




# Ujjivan Small Finance bank

<b>Industry</b>	<b>Financial</b>
<b>Bloomberg</b>	<b>UJJIVANS IN</b>
<b>BSE CODE</b>	<b>542904</b>

## Moderation in AUM growth owing to lockdown, Higher provisioning dented bottom-line

<b>RATING</b>	<b>NEUTRAL</b>
<b>CMP</b>	<b>34</b>
<b>Price Target</b>	<b>28</b>
<b>Potential Upside</b>	<b>-18%</b>

<b>Rating Change</b>	
<b>Estimate Change</b>	
<b>Target Change</b>	

### Stock Info

52wk Range H/L	62/23
Mkt Capital (Rs Cr)	5,945
Free float (%)	7%
Avg. Vol 1M (,000)	1,059
No. of Shares (Cr)	173
Promoters Pledged %	

Fig in Rs cr

FINANCIAL	FY19	FY20	FY21E
NII	1106	1634	1890
PPP	309	637	821
PAT	199	350	270
NIM %	11.9	13.0	12.7
EPS (Rs)	1	2	2
EPS growth	2803	46	-23
ROE (%)	13	15	9
ROA (%)	1.7	2.2	1.4
BV	11	17	19
P/B (X)	0.0	1.6	1.8
P/E (x)	0	2	2

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### 1QFY21 Result Update.

- ❑ NII has grown Slowly at a rate of 30% YoY mainly on account of lower advance growth and fall in NIM. The PAT during the quarter fell by 42% on account of the higher provisioning.
- ❑ Advance growth during the quarter moderated to 30%/1.5% on YoY/QoQ basis on account of the lockdown, Disbursements fell by 82%/85% on YoY/QoQ basis while the deposit growth was up by 39%/3% on YoY/QoQ basis.
- ❑ Asset quality during the quarter was stable with GNPA maintained at 0.97% QoQ but the NNPA improving from 0.20% to 0.18% QoQ

### Moderate NII growth

NII has grown slowly at a rate of 30% YoY mainly on account of lower advance growth and fall in NIM. NIM during the quarter stood at 10.2% v/s the 10.5% YoY. Yield on advance fell from 20% to 19% YoY while the cost of fund has reduced from 8.5% to 7.7% YoY. Pre-provisioning profit during the quarter increased by 33% YoY on account of lower cost. PAT during the quarter fell by 42% YoY on account of the higher credit cost. The cost to income ratio stood at 56% with other expense decreasing by 35% YoY while the employee expense increased by 16% YoY.

### Stable asset Quality

Asset quality during the quarter was largely stable primarily on account of the moratorium. GNPA was maintained at 0.97% QoQ but the NNPA improving from 0.20% to 0.18% QoQ owing to heavy provisioning. The Moratorium levels during the quarter end stood at 48% with 50% of the Microbanking book under the Moratorium and 46% of the affordable housing book under the Moratorium. Collection efficiency at the end of June 20 is 54% and 59% at the end of July 2020. Company is not pushing the customers for payments given the situation.

### Subdued Advance Growth

Advance growth during the quarter moderated to 30%/1.5% on YoY/QoQ basis on account of the lockdown, Disbursements fell by 82%/85% on YoY/QoQ basis. The growth in the Microbanking segment moderated to 16% YoY while the growth in the housing finance segment was 54% YoY. As per the management 21% of portfolio customers is in manufacturing business, 20% in agriculture, 16% is in dairy and another 16% is in essential services while hotels constitute 6% of the portfolio transportation constitute around 1% of the portfolio. The deposits during the quarter grew by 39%/3% on YoY/QoQ basis. The CASA was up by 90% YoY and the CASA ratio stood at 14.2%.

### View and valuation

NII growth for the bank moderated owing to lower AUM growth and drop in NIM. Asset quality remained largely stable and moratorium levels have come down. Fall in disbursements during the quarter are expected to impact the future growth. Pre-provisioning profit for the bank increased by 33% owing to cost reduction however Higher provisioning during the quarter dented the bottom line. Bank has highlighted its digital initiative efforts along with introduction of certain new products which will help them in expanding. We believe although the moratorium levels have come down to around 48% from around 80% in May stress in the microfinance segment require excess provisioning and have thus increased our credit cost estimates however factoring in the digital initiatives bank reduce our opex projections. We maintain Neutral with TP of 28 at 1.5XBVFY21E.

