



Suryoday Small Finance Bank

Overview

Suryoday Small Finance Bank is a new age bank that went live on January 23rd 2017. Their endeavour is to bring the best banking solutions to the 'banked', 'under-banked' and the 'un-banked' sections of the society. Their power packed solutions are designed to offer the choicest of benefits to suit different financial needs. As bank, they continue to offer their existing credit products suite of MFI loans, Vikas Loans, Shopkeeper Loans etc. to new and current customers. Offer digital banking as the key account differentiator to customers using the extensive seeding of Aadhar biometric identification system, NPCI's payment systems and mobile technologies whilst continuing to explore banking through traditional channels. Focus on the unserved and the underserved through innovative banking practices and continue to expand reach in states where they currently don't have a presence.

In the past, as Suryoday Micro Finance and now as Suryoday Small Finance Bank their journey from Micro Finance to a Small Finance Bank took eight years. It is among the 10 companies and the only one from Maharashtra to obtain a 'Small Finance Bank' licence from the Reserve Bank of India (RBI).

Company Business:

Micro Finance

Microfinance loans are for financially excluded borrowers with a ticket size ranging between Rs. 10,000 to Rs. 40,000. These loans are primarily given to women borrowers in the joint liability format. These are template products which are dependent on the parameterised credit review to ensure appropriate evaluation of the borrower and better health of the portfolio. Microfinance continued to be a significant portfolio for the Bank in FY 18 and will continue to remain for FY 19.

Loan Against Property (LAP) & Housing Loan

LAP is divided in M-LAP and LAP. M-LAP ranges from Rs. 1.5 lacs to Rs. 5 lacs and is collateral based lending primarily for business purpose. LAP is in the range of Rs. 10 lacs and upwards. Housing loans are given to salaried as well as credible self-employed borrowers including to financially excluded borrowers

MSME loans

MSME loans are provided as unsecured loans to retail borrowers such as shopkeepers and grocers. These are templated products with the ticket sizes in the range of Rs. 1.5 lakhs to 5 lakhs. These are unsecured loans and backed by post-dated cheques. During the year, the Bank introduced a microloan for shopkeepers with a ticket size of approximately Rs. 1 Lakh including customers having a good track record with the Bank and are in the need for the higher loan amount. Accordingly, the Bank has segregated its sourcing strategy based on customer profile. Microloans with a ticket size of Rs. 1 lakh is sourced by inclusive finance cluster while retail asset cluster (non-inclusive finance) will source customers with ticket size upwards of Rs. 5 Lakh. Notably, the Bank has witnessed excellent portfolio quality for microloans with a ticket size of approximately Rs. 1 lakh.

Commercial Vehicle Loans

The Bank had introduced CV loans in later part of the year and includes primarily new commercial vehicles. The ticket sizes are in the range of Rs. 15 lakhs to Rs. 35 lakhs. The key focus will be to fund credible borrowers and to build a stable portfolio.

Financial Intermediary Group (FIG) Loans

FIG loans are introduced for on-lending to NBFCs including microfinance companies. The Bank has separate verticals to focus on FIG lending having significant experience in lending to financial institutions.

SME lending

The Bank has started lending to SME borrowers with excellent credit history. SME borrowers are primarily small and medium private and public limited companies, partnership firms etc. The Bank has centralized sourcing, credit underwriting, and loan processing to keep strong control over the sourcing profile of the customer and portfolio monitoring.

Promoters & Management:

- Dr. Mrs. Sheela Bhide (Chairperson - Independent Director)
- Mr. R. Ramachandran (Independent Director)
- Mr. Jyotin Mehta (Independent Director)
- Mr. R. Baskar Babu (MD & CEO)

Factual Highlights

Employees 4,695	Customers 14 lakhs	Banking Outlets 477 Across 12 States and Union Territories
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Agency	Category	Rating
CRISIL	Certificate of Deposit (CD)	A1+
ICRA	Certificate of Deposit (CD)	A1+
ICRA	Non-Convertible Debentures (NCDs)/Subordinated Debt	A (Stable)

Figure 1: Credit Rating

Presence

They are aggressively expanding their presence across India. Headquartered in Navi Mumbai, Maharashtra, they have 477 banking outlets (powered by 4,695 employees) spanning 12 States and Union Territories. These outlets provide customers access to all their products providing a carefully curated blend of digital and physical offerings to the consumers.

Other delivery channels include ATMs, phone banking, mobile banking, tablet banking and internet banking services. They also work with business correspondents to drive mutual growth and seize available opportunities.

