

Suryoday Small Finance Bank Ltd : Good Issue

IPO Note : Small Finance Bank in India : Good growth on Top and Bottom-line : Fully Price Issue : GNPA at 2.79% for FY20 : Ranking***



Issue details

Price band (Rs)	Rs.303-305
IPO Opening Date	17/03/21
IPO Closing Date	19/03/21
Issue Size	Rs.582 Cr.

Recommendation

Total revenue grew at a **CAGR of 62.13%** from Rs.324.92 Cr for the FY 2018 to Rs.854.13 Cr for FY 2020 and Net Profit grew at a **CAGR of 211.08%** in the same period. For nine month ended on 31.12.20 of the current fiscal, it has earned net profits of Rs. 54.86 crore on total revenues of Rs.689.27 crore. With fully diluted post IPO equity, based on FY20 earnings, the asking price is at a **P/E of around 29.10** whereas on the basis of annualized FY21-9M working it is at a **P/E of 44.27** against the industry average of 25.15 (based on FY20 workings as per offer documents). Thus, on both counts, the issue is aggressively priced. As per offer documents, SSFBL has shown Ujjivan SFB, CreditAccess Grameen, Spandana Sphoorty, Bandhan Bank and AU SFB as its listed peers. **They are currently trading at a P/Es between 118.90 to 21.44. As on FY20, GNPA was 2.79% which is high among peers. Only risk taking investors may apply in this IPO.**

Highlights

- **Suryoday Small Finance Bank Ltd. (SSFBL) is among the leading SFBs in India in terms of net interest margins, return on assets, yields and deposit growth and had the lowest cost-to-income ratio among SFBs in India in Fiscal 2020.**
- **As of December 31, 2020, its customer base was 1.44 million and employee base comprised 4,770 employees**
- **It operated 554 Banking Outlets including 153 Unbanked Rural Centres ("URCs").**
- **It has set up 661 customer service points ("CSPs") as additional service or touchpoints during April 1, 2020, and January 31, 2021, and intend to continue to expand its reach through the CSP model.**

Company Introduction

Incorporated in 2008, Suryoday Small Finance Bank Ltd is a leading Small Finance Bank(SFB) in India. The company started offering SFB services in 2017. They serve customers in the unbanked and underbanked segments. Before SBF, the company operated as an NBFC. As of July 31, 2020, the company had 482 Banking Outlets and had a customer base of 14.3 lakh. The company operates predominantly in urban and semi-urban locations.

BANK' PRODUCTS

- 1.Offer credit products like MFI loans, Vikas Loans, Shopkeeper Loans, etc.
- 2.Offer digital banking, NPCI payment systems, and mobile technologies along with banking through traditional channels.
- 3.Focus on the unserved and the underserved through innovative banking practices.
- 4.Offers diversified asset portfolio with a focus on retail operations.

Company Promoters:



www.suryodaybank.com

Financial Summary (Rs. In Crore)

Particulars	Nine months ended Dec., 2020	FY2020	FY2019	FY2018
Total Income	689.27	854.13	597.03	324.92
Net Profit	54.86	111.19	90.39	11.49
EPS (Rs)	5.16*	10.47	8.51	1.08

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

1. Baskar Babu Ramachandran;
2. P. Surendra Pai;
3. P. S. Jagdish; and
4. G. V. Alankara.

Objects of the Issue:

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

IPO Issue Proceed

To part finance its plans for augmenting Tier-I capital of the bank and achieve listing benefits, SSFBL is coming out with a maiden IPO of 19093070 equity share of Rs. 10 each with a price band of Rs. 303 - Rs. 305. This composite issue has 8150000 fresh equity issue and an offer for sale (OFS) of 10943070 shares. At the upper price band, the bank mulls raising Rs. 582.34 cr. The issue opens for subscription on March 17, 2021, and will close on March 19, 2021. Minimum application is to be made for 49 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue, SSFBL's current paid-up equity of Rs. 97.98 cr. Will stand enhanced to Rs.106.13 cr. Based on the higher price band of the issue; the bank is looking for a market cap of Rs. 3237 cr.

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