


Ujjivan Financial Services Ltd

Industry	Financial
Bloomberg	UJJIVAN IN
BSE CODE	539874

Pickup in Growth and Rising Efficiency in Branches Drives Profitability

RATING	BUY
CMP	278
Price Target	364
Potential Upside	31%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	387/167
Mkt Capital (Rs Cr)	3376
Free float (%)	77%
Avg. Vol 1M (,000)	2,135
No. of Shares (Cr)	12
Promoters Pledged %	

Fig. in Rs Cr

	FY19	FY20E	FY21E
NII	1226	1647	2029
PPP	270	634	924
PAT	150	356	508
NIM %	11.5	11.2	10.5
EPS (Rs)	12	29	42
EPS	483	136	43
ROE (%)	8.3	17.4	20.6
ROA (%)	1.3	2.2	2.4
BV	155	183	224
P/B (X)	1.8	1.5	1.2
P/E (x)	22.4	9.5	6.6

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1QFY20 Result Update

- NII growth stood at 41% YoY driven by strong AUM growth of 51% YoY. Other income has grown at a rate of 73% YoY. PAT has grown at a rate of 60% YoY. NIM has decreased to 12% from 12.40% YoY. The declining share of high yielding MFI segment has attributed to the fall in the margins.
- AUM growth has remained strong at 51% YoY. The growth was driven by the microfinance segment by 33%, The housing finance segment has grown at a rate of 142 %, MSE segment has grown at a rate of 145% and the micro individual segment has grown at 36% YoY. The deposit has grown at the rate of 8% QoQ with the CASA ratio standing at 10.4%.
- GNPA has declined from 90 bps to 80 bp while NNPA has remained stable at a 30 bps QoQ basis. The PCR has declined from 72% to 69%. Credit cost stood slightly elevated at 66 bps as at 1QFY20.
- The C/I ratio has declined to 68% from 74% YoY on the back of rising efficiency. Management has reiterated its guidance for 70-72% for FY20 & it is expected to decline to 50-55% with the help of process engineering, improvement in business scale.
- Management plans to get the company listed by Jan 31, 2020, via the IPO route. It has planned to dilute 10% of the shareholding through IPO and raise around Rs 1200-1300 Cr via IPO and other instruments in the next six months.

AUM Growth Remain Strong

AUM has grown at a robust rate of 51% driven by both micro banking & non-micro banking segment. The share of MFI stood decreased to 71% from 81% a year back. The disbursement has grown at the rate of 41% YoY, the lack of liquidity in the NBFC has provided it with additional opportunities for growth.

Asset Quality Slightly Affected Due to Fani Impact

PAR has increased to Rs 206 Cr from Rs 167 Cr QoQ on the back of cyclone FANI impact. The GNPA in the Group loan stood stable at 20 bps, GNPA in the individual segment has remained stable at 30 bps, GNPA in MSE loan has increased from 90 bps to 1% while GNPA in the housing segment has increased from 40 bps to 50 bps.

Strong Growth in NII and NIM

NIM has improved from 11.10% to 12% QoQ while for Ujjivan SFB it has declined from 10.90% to 10.50% QoQ. The cost of borrowings has decreased to 9.3% from 9.4% QoQ while the average cost of the deposit has increased from 7.8% to 8%. The yield on micro banking, MSE, and affordable segment stand at 21%, 18%, and 14%. The rising share of lower-yielding MSE (secured loans) is expected to put some pressure in the margin going ahead.

View and Valuation

Management maintains its strong traction in advances driven by the micro banking segment. The liquidity crisis in the NBFC has provided for a strong opportunity in the MFI segment. As the older branches get operational it will further drive the loan growth & improvement in C/I ratio thus improving profitability. Asset quality remains pristine in the exception to the rise in par this quarter mainly attributed to cyclone FANI affected Odisha's exposure. Management plans to list the company by way of IPO, for existing retail (below Rs 200000) shareholder management is setting aside 10% of the issue which will be available to them at max 10% discount. Whilst the institutional shareholders will be provided two option Pre IPO and Anchor. ESOP scheme will be done for the employee to get them participated. We remain positive in the rural economy we value the stock at 1.7x FY20 at Rs 364. BUY

Key Risks to our rating and target

- Slowdown in the Rural economy may affect loan growth.
- Lag in operational efficiency.