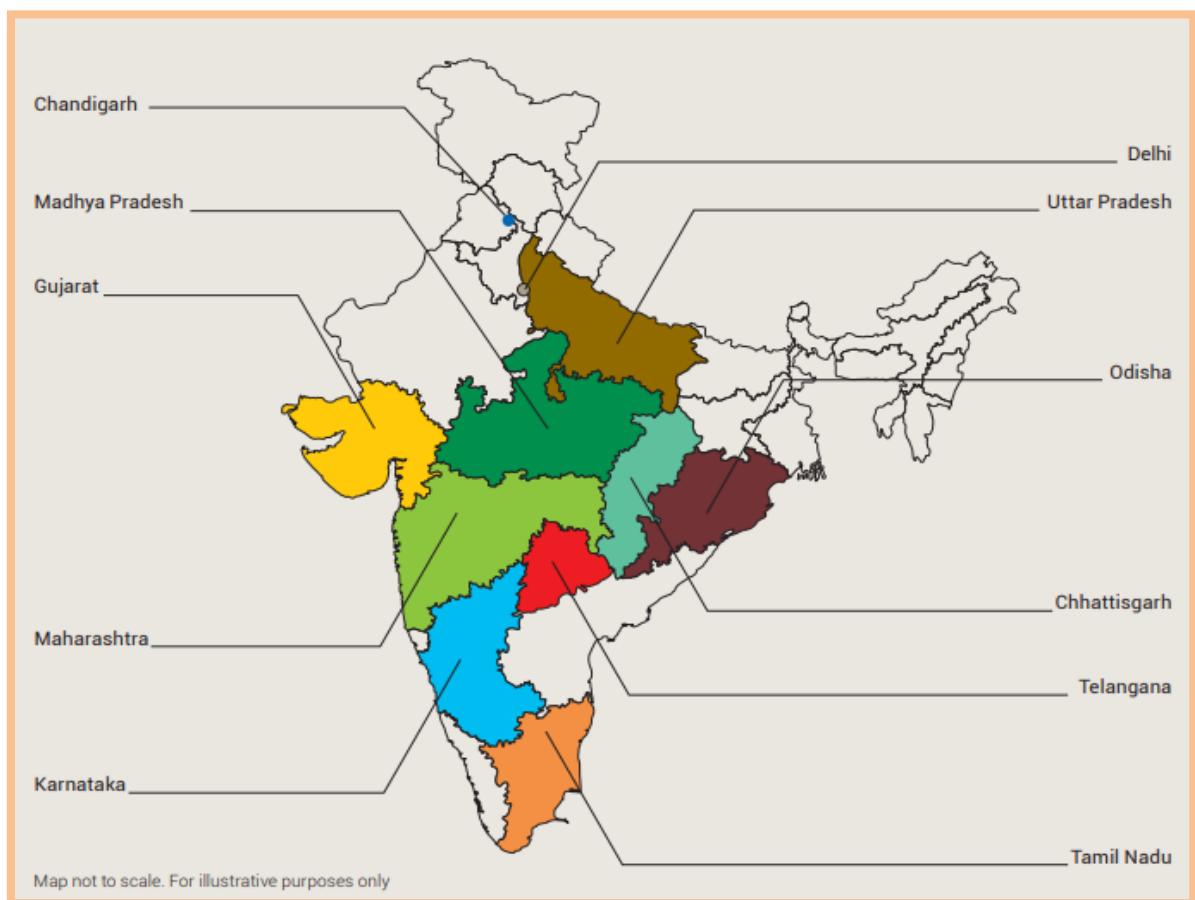


Figure 2: State Wise Distribution

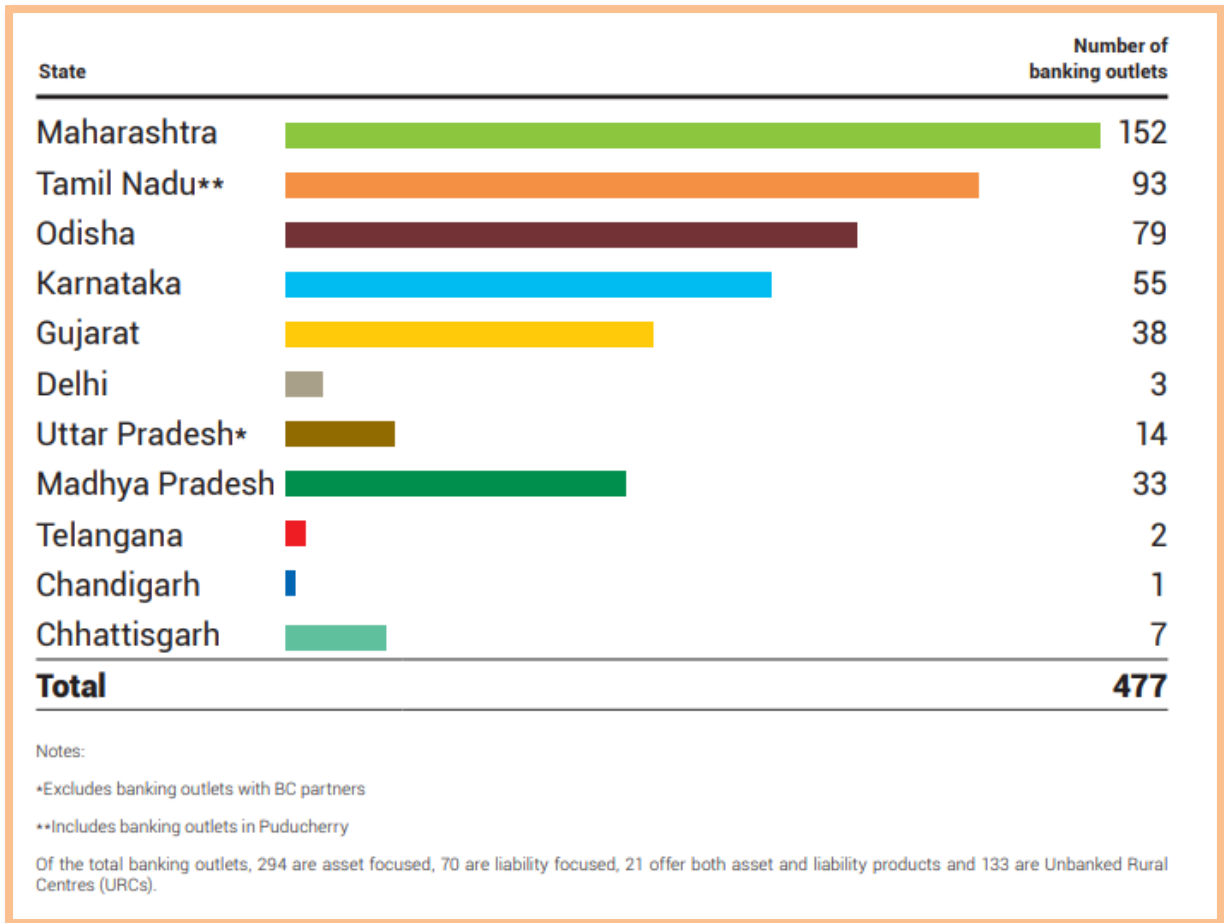
