

SURYODAY SMALL FINANCE BANK LIMITED

Issue highlights

- ❑ **Suryoday Small Finance Bank Limited (“SSFBS”)** was incorporated on November 10, 2008. SSFB 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.
- ❑ SSFB **servicing customers in the unbanked and underbanked segments** in India and promoting financial inclusion. Their average “priority sector” loans, as a percentage of average Adjusted Net Bank Credit (“ANBC”) for Fiscal 2018, 2019 and 2020 and 9 months ended December 31, 2020 was 99.08%, 112.10%, 103.67% and 114.09%, respectively.
- ❑ SSFB commenced their microfinance operations in 2009 and have since expanded the operations across 13 states and union territories. As of December 31, 2020, their customer base was 1.44 million and the employee base comprised of 4,770 employees and they operated 554 Banking Outlets including 153 Unbanked Rural Centres (“URCs”).
- ❑ They have set up 661 customer service points (“CSPs”) as additional service or touch points during April 1, 2020 and January 31, 2021. Their delivery platform also includes partnering with business correspondents (“BCs”) for sourcing both asset and liability business.
- ❑ Bank’s founder, Managing Director and Chief Executive Officer, Baskar Babu Ramachandran is a first generation entrepreneur with several years of experience in the financial services sector.
- ❑ Their investors include a mix of development finance institutions such as IFC and DEG, private equity investors such as Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Co. Pvt. Ltd.), Gaja Capital Fund II Ltd, TVS Entities, ASK Pravi Private Equity Opportunities Fund and Lok Capital Growth Fund and institutional investors including HDFC Holdings Ltd., HDFC Life Insurance Co. Ltd., IDFC FIRST Bank Ltd and Kotak Mahindra Life Insurance Co. Ltd.

Brief Financial Details*

(₹ In Cr)

	As at Dec’31,		As at Mar’ 31,		
	2020(09)	2019(09)	2020(12)	2019(12)	2018(12)
Equity Share Capital	89.19	86.31	86.59	81.58	67.50
Reserves as stated	1,101.78	989.00	979.64	798.78	470.99
Net worth as stated	1,190.96	1,075.31	1,066.23	880.37	538.49
Deposits	3,343.84	2,491.36	2,848.72	1,593.43	749.52
Borrowings	1,487.08	886.93	1,264.62	1,124.23	717.83
Interest Earned	624.35	563.22	766.69	530.11	286.88
Interest Earned Growth (%)	10.85%	-	44.63%	84.78%	-
EBITDA as stated	79.91	183.36	164.16	148.32	22.50
Profit Before Tax	70.06	178.36	154.38	142.72	17.84
Net Profit for the period	54.87	126.68	111.20	90.40	11.49
Net Profit (%) as stated	8.79%	22.49%	14.50%	17.05%	4.01%
Net Interest Margin (%)	8.49%#	12.30%#	11.92%	12.80%	10.40%
Gross NPAs	0.78%	2.78%	2.79%	1.81%	3.54%
Net NPAs	0.33%	0.52%	0.57%	0.44%	1.86%
EPS-Basic (₹)	6.19^	15.49^	13.41	13.35	1.76
EPS-Diluted (₹)	6.05^	15.43^	13.30	13.16	1.76
RoNW (%)	4.61%^	11.78%^	10.43%	10.27%	2.13%
NAV(₹)~	133.54	124.58	123.13	107.91	79.78

Source: RHP, *Restated Summary, ^not annualized. # annualised

Issue Details

Issue of upto 19,093,070 Equity Shares
(Fresh Issue of upto 8,150,000 Equity Shares and Offer for sale of upto 10,943,070 Equity Shares
(The issue shall constitute 17.99% of the post issue paid up equity share capital)

Issue size: ₹ 577 - 581 Cr

No. of shares: 19,093,070 Equity Shares

Face value: ₹ 10

Employee Reservation: Upto 500,000 Equity Shares

Price band: ₹ 303 - 305

Bid Lot: 49 Shares and in multiple thereof

Employee Discount: ₹ 30/- per share

Post Issue Implied Market Cap:

₹ 3,216 – 3,237 Cr

BRLMs: Axis Capital, ICICI Securities, IIFL Securities, SBI Capital Markets

Registrar: KFin Technologies Pvt. Ltd.