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1QFY20 Results
In Line with Expectation
Improved Asset Quality

Fig. in Rs Cr

Financials	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Interest Inc.	426	429	470	545	635	49.2%	16.6%	1,515	1,953	28.9%
Interest Exp.	162	167	183	217	263	62.6%	21.1%	602	727	20.9%
NII	264	263	288	328	372	41.0%	13.6%	913	1,226	34.2%
Other Income	31	38	42	59	54	72.5%	-8.9%	30	61	102.7%
Total Income	295	301	330	387	426	44.3%	10.2%	943	1,287	36.4%
Ope Exp.	219	233	256	302	290	32.4%	-4.0%	662	1,017	53.6%
PPP	77	68	74	85	137	78.5%	60.3%	281	270	-4.0%
Provisions	6	6	7	12	19	224.1%	51.6%	236	66	-72.2%
PBT	71	62	67	73	118	66.5%	61.7%	45	204	3.57275
Tax	25	18	22	9	44	80%	383.5%	19	54	1.83898
Extra Items	-	-	-	-	-			-	-	
Net Profit	46	44	45	64	74	59.6%	15.8%	26	150	484%

Concall Highlights

- Other income break up stood at Rs 37 Cr for processing income, Rs 41.6 Cr for PSLC income, Rs 7.6 Cr from bad debt recovery, Rs 3.7 Cr of fee income and Miscellaneous income is Rs 10 Cr. Securitisation income stood at Rs 2.1 Cr.
- Management has not opened any branches this quarter due to RBI permission. Management has reiterated C/I ratio guidance. It continues to take initiative to control cost.
- Management continues its efforts towards new branches and new products to be complete banking solution provider.
- Management plans to complete shift to large ticket size secured loan of MSME customer, 100% disbursement are in secured category. Ticket size has increased from Rs 50 Lakh to Rs 2 Cr.
- Write off for this quarter stood at Rs 16 Cr which was mainly on account of FANI cycle.
- Ticket size as increased in housing segment with more focus in Ready to purchase segment which are basically PMAY complied which gives an additional fees.
- Benefitting from liquidity crisis management lending to NBFC MFI is growing at a strong rate, exposure is more to rated corporates without ALM mismatch.
- Unique customer stood at 30% with new customer addition to the amount of Rs 300000.
- 50% of SA deposit are from micro banking customers.
- Management cannot give any forward looking statemen due to IPO proceeding.
- Management is not experiencing any sign of overleveraging in West Bengal & Odisha. FANI disruption has raised the PAR of the portfolio.

➤ IPO Highlights

- UJJIVAN is planning to do listing via IPO by 31th Jan 2020. Management is open to other listing option subject to factors like regulatory approvals, cash outflow, income tax impact and timelines. Management has a similar scheme of arrangement as EQUITAS which is at standby now.
- Management plans to approach RBI for a reverse merger at the end of 5-6 year period. Management is hopeful of a revised guideline on this front.
- In IPO listing existing shareholder will decrease their holding to 90% of the shareholding they would have to apply to participate in the IPO.
- IPO will be entirely fresh issue of shares to new shareholders.
- For existing retail shareholder management is setting aside 10% of the issue which will be available to them at max 10% discount which are available to Rs 200000 shareholding or below. While insti shareholders will be provided two option Pre IPO and Anchor. ESOP scheme will done for the employee to get them participated.
- Capital consideration for further growth & SEBI has regulation on minimum listing at 10% will decide future course of action.

