	1.7	11.1	12.8	6.2
Book Value	79.78	107.91	123.13	133.54
CASA Ratio	11.03	11.25	11.45	13.32
NIM %	10.4	12.8	11.9	8.5
Cost to income Ratio	64.44	46.83	47.05	55.39
CRAR	43.4	40.22	35.44	41.17
GNPA%	3.54	1.81	2.79	0.78
NNPA%	1.86	0.44	0.57	0.33
Provision coverage ratio%	48.33	75.8	84.71	89.58
ROA %	0.7	3.2	2.5	1.2
ROE%	2.25	14.77	11.27	6.32

Source:RHP

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