Issue opens on: Wednesday, 17th Mar’2021

Issue closes on: Friday, 19th Mar’2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	24-03-2021
Refunds/Unblocking ASBA Fund	24-03-2021
Credit of equity shares to DP A/c	25-03-2021
Trading commences	30-03-2021

Issue break-up

	No. of Shares	₹ In Cr	% of Issue
QIB	9,296,534	281.68 – 283.54	50%
NIB	2,788,961	84.51 – 85.06	15%
Retail	6,507,575	197.18 – 198.48	35%
EMP	500,000	13.65 – 13.75	-
Total	19,093,070	577.02 – 580.84	100%

Listing : BSE & NSE

Shareholding (No. of Shares)

	Pre issue	Post issue
	97,980,826	106,130,826

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	30.35%	28.02%
Public	70.09%	71.98%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The Bank was incorporated as 'Suryoday Micro Finance Private Limited' at Chennai on November 10, 2008. The Bank was granted the in-principle and final approval to establish an SFB by the RBI, pursuant to its letters dated October 7, 2015 and August 26, 2016, respectively. The Bank commenced its business with effect from January 23, 2017.

The Bank was promoted by Baskar Babu Ramachandran, P. Surendra Pai, P.S. Jagdish and G.V. Alankara. As of the date, the Promoters, in aggregate, hold 29,734,732 Equity Shares in the Bank, representing 30.35% of the issued, subscribed and paid-up Equity Share capital of the Bank.

Brief Biographies of Directors

Ramachandran Rajaraman is the Part-time Chairperson and Independent Director of the Bank. He has over 38 years of experience in commercial banking and finance. He has served as a part time non-official director of Deposit Insurance and Credit Guarantee Corporation and a member of the Advisory Board on Banks, Commercial and Financial Frauds of Central Vigilance Commission. Previously, he was associated with SIDBI as a director, Andhra Bank as its chairperson and managing director, Syndicate Bank as an executive director and Indian Bank as a general manager.

Baskar Babu Ramachandran is the Managing Director and Chief Executive Officer of the Bank. He has several years of experience in the banking and finance sector. Prior to co-founding Suryoday Micro Finance Pvt. Ltd., he was associated with various companies including GE Capital Transportation Financial Services Ltd. as the vice-president-quality and operations and HDFC Bank Ltd. as assistant vice president.

Mrutunjay Sahoo is the Independent Director of the Bank. He is a retired IAS officer and has several years of experience in public administration. Previously, he was a special chief secretary to the Government of Andhra Pradesh and has been associated with several Maharatna and Miniratna public sector undertakings as a nominee director of the Government of India ("Gol") for Maharatna companies and non-official independent director of Gol for a Miniratna company. He has been principal secretary to government of Andhra Pradesh (energy department) and associated with Transmission Corporation of Andhra Pradesh Ltd., Andhra Pradesh Power Finance Corporation Ltd. and The Singareni Collieries Co. Ltd.

Jyotin Kantilal Mehta is an Independent Director of the Bank. He has over 35 years of experience in corporate laws. Previously, he was associated with ICICI Bank Ltd as a general manager and company secretary, 3i Infotech Ltd. as senior general manager, Voltas Ltd. as the chief internal auditor, Bharat Shell Ltd. as the vice-president of finance and company secretary, and NOCIL Ltd. as the head of project finance.

Meena Hemchandra is the Independent Director of the Bank. She is a career central banker who retired as Executive Director from Reserve Bank of India in November 2017, after serving the organization for over 35 years.

John Arunkumar Diaz is the Independent Director of the Bank. He has over 28 years of experience in multi-national banks based in India and overseas, as he was head of change and programme management in Standard Chartered Bank and was also designated credit professional by the Standard Chartered Bank. Additionally, he has over 18 years of experience as a consultant in banking services for several international institutions, including in Indonesia, Thailand and Mauritius by way of his previous association with Quest OntheFRONTIER Pte. Ltd., iCube Consortium Pte Ltd. and Bain & Company SE Asia Inc., as consultant and his assistance to the Bank and Equitas Finance Pvt. Ltd. (now known as, Equitas Small Finance Bank Ltd), two microfinance companies in their transitions to small finance banks.

Venkatesh Natarajan is the Investor Director of the Bank. He has several years of experience in venture capital and private equity in India and has been involved as an early investor in the microfinance sector in India. He has also worked with companies in healthcare, agriculture and financial inclusion sectors. He also co-founded and is currently the partner at Lok Advisory Services Pvt. Ltd.

Ranjit Shah is the Investor Director of the Bank. He has several years of experience in sectors including private equity and financial services. Previously, he has been investor and entrepreneur. He also co-founded and is currently a managing partner at Gaja Advisors Pvt. Ltd., which goes by the trade name Gaja Capital.