Profitability Matrix

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
C/I Ratio %	69.0	56.9	74.1	77.3	77.7	78.0	67.9	-6.14	-10.03
Empl. Cost/ Tot. Exp. %	55.6	54.7	52.5	52.3	53.6	50.5	56.5	4.06	6.05
Other Exp/Tot. Exp.%	37.7	38.3	42.0	41.2	39.9	44.0	31.7	-10.27	-12.25
Provision/PPP %	38.1	26.2	7.6	9.1	9.5	14.5	13.8	6.18	-0.78
Tax Rate %	37.2	33.7	34.6	28.5	32.2	12.5	37.3	2.72	24.84
Int Exp./Int Inc. (%)	39.5	36.3	38.0	38.8	38.8	39.9	41.4	3.42	1.55
Other Inc./NII %	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.06	-0.08
PPP/ Net Income %	31.0	43.1	25.9	22.7	22.3	22.0	32.1	6.14	10.03
PAT/ Net Income %	12.1	21.1	15.7	14.7	13.7	16.5	17.3	1.66	0.85
NII Growth % (YoY)	9.4	111.4	59.0	41.0	32.8	21.7	41.0	-17.98	19.28
PPP Growth YoY %	(36.9)	217.3	71.9	(2.8)	(2.2)	(35.7)	78.5	6.53	114.11
PAT Growth %	31.5	235.2	161.8	470	54.2	(1.6)	59.6	-102.17	61.24

Margin Performance

Margin %	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
Yield on Advances	18.1	20.7	20.2	19.3	19.9	20.9	22.0	1.87	1.12
Cost Of Funds	8.6	9.0	9.0	8.7	8.8	9.3	10.0	1.01	0.75
Spreads	9.5	11.8	11.2	10.6	11.0	11.7	12.0	0.86	0.37
NIM	11.8	11.6	12.4	12.0	11.8	11.1	12.0	-0.40	0.90

Exhibit: Yield and Cost
Spreads has Improved

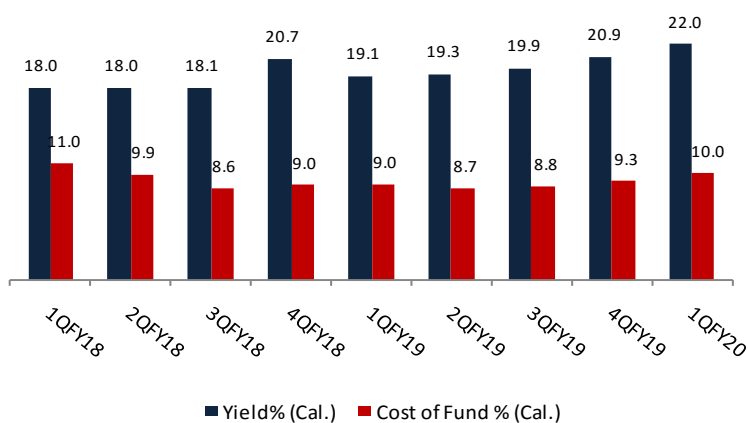
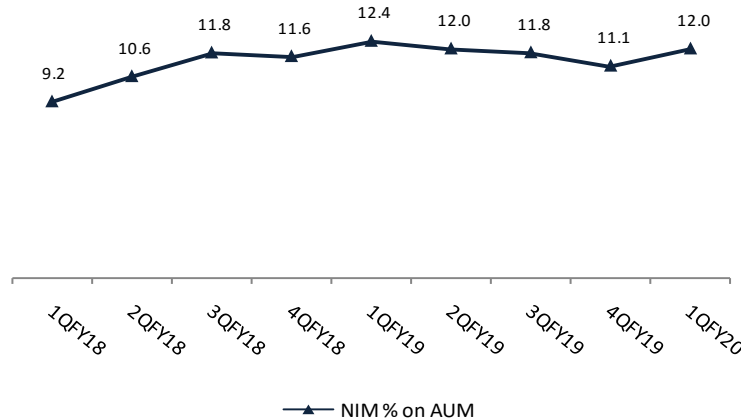