### Key Risks to our rating and target

- ❑ Moderation in advance growth
- ❑ asset quality pressure on account of moratorium

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## 1QFY21 Results PAT above Estimate

Financials	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY %	QoQ%	FY19	FY20	Fig in Rs cr
										YoY %
Interest	567	620	666	698	698	23.0%	-0.1%	242869	257324	6.0%
Interest	253	266	280	271	288	14.0%	6.4%	154519	159239	3.1%
Nil	352	388	427	467	458	29.9%	-1.8%	88350	98085	11.0%
Other	100	75	75	72	29	-71.3%	-60.2%	36775	42490	15.5%
Total	453	463	501	539	487	7.5%	-9.7%	125125	140575	12.3%
Ope Exp.	291	322	357	348	272	-6.6%	-21.9%	69688	75174	7.9%
PPP	161	141	144	191	215	33.1%	12.6%	55437	65401	18.0%
Provisions	19	25	31	97	140	646.9%	44.9%	53829	43070	-20.0%
PBT	142.45	116.6	113	94	74	-48%	-20.7%	1608	25063	1458%
Tax	48	24	24	21	20	-58.9%	-4.2%	745	10575	1319%
Net Profit	94	93	90	73	55	-42.2%	-25.3%	863	14488	1578.8%

### Concall Highlights

- The Moratorium at the end of June 2020 was 47.4% v/s 79.8% in May 2020 while the collection efficiency at the end of June 20 is 54% and 59% at the end of July 2020. Company is not pushing the customers for payments given the situation. The moratorium levels are expected to improve going forward.
- 37% of the collections during the quarters have come from digital ways as compared to 1% in March. Management feels digital ways will help them in collection efficiency. Management is happy with the current level of efficiency and have sense of how things will go going forward
- Management will look to pay some of the high cost of borrowing and look to replace them with deposit or low cost borrowing
- Out of MSE portfolio 20% is eligible for the MSME scheme by the government
- 95% of the disbursements are to fresh customers and 5% is to existing customer
- Digital transactions during the quarter moved to 56% from 27% in Q1FY20.
- 21% of portfolio customers is in manufacturing business, 20 % in agriculture , 16% is in dairy and another 16% is in essential services while hotels constitute 6% of the portfolio transportation constitute around 1% of the portfolio
- On the deposit front management said that they are encouraging Micro banking customers to have deposit accounts in the bank and at one point average balance was about Rs 1500-1600Rs but that has dipped to around Rs 1000 but relationship efforts with customers has helped in improvement
- Bank has not reduced any workforce during the cost thus employee cost is not expected to come down but in terms of other expense management believes that some of reduction that has been is due to digital improvement and some has been due to less business activity which will come back and some will come back.
- Bank during advancing the loans to the customers also look at the secondary sources of the income for them as an policy.
- Management conducted bottom up analysis of the portfolio and used micro indicators and decided it would be prudent to provide additionally during the quarter but are not worried about the portfolio
- Disbursals during April was washout may was Rs 100 Cr, June was 374 Cr while the July was around Rs 410-415 Cr. New disbursements made have an good collection efficiency
- Nearly 60% of the deposit accounts opened through the quarter were on account of digital means
- Bank has continued to see downward trend in cost of funds and has able to reduce cost of deposit and expects this to continue for few more months
- Bank believes that during the quarter they have generated healthy treasury income the quarter and can do the same for the full year
- Bank is happy with the current liquidity coverage ratio given the current situation
- Management will add new products, do Cross Selling to existing Customers and have digital partnership which will help it in expanding going forward
- Management believes with current level of capital adequacy they don't need to raise capital base.