Aleem Remtula is the Investor Director of the Bank. He has several years of experience in venture capital and private-equity funds globally. He is currently associated with DWM Asset Management LLC as a partner of the firm's private equity business line.

Key Managerial Personnel

Bhavin Damania is the Chief Financial Officer of the Bank. He has over 14 years of experience in the banking and financial services sector. He has been associated with the Bank since January 25, 2016.

Geeta Krishnan is the Company Secretary and Compliance Officer of the Bank. She has over 24 years of experience in secretarial matters and corporate governance. She has been associated with the Bank since April 3, 2017.

Narayan Rao is the Chief Services Officer of the Bank. He has over 30 years of experience in sales, operations, and information technology. He has been associated with the Bank since March 1, 2009.

Sominder Singh is the Chief Business Officer-Retail Assets of the Bank. He started his corporate career in May 1994 and has several years of experience in sales, marketing and general management. He has been associated with the Bank since May 12, 2017.

Dhara Manoj Vyas is the Chief People Officer and Head - CSR of the Bank. She has over 16 years of experience in the operations and development. She has been associated with the Bank since May 29, 2017.

Bharath Nyamathi Sondur is the Chief Business Officer-Retail Banking in Sales of the Bank. He has over 21 years of experience in retail and consumer banking. He has been associated with the Bank since April 2, 2018.

Vaman Ramesh Kamat is the Chief Credit Officer of the Bank. He has over 18 years of experience in the banking sector. He has been associated with the Bank since May 17, 2019.

Vanamali R Sridharan is the Chief Information Officer of the Bank. He has over 28 years of experience in the banking. He has been associated with the Bank since July 11, 2019.

OBJECTS OF THE ISSUE

Objects	Amount (₹ In Cr)
Augmenting the Bank's Tier – 1 capital base to meet the Bank's future capital requirements.	0.00
General Corporate Purposes	[•]
Total	[•]

OFFER DETAILS

The Offer	
Fresh Issue	Upto 8,150,000 Equity Shares
* Offer for sale by:	Upto 10,943,070 Equity Shares
International Finance Corporation ("IFC")	Up to 4,387,888 Equity Shares
Gaja Capital Fund II Ltd	Up to 2,021,952 Equity Shares
DWM (International) Mauritius Ltd	Up to 1,889,845 Equity Shares
HDFC Holdings Ltd	Up to 750,000 Equity Shares
IDFC FIRST Bank Ltd	Up to 1,500,000 Equity Shares
Americorp Ventures Ltd	Up to 100,000 Equity Shares
Kotak Mahindra Life Insurance Co. Ltd.	Up to 186,966 Equity Shares
Gaja Capital India AIF Trust (represented by its trustee Gaja Trustee Company)	Up to 106,419 Equity Shares

Details of Pre- IPO Placement of 5,208,226 Equity Shares

The bank has undertaken a Pre-IPO Placement of **5,208,226 Equity Shares** at a price of **291.75/** - per share, aggregating to ₹ **151.95** crore as under:

Name of the Entity	No. of Equity Shares	Amount (₹ Cr)
SBI Life Insurance Company Limited	3,084,833	90.00
Axis Flexi Cap Fund	1,713,795	50.00
Axis Equity Hybrid Fund	342,760	10.00
Kiran Vyapar Limited	66,838	1.95
Total	5,208,226	151.95

Shareholding Pattern:

Shareholder	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter & Promoter Group	29,734,732	30.35%		29,734,732	28.02%
Public:					
- IFC	4,387,888	4.48%	4,387,888	0	0.00%
- Gaja Capital Fund II Ltd	5,694,623	5.81%	2,021,952	3,672,671	3.46%
- DWM (International) Mauritius Ltd	5,247,865	5.36%	1,889,845	3,358,020	3.16%
- HDFC Holdings Ltd	2,334,930	2.38%	750,000	1,584,930	1.49%
- IDFC FIRST Bank Ltd	2,556,742	2.61%	1,500,000	1,056,742	1.00%
- Americorp Ventures Ltd	1,871,758	1.91%	100,000	1,771,758	1.67%
- Kotak Mahindra Life Insurance Co. Ltd.	747,864	0.76%	186,966	560,898	0.53%
- Gaja Capital India AIF Trust*	300,146	0.31%	106,419	193,727	0.18%
- Public – Others	45,104,278	46.03%		64,197,348	60.49%
Public Total	68,246,094	69.65%	10,943,070	76,396,094	71.98%
Total Equity Share Capital	97,980,826	100.00%	10,943,070	106,130,826	100.00%

*represented by its trustee Gaja Trustee Company Pvt. Ltd.