Exhibit: Net Interest Margin
NIM Expansion QoQ



Asset & Borrowings Growth Trend

Fig. In Rs Cr

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Disbursements	1702	1954	2134	2263	2091	2383	2885	3727	2958
Growth YoY %	-9	-11	28	61	23	22	35	65	41
AUM	6459	6669	7095	7552	7787	8317	9349	11049	11783
Growth YoY %	10	3	8	18	21	25	32	46	51
Borrowings	6442	6469	6871	7625	7775	8525	9244	11971	12292
Growth YoY %	54	38	32	17	21	32	35	57	58

Exhibit: AUM Growth %

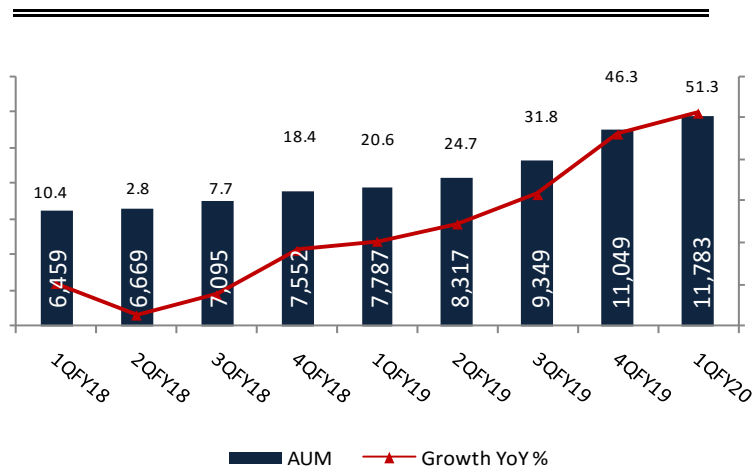
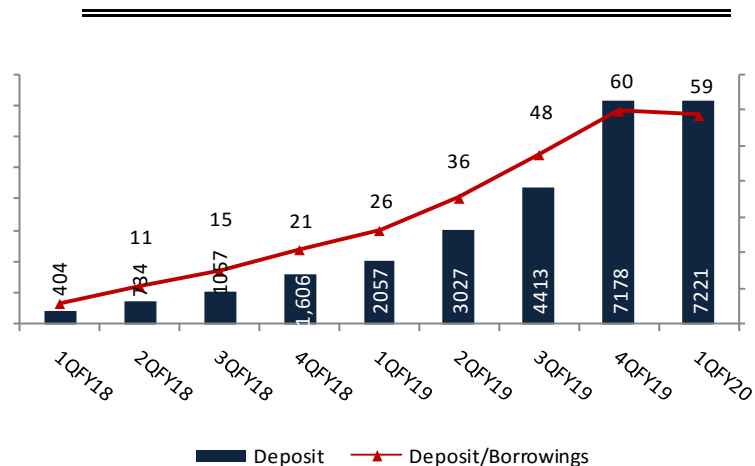


Exhibit: Deposit & % of Deposit as to Borrowings



Asset Mix

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Microfinance	85	85	85	84	81	80	78	75	72
Housing Finance	2	2	3	4	5	6	7	8	9
MSE	1	2	2	3	4	4	5	5	6
Others	12	11	9	9	9	8	8	8	8

Asset Quality

Fig. In Rs Cr

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
GNPA	294	276	208	155	128	98	96	(112)	(2)
GNPA %	4.2	3.6	2.7	1.9	1.4	0.9	0.8	(1.9)	(0.1)
NNPA	70	51	25	24	24	28	29	4	1
NNPA %	1.0	0.7	0.3	0.3	0.3	0.3	0.3	-	-
Total Specific PCR %	76	82	88	85	81	72	69	(19)	(3)

NNPA

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Group Loans (%)	1.30	1.00	0.60	0.30	0.30	0.20	0.20	0.30
Individual Loan (%)	2.70	2.30	1.70	0.80	0.50	0.40	0.30	0.30
MSE (%)	0.50	0.50	0.50	0.60	0.60	1.00	0.90	1.00
Housing(%)	0.10	0.10	0.10	0.10	0.10	0.20	0.40	0.50