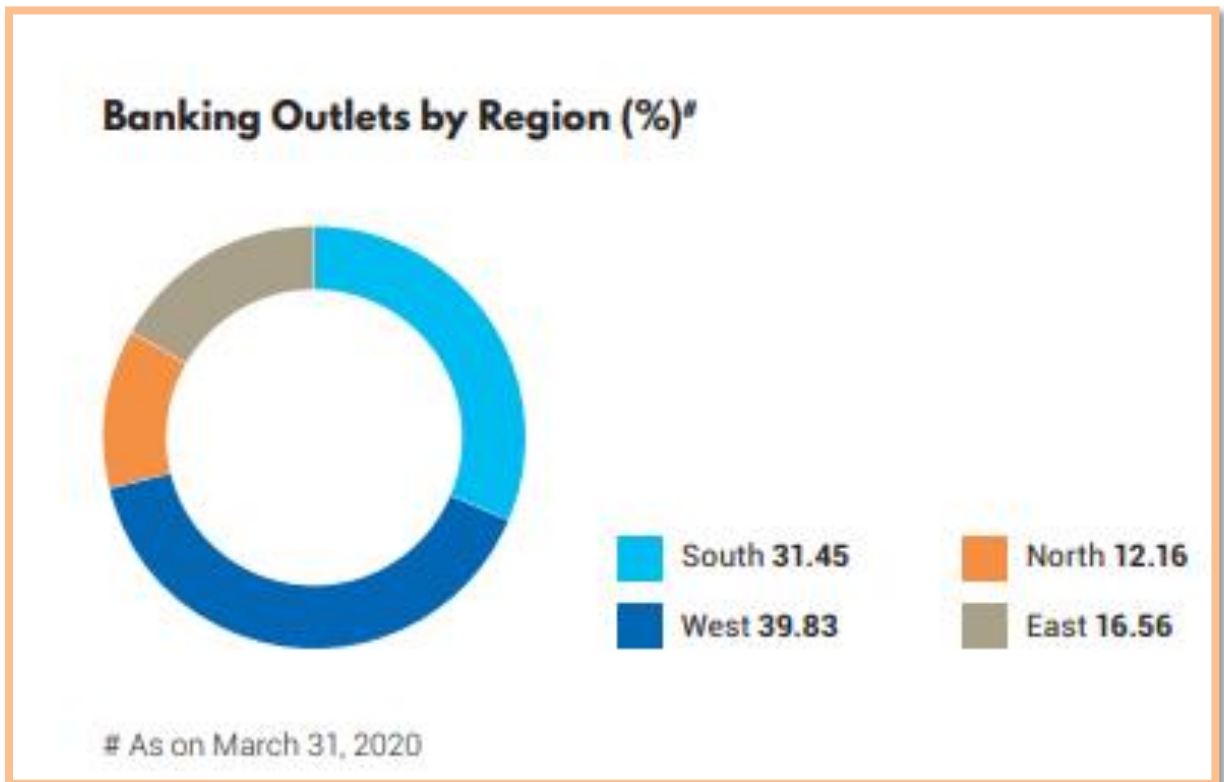


Figure 3: Regional Presence (in nos.)