The average cost of acquisition of Equity Shares held by the Selling Shareholders:

Name	No. of Equity Shares acquired	Average cost of acquisition per equity share (in ₹)^
IFC	4,387,888	58.77
Gaja Capital Fund II Ltd	5,694,623	172.79
DWM (International) Mauritius Ltd	5,247,865	96.25
HDFC Holdings Ltd	2,334,930	83.13
IDFC FIRST Bank Ltd	2,556,742	107.00
Americorp Ventures Ltd	1,871,758	122.30
Kotak Mahindra Life Insurance Co. Ltd.	747,864	200.57
Gaja Capital India AIF Trust*	300,146	169.22

*represented by its trustee Gaja Trustee Company Pvt. Ltd.

^ As certified by C N K & Associates LLP, Chartered Accountants, by way of their certificate dated March 3, 2021.

BUSINESS OVERVIEW

Suryoday Small Finance Bank (“SSFB”) 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. SSFB has for over a decade been serving customers in the unbanked and underbanked segments in India and promoting financial inclusion. Pursuant to receipt of the RBI Final Approval, they started operations as an SFB on January 23, 2017. Prior to commencement of operations as an SFB, SSFB operated as an NBFC – MFI carrying out microfinance operations and operated the joint liability group-lending model for providing collateral-free, small ticket-size loans to economically active women belonging to weaker sections. Their average “priority sector” loans, as a percentage of average Adjusted Net Bank Credit (“ANBC”) for Fiscal 2018, 2019 and 2020 and 9 months ended December 31, 2020 was 99.08%, 112.10%, 103.67% and 114.09%, respectively. Over the years, they have diversified their loan portfolio to include non-micro banking loans thereby reducing their dependence on micro banking business.

SSFB commenced their microfinance operations in 2009 and have since expanded the operations across 13 states and union territories. As of December 31, 2020, their customer base was 1.44 million and the employee base comprised 4,770 employees and they operated 554 Banking Outlets including 153 Unbanked Rural Centres (“URCs”). They have set up 661 customer service points (“CSPs”) as additional service or touch points during April 1, 2020 and January 31, 2021 and intend to continue to expand their reach through the CSP model. Their delivery platform also includes partnering with business correspondents (“BCs”) for sourcing both asset and liability business and have expanded their network and presence through their reach to promote financial inclusion. They have arrangements with various payment banks in India and have been able to leverage their relationship with such payment banks to grow their deposit base. Their distribution network also comprises their ATMs, phone banking, mobile banking, tablet banking, unified payment interface, CSPs, and internet banking services. Their operations are predominantly in urban and semi-urban locations due to greater income earning capabilities and employment opportunities in such areas compared with rural regions. Their focus on urban and semi-urban locations also enables them to meet the financing requirements of economically graduating customers including the provision of housing finance and

working capital loans for small businesses. As of December 31, 2020, 37.13%, 27.78% and 28.83% of the Gross Advances were from metropolitan, urban and semi-urban areas respectively.

SSFB currently offers a variety of asset and liability products and services designed for inclusive finance and general banking customers. Their asset products consist of their inclusive finance portfolio (comprising loans to Joint Liability Group (“JLG”) customers), commercial vehicle loans, affordable housing loans, micro business loans, unsecured micro and small enterprise and small and medium enterprise loans, secured business loans, financial intermediary group loans and other loans.

Their Gross Loan Portfolio has grown at a CAGR of 46.98% from ₹ 1,717.78 crore as of March 31, 2018 to ₹ 3,710.84 crore as of March 31, 2020 and was ₹ 3,908.23 crore as of December 31, 2020. On the liability side, their products comprise current accounts, savings accounts, salary savings accounts and a variety of deposit accounts including recurring deposits and fixed deposits that they source from customers across India. Their deposits have grown at a CAGR of 94.95% from ₹ 749.52 crore as of March 31, 2018 to ₹ 2,848.72 crore as of March 31, 2020 and was ₹ 3,343.84 crore as of December 31, 2020. As of December 31, 2020, retail deposits comprised 72.40% of their total deposits. Within retail deposits, CASA as a percentage of overall deposits was 13.32%, as of December 31, 2020. Since commencing their operations as an SFB, they have focused on growing a stable, sustainable and well-penetrated CASA base. Their CASA was ₹ 445.39 crore as of December 31, 2020. In addition to their loan and deposit products, they also offer other banking facilities, products and services to generate non-interest income and cater towards the additional needs of their customers. These facilities, products and services include debit cards, internet banking, mobile banking, online bill payment services and the distribution of third-party life and general insurance products and mutual fund products.