Exhibit: Credit Cost

Improving asset quality trend

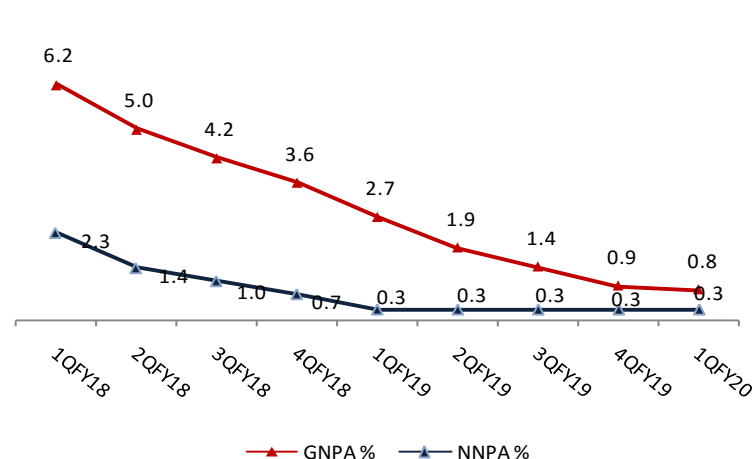


Exhibit: Provisions

PCR has decreased sequentially

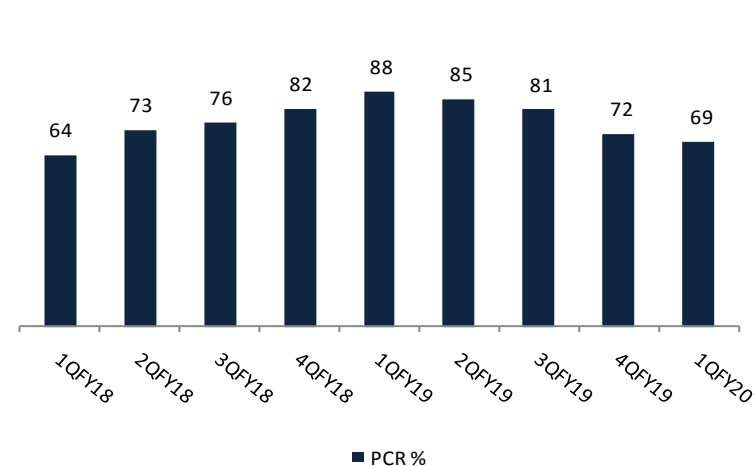


Exhibit: AUM Break Up

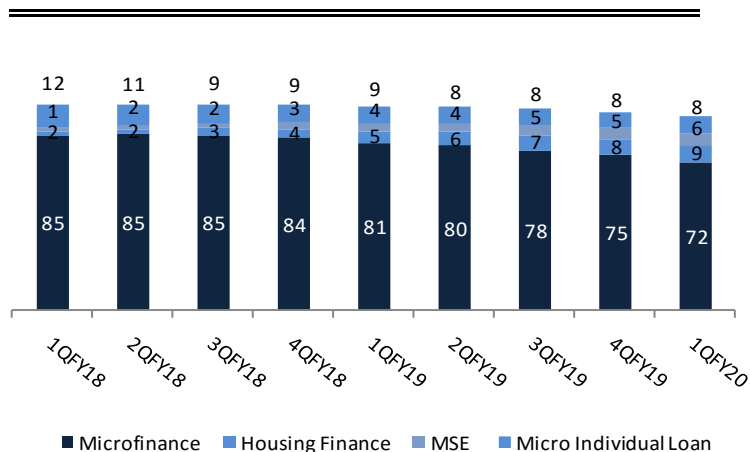
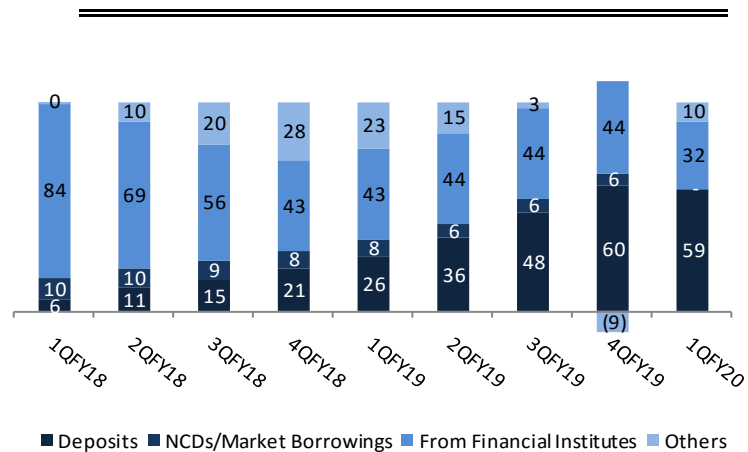