## Profitability Matrix

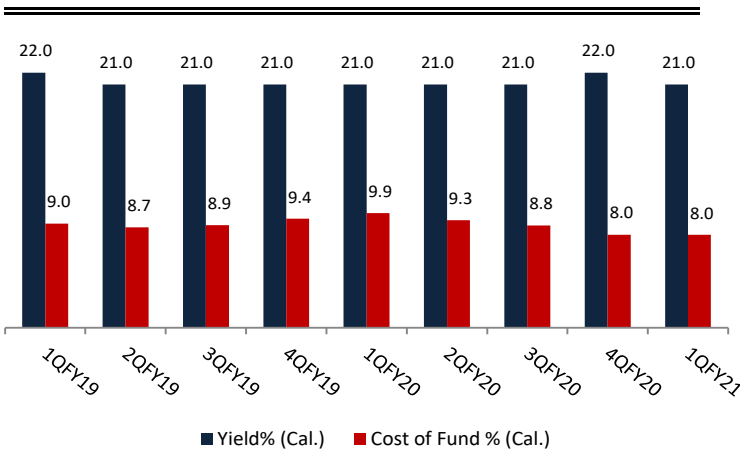
	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
C/I Ratio %	77.8	78.1	64.4	69.5	71.3	64.6	55.9	-8.48	-8.74
Empl. Cost/ Tot. Exp. %	52.9	50.0	54.7	55.3	55.0	53.1	68.3	13.58	15.19
Other Exp/Tot. Exp.%	47.1	50.0	45.3	44.7	45.0	46.9	31.7	-13.58	-15.19
Provision/PPP %	9.6	14.6	11.7	17.5	21.2	50.8	65.4	53.72	14.54
Tax /PBT %	31.2	11.7	33.7	20.6	21.0	21.0	26.0	-7.67	5.00
Int Exp./Int Inc. (%)	39.4	40.3	41.8	40.7	39.6	36.7	38.6	-3.15	1.90
PAT/ Net Income %	13.8	16.5	20.9	20.0	17.9	13.6	11.2	-9.65	-2.35
PAT Growth %	54.6	(1.7)	(100.0)	109.1	97.9	14.7	(42.2)	57.84	-56.85
NII Growth % (YoY)	29.4	18.7	(100.0)	47.7	52.1	46.0	29.9	129.95	-16.01
Operating Profit Growth	(3.3)	(36.2)	(100.0)	107.3	97.7	125.3	33.1	133.15	-92.20

## Margin Performance

Margin %	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
Yield% (Cal.)	21.00	21.00	21.00	21.00	21.00	22.00	21.00	0.00	-1.00
Cost of Fund % (Cal.)	8.85	9.40	9.88	9.26	8.82	8.03	8.00	-1.88	-0.02
NIM	11.00	10.90	10.50	10.80	10.90	11.20	10.20	-0.30	-1.00