SSFB has leverage the use of technology across all aspects of their operations. In particular, they use digital technology for customer acquisition and also customer lifecycle management. Their employees use tablets to service customers in the unbanked and underbanked segments which has led to greater customer convenience and improved operational efficiency. They also have a robust back-end operating system supported by their core banking system and document management system.

Bank’s founder, Managing Director and Chief Executive Officer, Baskar Babu Ramachandran is a first generation entrepreneur with several years of experience in the financial services sector. They have been backed by institutional investors since their inception. Their investors include a mix of development finance institutions such as IFC and DEG, private equity investors such as Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Co. Pvt. Ltd.), Gaja Capital Fund II Ltd, TVS Entities, ASK Pravi Private Equity Opportunities Fund and Lok Capital Growth Fund and institutional investors including HDFC Holdings Ltd., HDFC Life Insurance Co. Ltd., IDFC FIRST Bank Ltd and Kotak Mahindra Life Insurance Co. Ltd.

The information relating to the operations and financial performance in the periods specified:

(₹ In Cr, except %)

Metric	As of and for the 9 Months ended December 31,		As of and for year ended March 31,		
	2020	2019	2020	2019	2018
Advances	3,782.26	3,360.90	3,531.94	2,679.58	1,568.68
Disbursements	1,159.74	2,313.40	3,090.48	2,856.03	1,708.82
Deposits	3,343.84	2,491.36	2,848.72	1,593.43	749.52
Retail term deposit / total term deposit ratio	68.16%	45.30%	48.55%	35.67%	33.92%
Net Worth	1,190.96	1,075.31	1,066.23	880.37	538.49
CASA Ratio	13.32%	11.93%	11.45%	11.25%	11.03%
Total Debt / Total Equity	4.06	3.14	3.83	3.09	2.72
Net Interest Income	353.28	361.13	490.91	340.37	165.83
Net Interest Margin*	8.49%	12.30%	11.92%	12.80%	10.40%
Profit After Tax	54.87	126.68	111.20	90.40	11.49
Return on Average Assets*	1.24%	4.03%	2.53%	3.17%	0.67%
Return on Average Equity*	6.32%	17.62%	11.27%	14.77%	2.25%
Yield on average interest-earning assets*	19.76%	21.05%	18.62%	19.93%	17.99%
Cost of Funds*	8.05%	8.83%	8.55%	8.99%	10.71%
Provision coverage ratio	89.58%	84.22%	84.71%	75.80%	48.33%
GNPA	0.78%	2.78%	2.79%	1.81%	3.54%
NNPA	0.33%	0.52%	0.57%	0.44%	1.86%

* annualised for 9 months period

As of March 31, 2018, 2019 and 2020 and as of December 31, 2020 the CRAR was 43.40% (Tier I capital of 40.25%), 40.22% (Tier I capital of 38.66%), 35.44% (Tier I capital of 34.30%) and 41.17% (Tier I capital of 36.94%) respectively and was the highest among all SFBs in India as of March 31, 2020 (*Source: CRISIL Report*). As of December 31, 2020, the Bank's gross NPAs were ₹ 29.91 crore, 0.78% of gross advances, and net NPAs were ₹ 12.81 crore, or 0.33% of net advances.

BUSINESS IMPACT – COVID 19

Recent Development – Effects of the COVID-19 Pandemic on Bank's Business and Operations

Impact on Bank's Operations

With effect from March 24, 2020, in compliance with the lockdown orders announced by the Government of India ("GoI"), the bank temporarily closed certain of their Banking Outlets and substantially all of their employees were working remotely. Additionally, many of their customers, service providers and business correspondents/ direct selling agents temporarily ceased operating their respective enterprises. Although the nation-wide lockdown was lifted on June 1, 2020, restrictions on non-essential activities and travel were imposed until August 31, 2020 in multiple states across specific districts that were witnessing a spike in COVID-19 cases. On September 1, 2020, the GoI allowed states to resume all activities and function normally, while continuing with restrictions only in certain containment zones.