Exhibit: Borrowings Break Up



Borrowing Mix

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Deposits (%)	6	11	15	21	26	36	48	60	59
NCDs/Market Borrowings (%)	10	10	9	8	8	6	6	6	-
Financial Institutes (%)	84	69	56	43	43	44	44	44	32
Others (%)	0	10	20	28	23	15	3	(9)	10

Deposit

Fig. In Rs Cr

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Deposit	404	734	1,057	1,606	2,057	3,027	4,413	7,379	7,956
>> CASA	21.6	62	90	138	239	377	561	784	827
>>TD	382	672	967	1468	1818	2650	3852	6595	7130
>>CD	-	615	1379	2166	1746	1162	963	982	247

Others

Fig. In Rs Cr

Overall PAR	571	445	384	305	256	267	220	167	206
PAR>0 (%)	8.8	6.7	5.4	4	3.3	3.3	2.4	1.6	1.8

Customers

Repeat (%)	68	76	73	67	71	73	72	67	57
Fresh (%)	32	24	27	33	29	27	28	33	43

Exhibit: Asset Quality

Credit Cost has increased QoQ

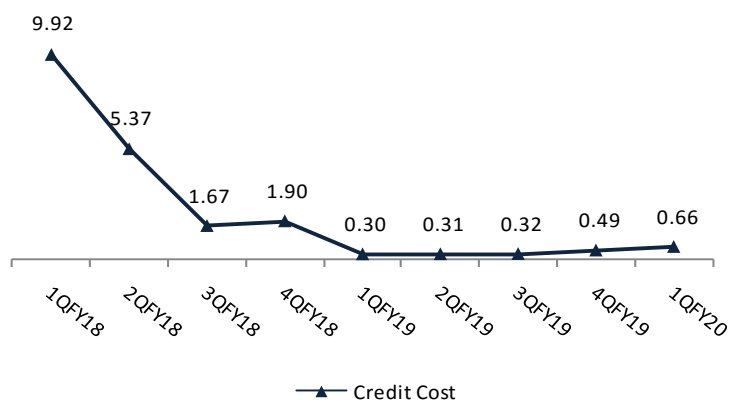
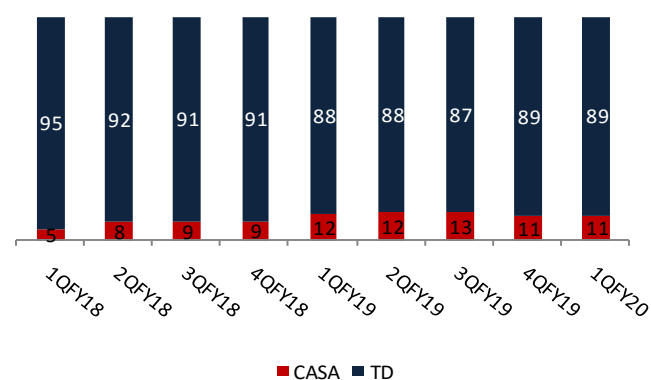