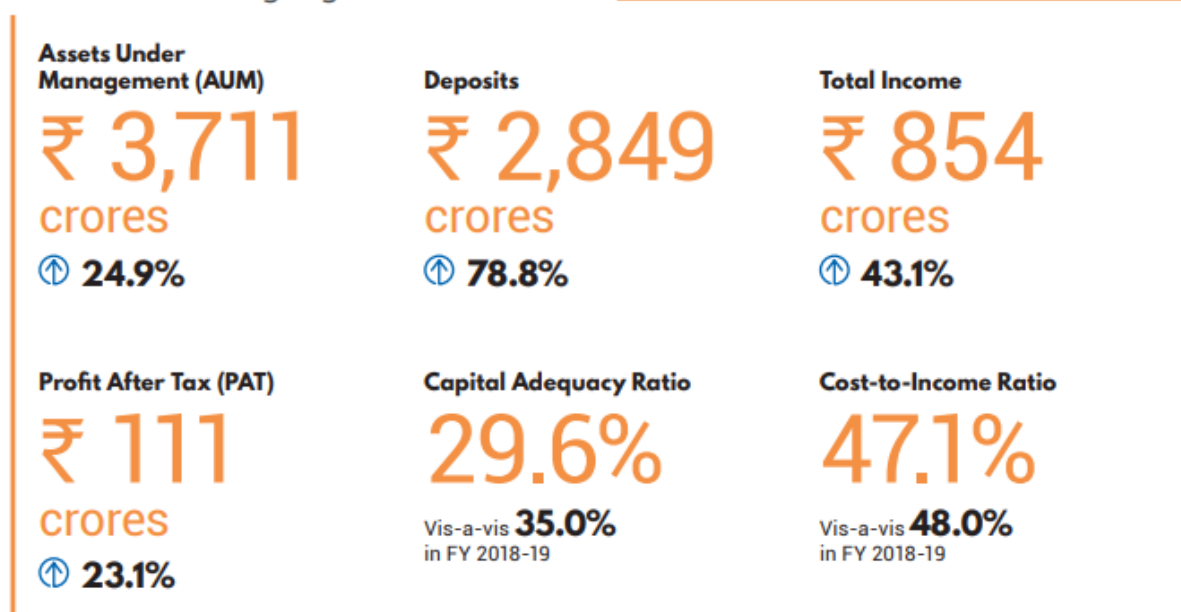
Business Developments

<u>2008-09</u>	<u>2009-14</u>	<u>2014-15</u>	<u>2015-17</u>
<ul style="list-style-type: none"> Suryoday, co-founded by Baskar Babu Ramachandran, was incorporated as a private limited company Received RBI licence to commence NBFC operations Aavishkar Goodwell invested in the company Opened branches in Maharashtra and Andhra Pradesh 	<ul style="list-style-type: none"> Expanded operations across Maharashtra, Andhra Pradesh, Odisha, Tamil Nadu, Karnataka, Gujarat and Rajasthan, widening the network to 70 outlets with 274,000 active customers Launched several new products Received investments from Lok Capital, HDFC Holdings, HDFC Life and IFC Accorded NBFCMFI status by RBI 	<ul style="list-style-type: none"> Network expanded to Madhya Pradesh Total number of banking outlets reached 145 with 5,62,000 active customers 	<ul style="list-style-type: none"> Received in-principle approval from RBI for setting up Small Finance Bank (September 2015) Received final licence from RBI to operationalise Small Finance Bank (August 2016) Launched operations as Small Finance Bank (January 2017)
	AUM ₹ 337 Crores	AUM ₹ 582 Crores	AUM ₹ 985 Crores
	Net worth ₹ 88 Crores	Net worth ₹ 132 Crores	Net worth ₹ 198 Crores