Action

- Since Bank's operations were deemed to be an 'essential service', most of their Banking Outlets and ATMs were operating during the nation-wide lockdown (i.e., between March 25, 2020 and May 31, 2020).
- The Bank implemented a business continuity plan, which ensured that critical areas continue to operate smoothly and separate task force were formed to coordinate with their employees in the field and also for execution on the ground level. This ensured that minimum staff was present in the workplace in line with government guidelines. Where necessary, they have also ensured secondary back-up resources where primary resources were faced with technical or other issues.
- Employees working from home were provided with remote access.
- As of December 31, 2020, all of their Banking Outlets are operating. The Bank continues to ensure availability of personal protective equipment such as sanitizers, masks, soaps and dry foods and essential items at the Banking Outlets for use by employees.
- Their human resources team has commenced daily communication activities and online training courses and they conduct daily team meetings across all businesses and functions through virtual means.
- In terms of connecting with customers, they have been able to connect with a majority of their customers through various channels of communication including through phone calls and text messages.

The measures adopted have been successful in ensuring business continuity and none of their critical functions suffered any major disruption during the period between March 25, 2020 and May 31, 2020. However, due to the nation-wide lockdown, collection and disbursement activities were halted during lock-down period and gradually commenced from June 2020.

RBI and Government of India Initiatives

The GoI has announced various measures, such as emergency credit line guarantee scheme ("ECLGS") for corporate and retail customers and loan restructuring. During the 9 months ended December 31, 2020, the Bank has disbursed 29,747 ECLGS loans amounting to ₹ 33.76 crore. The Bank has also restructured 12 accounts having outstanding loan balance of ₹ 2.34 crore, under the aforementioned restructuring schemes to tackle COVID-19 related stress and to support the MSMEs.

On October 23, 2020, the GoI announced a scheme for the grant of ex-gratia payments to borrowers of certain categories of loans where the sanctioned limit and outstanding amount does not exceed ₹ 2 crore irrespective of whether they opted for the moratorium or not (aggregate of all facilities with the lender) of the difference between compound interest and simple interest charged on those loans for the period March 1, 2020 to August 31, 2020. The scheme involves the lenders crediting the difference between simple interest and compound interest for the period between March 1, 2020 to August 31, 2020 to the accounts of such borrowers and the government paying such credited amounts to the lenders. Under this scheme, the Bank has paid out ₹ 0.85 crore to their customers, as of December 31, 2020.

Advances: Collections:**The details of the collection efficiency:**

Product	Collection Efficiency (%) –One MI Adjusted			Collection Efficiency (%)			Paying Customer (%)		
	Month ended			Month ended			Month ended		
	Dec'31, 020	Sep'30, 2020	Jun'30, 2020	Dec'31, 020	Sep'30, 2020	Jun'30, 2020	Dec'31, 020	Sep'30, 2020	Jun'30, 2020
Inclusive Finance Loans	80.88%	68.59%	45.58%	112.05%	75.51%	45.58%	82.04%	68.47%	42.42%
Commercial Vehicle Loans	89.09%	76.60%	34.02%	103.28%	85.61%	45.21%	85.85%	68.45%	49.51%
Financial Intermediary Group Loans	100.00%	99.83%	83.38%	102.99%	107.36%	98.95%	100.00%	89.47%	100.00%
Affordable Housing Loans	94.43%	84.04%	56.60%	147.87%	91.32%	62.26%	96.50%	84.98%	83.14%
Secured Business Loans	88.34%	75.14%	37.27%	139.37%	122.74%	55.73%	79.96%	70.44%	53.33%
Unsecured MSME / SME Loans	65.59%	50.30%	29.23%	74.55%	68.12%	35.71%	66.88%	36.74%	26.52%
Micro Business Loans (T-Nagar)	76.22%	65.34%	42.78%	96.38%	73.66%	51.20%	82.13%	69.74%	54.53%
Total	81.96%	69.52%	45.74%	111.34%	77.07%	46.96%	82.04%	68.44%	42.49%

Source: RHP

Advances: Disbursements

Particulars	Quarter ended					
	Dec'31,2020	Sep'30,2020	Jun'30,2020	Dec'31,2019	Sep'30,2019	Jun'30,2019
Inclusive Finance Loans	596.50	233.08	0.01	590.22	703.81	613.93
Commercial Vehicle Loans	22.45	2.21	10.63	46.93	38.65	90.59
Affordable Housing Loans	45.05	23.49	1.53	31.97	32.05	22.39
Micro Business Loans (T-Nagar)	4.94	0.91	-	8.90	7.12	9.58
Unsecured MSME/SME	-	-	-	-	0.41	6.93
Secured Business Loans	25.17	16.78	0.08	14.80	17.81	12.07
Financial Intermediary Group Loans	65.00	78.00	-	20.00	35.00	10.25
Others	26.16	7.76	-	-	-	-
Total	785.26	362.23	12.25	712.81	834.85	765.74