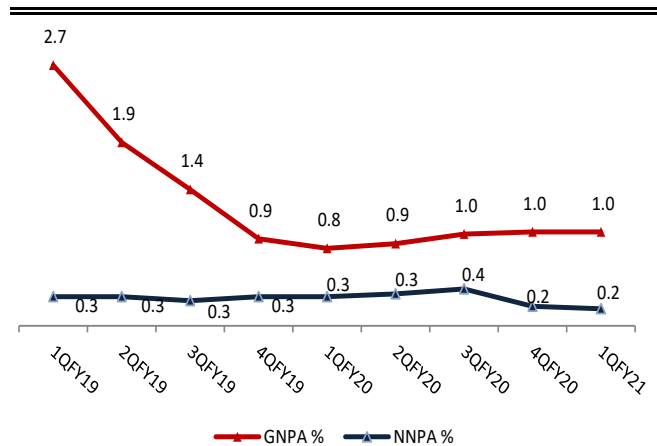
### Exhibit: Yield and Cost

fall in yield & decline in cost



### Exhibit: Net Interest Margin

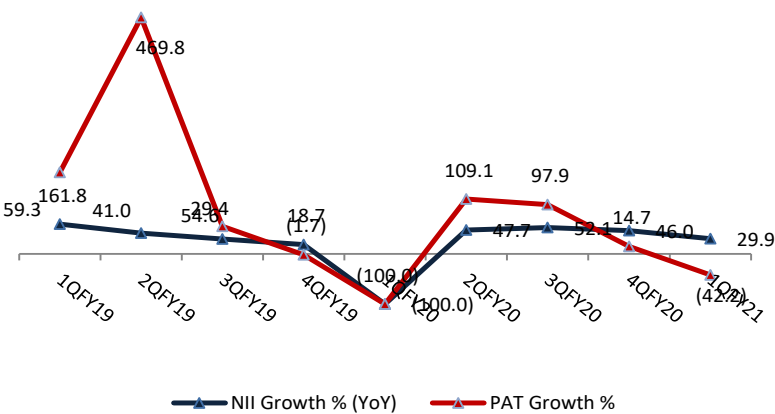
Stable fell



## Other Income Break Up-

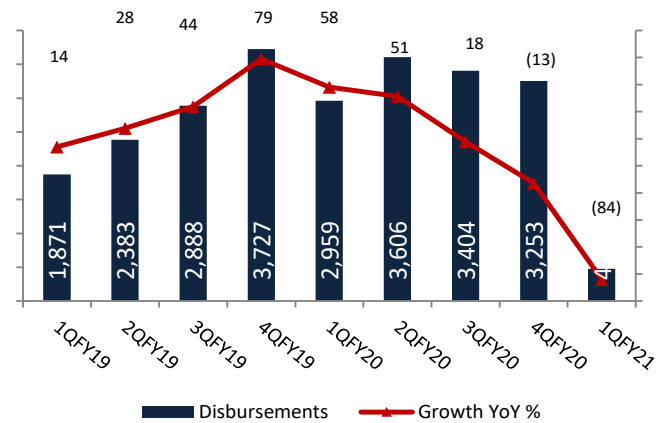
	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Processing Fees			30	38	45	45	44	41	5
PSLC income				3	42	4	1	-2	11
Insurance Income			3	10	3	6	5	6	2
bad debt recovery			5	6	10	8	8	7	1
Misc. Inc			10	9		12	17	19	10
Total			48	66	100	75	75	71	29

## Exhibit: NII Growth



## Exhibit: Disbursements

Disbursement fell

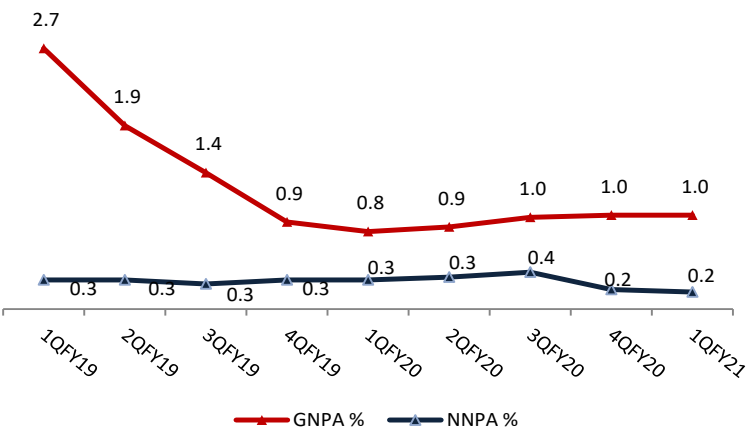


## Asset Quality

	3QFY19	4QFY19	1QFY20	2QFY20	2QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
GNPA (Rs in Cr)	155	128	98	97	129	137	140	43%	2%
GNPA %	1.4	0.9	0.8	0.9	1.0	1.0	1.0	0.17	0
NNPA (Rs in Cr)	128	98	97	109	129	137	140	45%	2%
NNPA %	0.3	0.3	0.3	0.3	0.4	0.2	0.2	-0.12	-0.02
PCR %	81.0	72.0	69.0	61.0	60.0	80.0	82.0	13.00	2.00