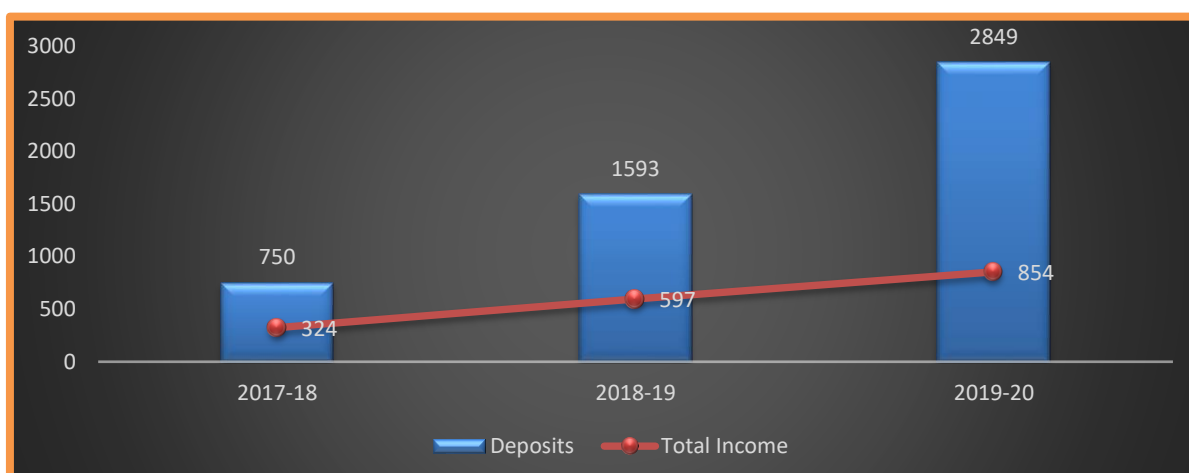
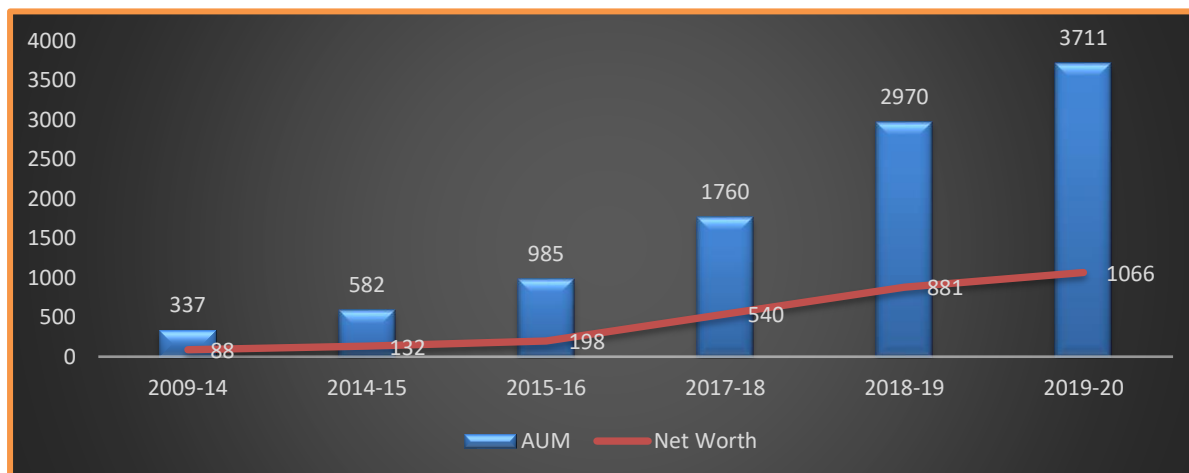
<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
<ul style="list-style-type: none"> Received status of 'Scheduled Commercial Bank' Launched partnershiped outlets (among the first in the space) Started a new cluster of Retail Assets to provide finance for commercial vehicles, housing, MSME, loan against property Opened 26 banking outlets focused on deposit mobilisation, taking the total banking outlet count to 241 New investors - IDFC First Bank, Gaja Capital, ASK Pravi, Responsibility 	<ul style="list-style-type: none"> Diversified into the secured loan segment Received investments from DEG – a KfW Group Company and Kotak Life Banking outlet count increased to 382 Long-term rating of 'A' by ICRA and short term rating of 'A1+' by CRISIL and ICRA 	<ul style="list-style-type: none"> Digitalised JLG loans Total employees stood at 4,695 477 banking outlets across 12 states and UTs
Deposits ₹ 750 Crores	Deposits ₹ 1593 Crores	Deposits ₹ 2849 Crores
AUM ₹ 1760 Crores	AUM ₹ 2970 Crores	AUM ₹ 3711 Crores
Net worth ₹ 540 Crores	Net worth ₹ 881 Crores	Net worth ₹ 1066 Crores