* Others includes overdrafts and staff loans

Asset quality

The Bank has not classified any borrower's account which has not been declared as NPA as at August 31, 2020 as per the RBI Prudential Norms on Income Recognition, Asset Classification, Provisioning and Other Related Matters as NPAs after August 31, 2020. However, if bank had classified borrower accounts as NPA after August 31, 2020, the Bank's gross NPA ratio as on December 31, 2020 would have been 9.28%, on a proforma basis, of this 8.49% pertains to new proforma GNPA (i.e., excluding the pre-COVID GNPA). After considering, the specific NPA provisions and floating provisions, net NPAs would have been 5.38%, on a proforma basis.

The Bank has introduced overdraft facility (Smile OD accounts) for their inclusive finance customers. The number of outstanding accounts and balance as of December 31, 2020:

Number of accounts	Limit value (₹ Cr)	Accounts drawn	Balance outstanding (Overdraft value) (₹ Cr)	Balance outstanding (Deposit value) (₹ Cr)
302,918	289.35	206,723	96.67	38.09

Deposits

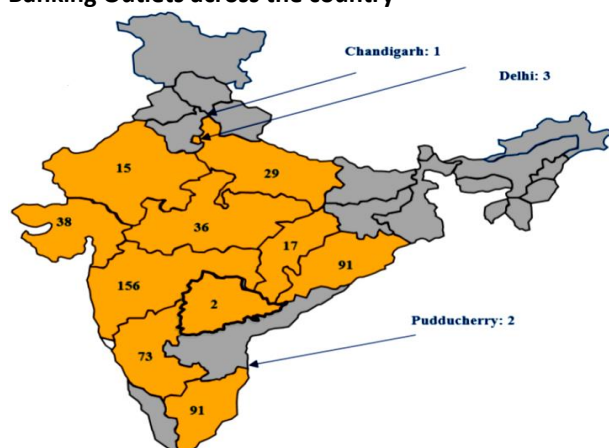
The deposits by each category of deposits and total borrowings:

(₹ in Cr)

	As of December 31, 2020	As of September 30, 2020	As of June 30, 2020
Current Accounts	49.67	46.47	47.85
Savings Accounts	395.72	302.01	292.65
Retail Term Deposits	1,975.68	1,866.21	1,434.16
Bulk Deposits	922.77	924.89	1,094.07
Total Deposits	3,343.84	3,139.57	2,868.73
Total Borrowings	1,487.08	1,474.52	1,517.74
Grand Total	4,830.92	4,614.09	4,386.47

BANKING OUTLETS

Banking Outlets across the country



State-wise Banking Outlets as of December 31, 2020:

Region	No. of States/ Union Territories	Banking Outlets
North	6	101
West	2	194
South	4	168
East	1	91
Total	13	554

KEY FINANCIAL AND OPERATIONAL METRICS

Yield, Spreads and Margins

(₹ In Cr, except %)

	9 Months ended Dec'31,		Year ended March 31,		
	2020	2019	2020	2019	2018
Interest on advances	544.21	515.55	702.27	493.29	258.04
Total Interest Income	624.35	563.22	766.69	530.11	286.88
Interest expenses	271.07	202.08	275.78	189.73	121.05
Total Average Interest Earning Assets	5,549.62	3,915.78	4,117.86	2,659.84	1,594.43
Average Balance of Gross Loan Portfolio	3,685.16	3,324.26	3,407.03	2,321.32	1,225.95
Average Balance of Advances	3,550.10	3,024.41	3,129.91	2,106.93	1,143.79
Total Average Interest Bearing Liabilities	4,490.90	3,050.71	3,224.49	2,109.86	1,130.34
Total Average Assets	5,916.05	4,191.04	4,387.49	2,847.64	1,712.80
Net Interest Income	353.28	361.13	490.91	340.37	165.83
Average Balance of Advances as a % of Total Average Assets	60.01%	72.16%	71.34%	73.99%	66.78%
Total Average Interest Bearing Liabilities as a % of Total Average Assets	75.91%	72.79%	73.49%	74.09%	65.99%
Average Balance of Advances as a % of Total Average Interest-Bearing Liabilities	79.05%	99.14%	97.07%	99.86%	101.19%
Yield on Interest Earning Assets*	15.00%	19.18%	18.62%	19.93%	17.99%
Yield on Gross Loan Portfolio*	19.76%	21.05%	20.93%	21.78%	21.41%
Cost of Funds*	8.05%	8.83%	8.55%	8.99%	10.71%
Spread*	11.71%	12.22%	12.38%	12.79%	10.70%
Other Income to Total Income ratio*	12.56%	13.44%	10.24%	11.21%	11.71%
Credit Cost*	1.54%	2.15%	2.06%	2.12%	4.55%
Cost of Borrowings*	8.56%	9.68%	9.18%	9.88%	11.84%