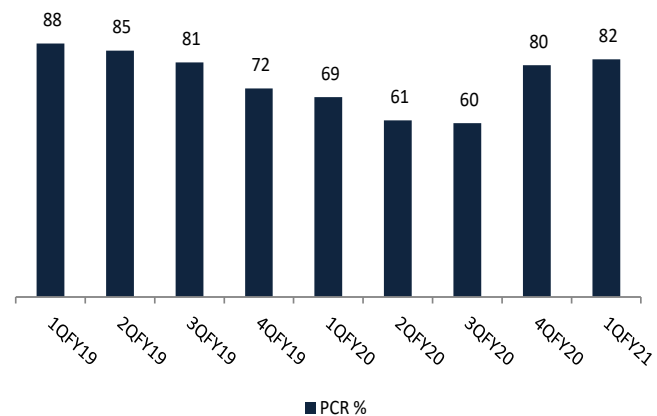
## Exhibit: Asset Quality

Assets quality improved.



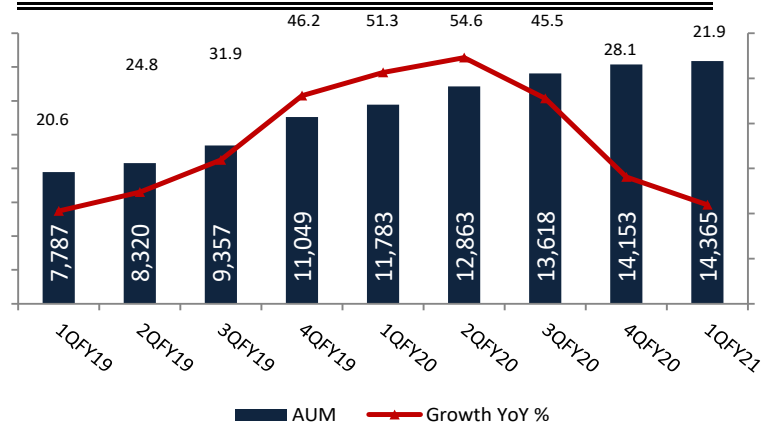
## Exhibit: Provisions

PCR trending upwards.