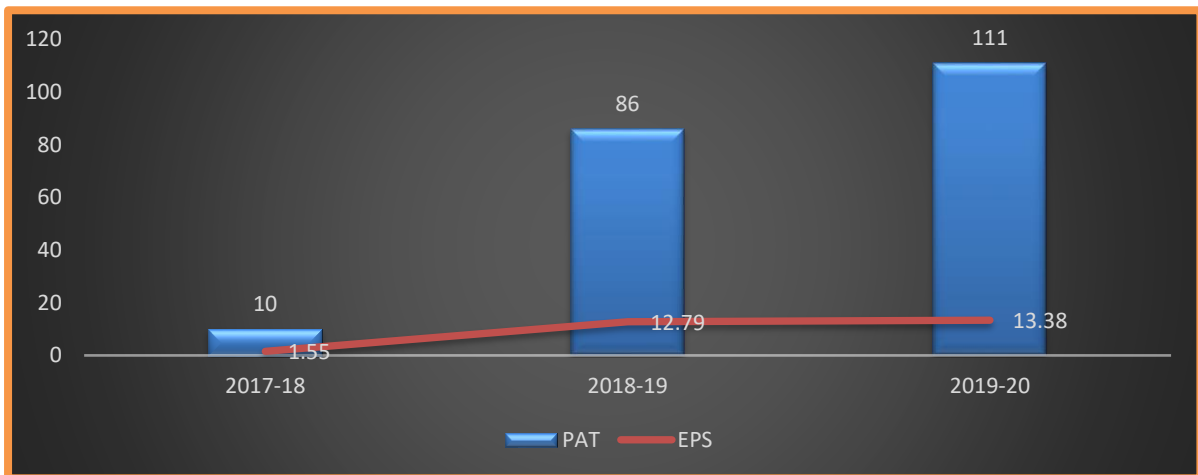
Financial Highlights

Performance Highlights: FY 2019-20

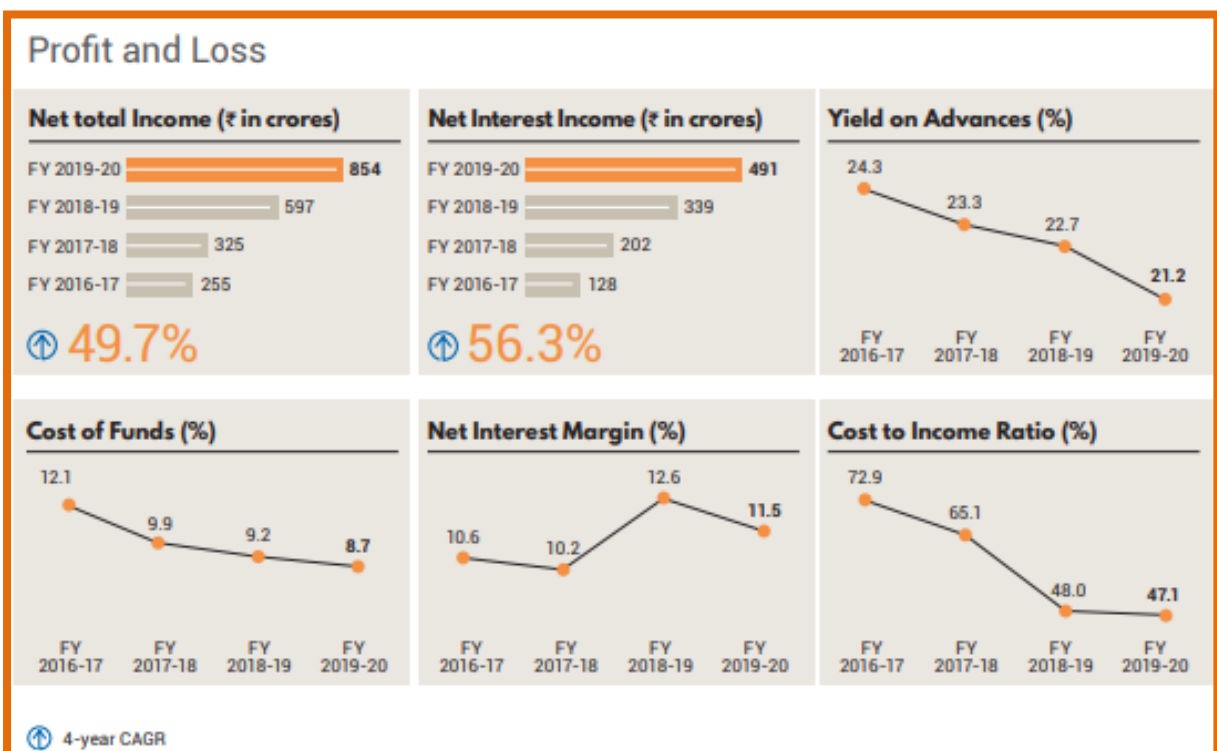
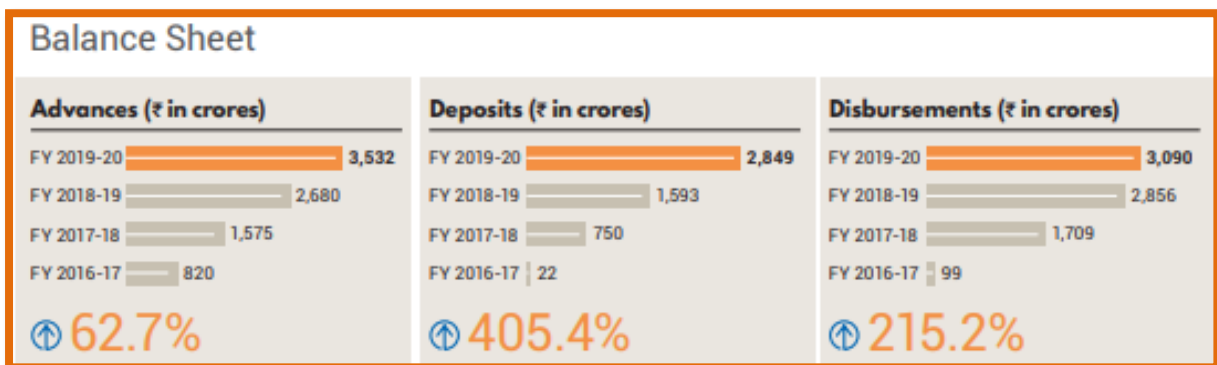


⬆️ YoY growth

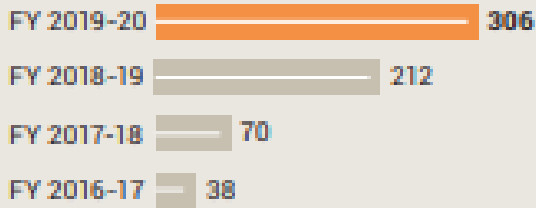




Key Performance Indicators

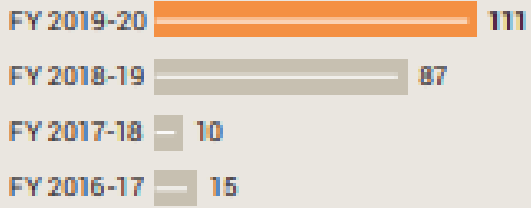


Pre-Provisioning Operating Profit (₹ in crores)



↑ 100.8%

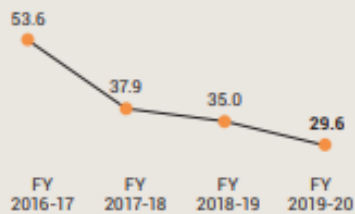
Profit After Tax (₹ in crores)