Exhibit: Provisions

Break up of Deposit has remained stable QoQ



Financial Details

Balance Sheet

Fig. in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	66	86	101	119	121	121	121	121
>> Equity Capital	66	86	101	119	121	121	121	121
>> Preference Capital	-	-	-	-	-	-	-	-
Reserves & Surplus	307	650	1,097	1,636	1,611	1,757	2,100	2,593
Networth	373	736	1,198	1,755	1,732	1,878	2,221	2,714
Deposit	-	-	-	206	1,606	7,379	11,474	12,236
Change (%)	-	-	-	-	680	359	55	7
>> CASA Deposits	-	-	-	3	138	784	1,900	2,375
Change (%)	-	-	-	-	4,213	468	142	25
Borrowings	1,650	3,122	4,338	6,292	6,019	4,592	3,993	8,175
Other Liabilities & Provisions	56	118	192	226	-	-	-	-
Total Liabilities	2,079	3,976	5,727	8,479	9,522	14,026	18,110	23,679
Cash Balances	394	645	491	760	576	1,079	430	1,068
Investments	0	0	0	1,447	1,233	1,527	1,951	2,424
Change (%)	1	-	-		(15)	24	28	24
Advances	1,617	3,274	5,064	5,871	7,552	11,049	14,916	19,391
Change (%)	44	102	55	16	29	46	35	30
Fixed Assets	13	18	24	140	198	284	298	368
Other Assets	54	39	147	261	(37)	87	515	428
Total Assets	2,079	3,976	5,727	8,479	9,522	14,026	18,110	23,679

Income Statement

Fig. in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest income	348	599	1,007	1,349	1,515	1,953	2,768	3,377
Interest expended	145	271	423	543	602	727	1,121	1,348
Net Interest Income	203	328	584	807	913	1,226	1,647	2,029
Change (%)	43	62	78	38	13	34	34	23
Other Income	10	13	20	48	30	61	262	377
Change (%)	(14)	29	62	137	(38)	103	332	44
Total Net Income	213	340	604	855	943	1,287	1,909	2,407
Operating Expenses	121	205	307	458	662	1,017	1,275	1,483
Change (%)	24	70	50	49	45	54	25	16
>> Employee Expenses	81	133	197	272	373	541	719	846
Pre-provisioning Profit	92	136	297	397	281	270	634	924
Change (%)	64	47	119	34	(29)	(4)	135	46
Provisions	8	21	25	75	236	66	96	166
Change (%)	19	154	20	200	215	(72)	46	73
PBT	84	115	272	322	45	204	539	758
Tax	29	39	95	114	19	54	183	250
Profit After Tax	55	76	177	208	26	150	356	508
Change (%)	63	38	134	17	(88)	484	136	43

Financial Details

Key Ratios

Fig. in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Balance Sheet Metrics								
AUM	1,617	3,274	5,389	6,380	7,552	11,049	14,916	19,391
AUM Growth (%)	43.6	102.5	54.7	15.9	28.6	46.3	35.0	30.0
Borrowing Growth (%)	65.4	89.2	38.9	45.0	(4.3)	(23.7)	(13.1)	104.8
Loan/Borrowing (%)	98.0	104.9	116.7	90.4	99.0	92.3	96.4	95.0
CASA (%)	-	-	-	1.6	8.6	10.6	16.6	20.6
CRAR (%)	22.7	24.2	24.1	18.2	23.0	18.9	19.5	18.0
>> Tier 1 (%)	21.8	21.7	22.4	16.8	22.3	18.4	18.0	16.9
>> Tier 2 (%)	0.9	2.5	1.8	1.4	0.7	0.5	1.5	1.1

Assets Quality Metrics

Gross NPA (Rs)	-	-	8	16	294	128	215	279
Gross NPA (%)	0.1	0.1	0.2	0.3	3.6	0.9	1.5	1.5
Net NPA (Rs)	-	-	2	2	276	98	75	98
Net NPA (%)	0.0	0.0	0.0	0.0	0.7	0.3	0.5	0.5
Specific Provision Coverage (%)	-	-	73.3	89.3	76.4	55.0	65.0	65.0
Provision/Average Advances (%)	0.6	0.9	0.6	1.3	3.4	0.7	0.7	1.0