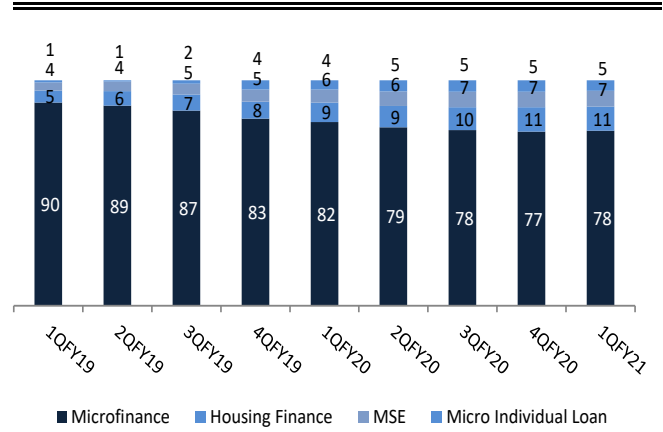


## Exhibit: Advances Performance

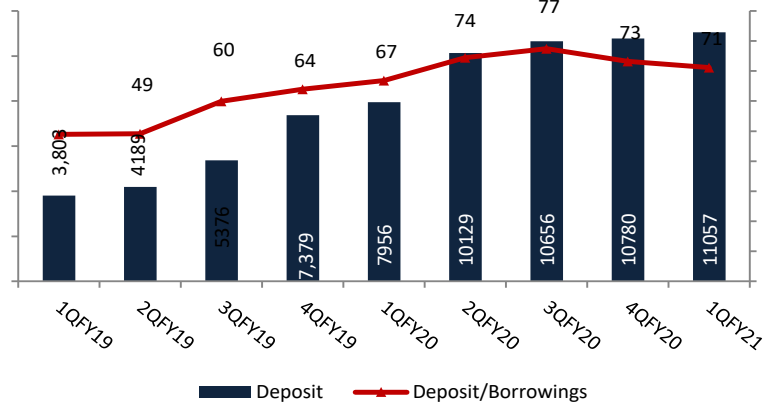
Advances growth moderated



## Exhibit: Domestic Advances Breakup%

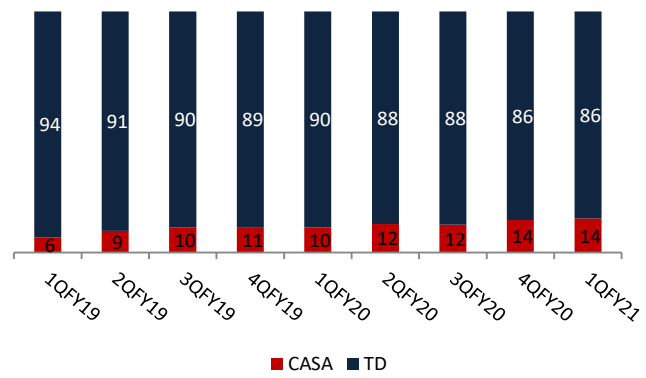


## Exhibit: Deposits Performance

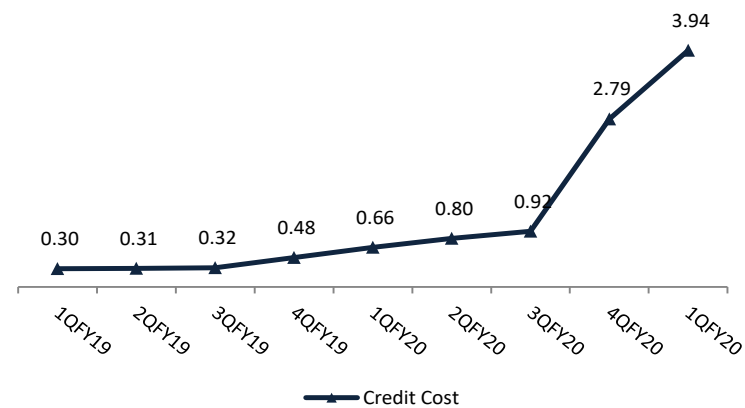


## Exhibit: CASA Performance

CASA



## Exhibit: Credit Cost



## Financial Details

### Balance Sheet

Fig in Rs cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<b>Share Capital</b>	<b>66</b>	<b>86</b>	<b>101</b>	<b>119</b>	<b>1640</b>	<b>1640</b>	<b>1928</b>	<b>1928</b>
>> Equity Capital	66	86	101	119	1640	1640	1928	1928
>> Preference Capital	0	0	0	0	0	0	0	0
Reserves & Surplus	307	650	1097	1636	7	180	1259	1502
<b>Networth</b>	<b>373</b>	<b>736</b>	<b>1198</b>	<b>1755</b>	<b>1647</b>	<b>1820</b>	<b>3187</b>	<b>3431</b>
Deposits				206	3772	7379	10780	12657
Change (%)	N/A	N/A	N/A	N/A	1731.1	95.6	46.1	17.4
>> CASA Deposits	0	0	0	3	138	784	1459	1568
Change (%)	N/A	N/A	N/A	N/A	4212.5	468.1	86.1	7.5
Borrowings	1650	3122	4338	6498	3853	4166	3953	4163
<b>Other Liabilities &amp; Prov.</b>	<b>56</b>	<b>118</b>	<b>192</b>	<b>226</b>	<b>201</b>	<b>377</b>	<b>491</b>	<b>565</b>
<b>Total Liabilities</b>	<b>2079</b>	<b>3976</b>	<b>5727</b>	<b>8479</b>	<b>9473</b>	<b>13742</b>	<b>18411</b>	<b>20815</b>
Cash & Bank	394	645	491	760	250	446	1225	1799
Investments	0	0	0	1447	1232	1527	2396	2531
Change (%)	1.0	0.0	0.0		-14.8	23.9	56.9	5.7
Advances	0	3274	5389	6384	7560	11049	14153	15568
Change (%)	N/A	N/A	64.6	18.5	18.4	46.2	28.1	10.0
Fixed Assets	13	18	24	140	198	284	300	315
Other Assets	54	39	147	256	211	284	328	344
<b>Total Assets</b>	<b>2079</b>	<b>3976</b>	<b>5727</b>	<b>8479</b>	<b>9473</b>	<b>13742</b>	<b>18411</b>	<b>20815</b>