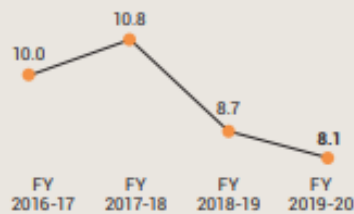
↑ 94.4%

Key Ratios

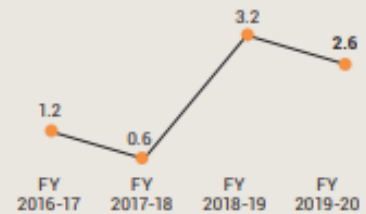
CRAR (%)



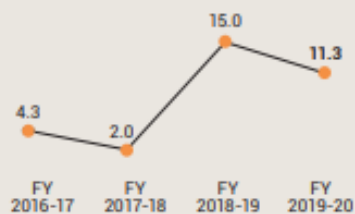
Operating Expense Ratio (%)



RoA (%)



RoE (%)



GNPA (%)

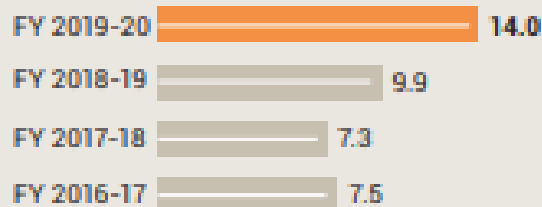


NNPA (%)

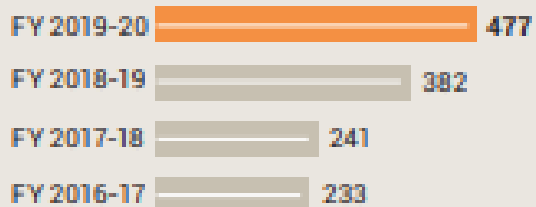


Non-financial Metrics

Customer Base (lakhs)



Branches (numbers)



Key Investors

In May 2020, we raised Rs 62 crores from five of our existing investors, namely Gaja Capital, Kotak Mahindra Life Insurance Company, Lok Capital, Teachers Insurance and Annuity Association (TIAA), and Kiran Vyapar.

Institutional Investors





Development/Impact Funds






Private Equity and Family Offices

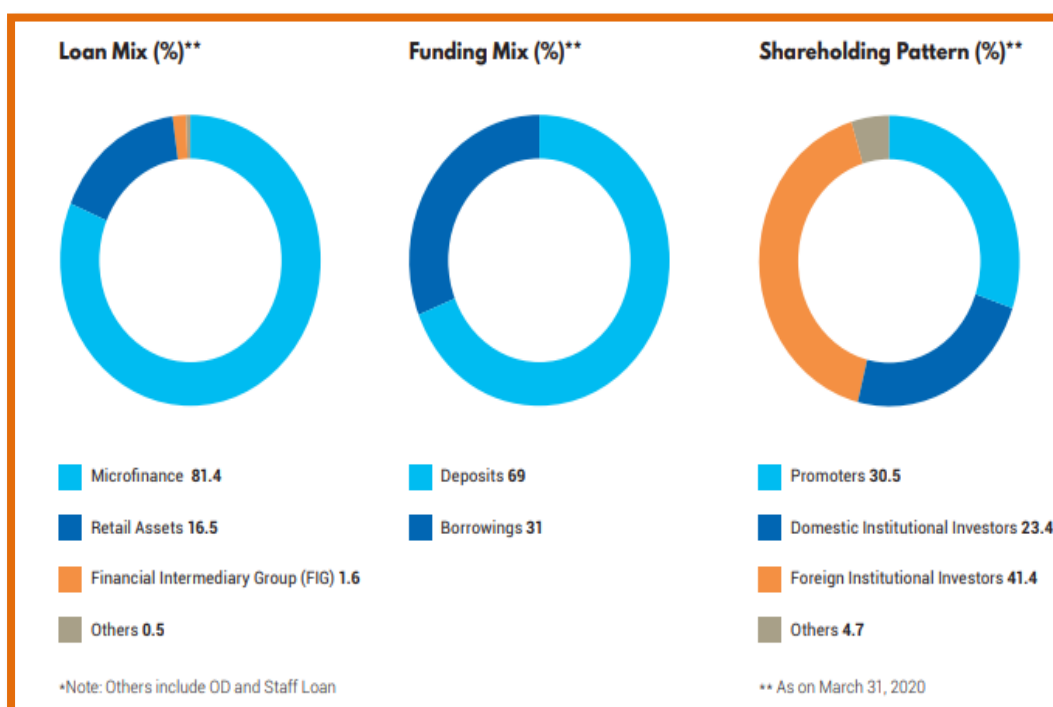








*HDFC First Bank, Kotak Mahindra Life Insurance and Americorp Ventures Limited are also investors in Suryoday.