Margin Metrics

Yield On Advances (%)	25.4	24.5	23.3	22.8	21.5	20.6	20.4	18.8
Yield On Investment (%)	-	-	-	1.1	-	-	6.9	6.9
Yield On Earning Assets (%)	-	-	18.7	20.4	18.2	18.3	18.8	17.5
Cost Of Funds (%)	10.9	11.4	11.4	10.0	8.5	7.4	8.1	7.5
Spread (%)	14.4	13.1	11.9	12.8	13.0	13.2	12.3	11.3
NIM on AUM (%)	14.8	13.4	13.5	13.7	13.1	13.2	12.7	11.8
NIM on Earning Assets (%)	-	-	10.8	12.2	11.0	11.5	11.2	10.5

Profitability & Efficiency Metrics

Int. Expense/Int.Income (%)	41.6	45.3	42.0	40.5	40.1	37.9	42.3	41.8
Cost to Income (%)	56.7	60.2	50.8	53.6	70.2	79.0	66.8	61.6
Cost on Average Assets (%)	7.0	6.8	6.3	6.4	7.4	8.6	7.9	7.1
Tax Rate (%)	34.4	33.9	34.9	35.5	42.3	26.3	33.9	33.0

Valuation Ratio Metrics

EPS (Rs)	8.4	8.8	17.5	17.4	2.1	12.4	29.4	41.9
Change (%)	63	4.8	99.0	(0.7)	(87.8)	483	136	42.7
ROAE (%)	15.9	13.7	18.3	14.1	1.5	8.3	17.4	20.6
ROAA (%)	3.2	2.5	3.7	2.9	0.3	1.3	2.2	2.4
Dividend Payout (%)	-	-	-	4.6	23.5	6.8	4.1	2.9
Dividend yield (%)	-	-	-	0.2	0.1	0.3	0.4	0.4
Book Value(Rs)	56.8	85.5	118.4	147.0	143.3	155.0	183.3	223.9
Change (%)	16	51	38	24	(3)	8	18	22
ABVPS (Rs)	57	86	118	147	120	147	177	216
P/B (X)	-	-	-	2.9	2.4	1.8	1.5	1.2
P/E (X)	-	-	-	24.4	162.2	22.4	9.5	6.6

Financial Details

Exhibit: DuPont Analysis

	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<i>Interest Income</i>	20.2	19.8	20.8	19.0	16.8	16.6	17.2	16.2
<i>Interest expended</i>	8.4	9.0	8.7	7.6	6.7	6.2	7.0	6.5
<i>Net Interest Income</i>	11.8	10.8	12.0	11.4	10.1	10.4	10.3	9.7
<i>Non-Fund Based Income</i>	0.6	0.4	0.4	0.7	0.3	0.5	1.6	1.8
<i>Total Income</i>	12.4	11.2	12.5	12.0	10.5	10.9	11.9	11.5
<i>Total Operating Expenses</i>	7.0	6.8	6.3	6.4	7.4	8.6	7.9	7.1
<i>>> Employee Expenses</i>	4.7	4.4	4.1	3.8	4.1	4.6	4.5	4.0
<i>>> Other Expenses</i>	2.3	2.4	2.3	2.6	3.2	4.0	3.5	3.0
<i>Operating Profit</i>	5.4	4.5	6.1	5.6	3.1	2.3	3.9	4.4
<i>Provisions</i>	0.5	0.7	0.5	1.1	2.6	0.6	0.6	0.8
<i>Others</i>								
<i>PBT</i>	4.9	3.8	5.6	4.5	0.5	1.7	3.4	3.6
<i>Tax</i>	1.7	1.3	2.0	1.6	0.2	0.5	1.1	1.2
PAT/RoAA	3.2	2.5	3.7	2.9	0.3	1.3	2.2	2.4
<i>Equity Multiplier (x)</i>	5.0	5.5	5.0	4.8	5.2	6.5	7.8	8.5
ROAE	15.9	13.7	18.3	14.1	1.5	8.3	17.4	20.6

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Analyst's ownership of the stocks mentioned in the Report	NIL
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