### Income Statement

Fig in Rs cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest income	348	599	1007	1349	1468	1832	2704	3125
Interest expended	145	271	423	543	607	725	1070	1235
<b>Net Interest Income</b>	<b>203</b>	<b>328</b>	<b>584</b>	<b>807</b>	<b>861</b>	<b>1106</b>	<b>1634</b>	<b>1890</b>
Change (%)	43.1	61.5	78.0	38.2	6.7	28.5	47.7	15.7
Other Income	10	13	20	48	111	206	322	165
Change (%)	-14.3	28.5	62.1	137.0	131.0	84.8	56.4	-48.9
>> Core Fee Income								
>> Treasury Income								
>> Others								
<b>Total Net Income</b>	<b>213</b>	<b>340</b>	<b>604</b>	<b>855</b>	<b>972</b>	<b>1312</b>	<b>1956</b>	<b>2055</b>
Operating Expenses	121	205	307	458	653	1003	1319	1234
Change (%)	24.1	69.8	49.7	49.3	42.5	53.7	31.5	-6.5
>> Employee Expenses	81	133	197	272	360	519	718	766
<b>Pre-provisioning Profit</b>	<b>92</b>	<b>136</b>	<b>297</b>	<b>397</b>	<b>320</b>	<b>309</b>	<b>637</b>	<b>821</b>
Change (%)	64.4	47.1	119.3	33.5	-19.5	-3.3	106.2	28.8
Provisions	8	21	25	75	313	41	171	456
Change (%)	18.9	154.0	20.1	200.0	316.4	-87.0	321.2	166.4
<b>PBT</b>	<b>84</b>	<b>115</b>	<b>272</b>	<b>322</b>	<b>7</b>	<b>268</b>	<b>466</b>	<b>365</b>
Tax	29	39	95	114	0	69	116	95
<b>Profit After Tax</b>	<b>55</b>	<b>76</b>	<b>177</b>	<b>208</b>	<b>7</b>	<b>199</b>	<b>350</b>	<b>270</b>
Change (%)	62.6	37.7	133.8	17.2	-96.7	2802.7	75.6	-22.8

## Financial Details

### Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<b>Balance Sheet Metrics</b>								
Loan Growth (%)			65	18	18	46	28	10
Deposit Growth (%)	65	89	39	50	(41)	8	(5)	5
C/D Ratio (%)	-	1.0	1.2	1.0	2.0	2.7	3.6	3.7
CASA (%)				1.6	3.7	10.6	13.5	14.0
Investment/Deposit (%)				702.3	32.7	20.7	22.2	20.0
CRAR (%)	22.7	24.2	24.1	18.2	23.0	18.9	28.8	28.3
>> Tier 1 (%)	21.8	21.7	22.4	16.8	22.3	18.4	28.0	27.5
>> Tier 2 (%)	0.9	2.5	1.8	1.4	0.7	0.5	0.8	0.8

### Assets Quality Metrics

Gross NPA (Rs)	-	-	- 0	294	128	137	311	
Gross NPA (%)	0.1	0.1	0.2	0.3	3.6	0.9	1.0	2.0
Net NPA(Rs)	-	-	-	- 275.9	98	27	62	
Net NPA (%)	0.0	0.0	0.0	0.0	0.7	0.3	0.2	0.4
<b>Slippages (%)</b>								
Provision Coverage (%)	-	-	-	-	82	72	80	80
Provision/Average Advances (%)	-	1.3	0.6	1.3	4.5	0.4	1.4	3.1