Product Portfolio

Advances



JOINT LIABILITY GROUP (JLG) LOANS

- Group loans for business purposes to women customers under JLG model



COMMERCIAL VEHICLES LOANS

- Funding primarily new medium and heavy commercial vehicles (MHCV), construction equipment (CE), buses, among others
- Primary focus on high quality retail customers and fleet operators and gradual expansion into used CV



AFFORDABLE HOUSING LOANS

- Funding primarily for affordable housing segment to salaried/self-employed customer segment



MICRO BUSINESS LOANS (BRANDED AS 'T-NAGAR')

- Unsecured working capital loans to small businesses such as kirana shops, medical stores, small manufacturing/service units



FINANCIAL INTERMEDIARY GROUP (FIG)

- Term loans to financial institutions primarily NBFCs, NBFC-MFIs and housing finance companies



SECURED BUSINESS LOANS

- Secured business loans to SME/ MSME/ corporate entities for growth/expansion, capital expenditure, and working capital



UNSECURED MSME/SME LOANS

- Unsecured business loans to MSMEs/SMEs for working capital, capacity expansion and more

Deposits & Third-party products



SAVINGS ACCOUNT

- Attractive interest rates
- Monthly interest pay-out
- Option for getting account number of choice
- Debit card with attractive features
- Discounts and cashbacks
- Airport lounge access on Savings Supreme Variant
- Flight insurance cover on Savings Supreme Variant



CURRENT ACCOUNT

- For sole proprietors, companies, LLPs, clubs, trust, associations and NGOs
- Lower pricing on RTGS/NEFT/IMPS
- Corporate internet banking facility
- Sweep facility



FIXED DEPOSIT

- Competitive rate of interest
- Tax Saver Fixed Deposit
- Fixed Deposit for Non-Resident customers (NRE/NRO)



RECURRING DEPOSIT

- Competitive rate of interest
- Flexible options
- Minimum instalment amount: ₹100 and thereafter in multiple of ₹1



JOINT LIABILITY GROUP RECURRING DEPOSIT

- A unique offering well suited to the underbanked and unbanked customers
- A customer can pay both, the instalment for loan and recurring deposit once a month, enabling doorstep banking facility



CORPORATE SALARY ACCOUNTS

- Zero Balance
- 25% off on locker charges
- Monthly interest pay-out
- Option for getting account number of choice
- Corporate Net Banking facility for ease of salary processing



OTHER OFFERINGS

- Tie-ups with leading companies for Life Insurance and General Insurance business
- Mutual fund investments
- Bill payment services
- UPI payments
- Safe Deposit Locker facility

Initiatives during FY2019-20

- Encouraged majority of customers to embrace digital payments by adopting UPI
- Further enhanced internet banking and mobile banking platforms
- Set up integration to payment gateways which has enabled the digital collections process from borrowers
- Commenced the creation of an API layer, which facilitates easy integration with third parties and empowers open banking platform
- Joined hands with multiple payments banks for real-time integration to garner deposits

Road Ahead

Over the next two to three years, they are planning to make significant investments, further digitalise their operations. They are planning to foster strategic collaborations with Fintech players to offer best-in-class solutions to customers.

Key Short Term Priorities

- Ensure business continuity in the face of evolving COVID-19 scenario
- Continue to engage closely with our customers to provide superior services
- Razor-sharp emphasis on improving collections and restricting delinquencies
- Maintain strong balance sheet on consistent basis
- Facilitate ease of transactions for our deposit holders

Key Long Term Priorities

- Grow geographical reach with key focus on financial inclusion and leverage existing customer base to cross sell and upsell products
- Increase share of secured loan portfolio and build granular retail deposit franchise
- Implement digitalisation across all aspects of operations
- Launch curated products to cater to the needs of the customers and provide full suite of service offerings
- High focus on risk management framework - both strategy and execution
- Deploy new-age technology in a prudent manner to ensure cost optimisation

Besides these, they are also working on further strengthening their governance culture, drive operational efficiencies, reducing dependence on market borrowings and leveraging analytics for decision-making.

Peer Comparison

Parameter(Crores)	Capital SFB	Suryodaya SFB	Ujjivan SFB	AU SFB
Deposits	4107	1593	7379	19422
Net Advances	3041	2712	10552	22818
Net Interest Income (NII)	135	339	1106	1190
Net Profit /(Loss)	19.4	87	199.2	381
Book value per share	100	107	11.09	108.28
P/B	3.2x	3.17x	5.22x	7.6x
Net-worth	250	881	1819	3162

Above is the comparison between two unlisted SFBs i.e. Suryoday Small Finance Bank and Capital Small Finance Bank Vs two listed SFBs i.e. Ujjivan and AU Small Fin bank.

If we observed carefully, listed SFBs are almost double in size in terms of advances i.e loan disbursed. The more the advances, the more will be the revenue of these banks. They indeed will command high valuations. However, the unlisted small finance banks are available at a good valuation, also has shown excellent growth in the last 3 years.

Review

- The Bank's Net worth as on 31.03.2020 is 1066 Cr, up by 21% as compared to last year. The company had 880 Cr of Net-worth last year.
- The deposit has gone up from Rs. 1593 Cr in FY19 to Rs. 2848 Cr in FY20.
- The loan book has grown from Rs. 2679 Cr in FY19 to 3531 Cr in FY20.
- NIM has grown from 12.24% to 13.88% in FY20.
- Book Value as on 31.03.2020= 123. 6. The company has clocked a revenue of 854 Cr in FY19-20 as compared to 597 Cr last year, representing a growth of 43%.
- The company has clocked a PAT of 110 Cr in FY19-20 as compared to 86 Cr last year, representing a growth of 27%.
- Net non-performing assets (NNPAs) increased to 0.57 per cent as at March-end 2020 against 0.44 per cent as at March-end 2019.