### Margin Metrics

Yield On Advances (%)	-	-	-	-	18.8	18.6	20.3	19.7
Yield On Investment (%)	-	-	-	-	0.3	0.2	0.4	1.0
Yield on Earning Assets (%)	-	-	18.7	20.4	17.4	16.4	18.1	17.7
<b>Cost Of Deposits (%)</b>								
Cost Of Funds (%)	10.9	11.4	11.4	10.0	8.6	7.6	8.1	7.8
Spread (%)	(10.9)	(11.4)	(11.4)	(10.0)	10.2	11.0	12.1	11.9
NIM (%)	-	20.0	13.5	13.7	12.3	11.9	13.0	12.7
				0				

### Profitability & Efficiency Metrics

Int. Expense/Int.Income (%)	41.6	45.3	42.0	40.2	46.2	42.0	41.9	42.2
Fee Income/NII (%)	-	-	-	-	-	-	-	-
Cost to Income (%)	56.7	60.2	50.8	53.6	67.1	76.5	67.4	60.0
Cost on Average Assets (%)	7.0	6.8	6.3	6.4	7.3	8.6	8.2	6.3
Tax Rate (%)	34.4	33.9	34.9	35.5	-	25.8	25.0	26.1

### Valuation Ratio Metrics

EPS (Rs)	-	-	-	-	0.0	1.4	2.0	1.6
Change (%)						2,803	46.3383	(22.8)
ROAE (%)	15.9	13.7	18.3	14.1	0.4	13.0	15.2	8.7
ROAA (%)	3.2	2.5	3.7	2.9	0.1	1.7	2.2	1.4
Dividend Payout (%)	-	-	-	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-	-	-	-
Book Value (Rs)	-	-	-	-	10.0	11.2	17.3	18.7
Change (%)						12	54	8
ABVPS(Rs)	-	-	-	-	8.1	10.6	17.1	18.3
P/B (X)	-	-	-	-	-	-	1.6	1.8
P/E (X)	-	-	-	-	-	-	1.6	1.9

## Financial Details

## Exhibit: DuPont Analysis

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<i>Interest Income</i>	19.8	20.8	19.0	16.4	15.8	16.8	15.9
<i>Interest expended</i>	9.0	8.7	7.6	6.8	6.2	6.7	6.3
<b><i>Net Interest Income</i></b>	<b>10.8</b>	<b>12.0</b>	<b>11.4</b>	<b>9.6</b>	<b>9.5</b>	<b>10.2</b>	<b>9.6</b>
<i>Non-Fund Based Income</i>	0.4	0.4	0.7	1.2	1.8	2.0	0.8
<i>Total Income</i>	11.2	12.5	12.0	10.8	11.3	12.2	10.5
<i>Total Operating Expenses</i>	<b>6.8</b>	<b>6.3</b>	<b>6.4</b>	<b>7.3</b>	<b>8.6</b>	<b>8.2</b>	<b>6.3</b>
>> <i>Employee Expenses</i>	4.4	4.1	3.8	4.0	4.5	4.5	3.9
>> <b><i>Other Expenses</i></b>	<b>2.4</b>	<b>2.3</b>	<b>2.6</b>	<b>3.3</b>	<b>4.2</b>	<b>3.7</b>	<b>2.4</b>
<i>Operating Profit</i>	4.5	6.1	5.6	3.6	2.7	4.0	4.2
<i>Provisions</i>	0.7	0.5	1.1	3.5	0.3	1.1	2.3
<i>Others</i>							
<b><i>PBT</i></b>	<b>3.8</b>	<b>5.6</b>	<b>4.5</b>	<b>0.1</b>	<b>2.3</b>	<b>2.9</b>	<b>1.9</b>
<i>Tax</i>	1.3	2.0	1.6	-	0.6	0.7	0.5
<b><i>PAT/RoAA</i></b>	<b>2.5</b>	<b>3.7</b>	<b>2.9</b>	<b>0.1</b>	<b>1.7</b>	<b>2.2</b>	<b>1.4</b>
<i>Equity Multiplier (x)</i>	5.5	5.0	4.8	5.6	7.6	7.0	6.3
<b><i>ROAE</i></b>	<b>13.7</b>	<b>18.3</b>	<b>14.1</b>	<b>0.4</b>	<b>13.0</b>	<b>15.2</b>	<b>8.7</b>



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