* annualised for 9 months period

Financial Ratios of the Bank

	9 Months ended December 31,		Year ended March 31,		
	2020	2019	2020	2019	2018
Net profit as a % of Average Shareholders' Equity*	6.32%	17.62%	11.27%	14.77%	2.25%
Return on Total Average Assets*	1.24%	4.03%	2.53%	3.17%	0.67%
Dividend Payout Ratio	NA	NA	NA	NA	NA
Operating Expenses to Total Average Assets%	5.22%	5.99%	6.20%	6.70%	7.67%
Average Shareholders' Equity to Total Average Assets	19.57%	22.87%	22.48%	21.49%	29.86%
Credit to Deposit ratio	162.46%	242.52%	220.51%	276.78%	451.27%
Retail Term Deposit to Total Term Deposit Ratio	68.16%	45.30%	48.55%	35.67%	33.92%
CASA Ratio	13.32%	11.93%	11.45%	11.25%	11.03%
Cost to Income Ratio	55.39%	44.40%	47.05%	46.83%	64.44%

* annualised for 9 months period

Return on Equity and Assets

(₹ In Cr, except %)

	9 Months ended December 31,		Year ended March 31,		
	2020	2019	2020	2019	2018
Net profit for the period/ year	54.87	126.68	111.20	90.40	11.49
Average Shareholders' Equity	1,157.58	958.34	986.45	612.03	511.46
Total Average Assets	5,916.05	4,191.04	4,387.49	2,847.64	1,712.80
Net profit as a percentage of Total Average Assets*	1.24%	4.03%	2.53%	3.17%	0.67%
Net profit as a percentage of Average Shareholders Equity*	6.32%	17.62%	11.27%	14.77%	2.25%
Average shareholders' equity as a % of Total Average Assets	19.57	22.87%	22.48%	21.49%	29.86%
Gross Loan Portfolio	3,908.23	3,599.85	3,710.84	2,970.44	1,717.78
Advances	3,782.26	3,360.90	3,531.94	2,679.58	1,568.68
Net profit as a percentage of Gross Loan Portfolio*	1.87%	4.69%	3.00%	3.04%	0.67%
Net profit as a percentage of advances*	1.93%	5.03%	3.15%	3.37%	0.73%

* annualised for 9 months period

Funding

(₹ In Cr, except %)

	9 Months ended December 31,		Year ended March 31,		
	2020	2019	2020	2019	2018
Deposits	3,343.84	2,491.36	2,848.72	1,593.43	749.52
Average Balance of Deposits	3,034.86	2,044.85	2,201.15	1,028.59	314.37
Interest on deposits	177.57	129.07	181.83	82.91	24.43
Average interest rate*	7.80%	8.42%	8.26%	8.06%	7.77%

* annualised for 9 months period

Deposits

	9 Months ended December 31,				Year ended March 31,					
	2020		2019		2020		2019		2018	
	Amount (₹ in Cr)	% to Total	Amount (₹ in Cr)	% to Total	Amount (₹ in Cr)	% to Total	Amount (₹ in Cr)	% to Total	Amount (₹ in Cr)	% to Total
Demand deposits	49.67	1.49%	30.97	1.24%	58.60	2.06%	46.06	2.89%	14.62	1.95%
Savings deposits	395.72	11.83%	266.35	10.69%	267.45	9.39%	133.18	8.36%	68.05	9.08%
Total CASA	445.39	13.32%	297.32	11.93%	326.05	11.45%	179.24	11.25%	82.67	11.03%
Term deposits	2,898.45	86.68%	2,194.03	88.07%	2,522.66	88.55%	1,414.18	88.75%	666.85	88.97%
• Retail Deposits	1,975.68	-	993.95	-	1,224.84	-	504.50	-	226.22	-
• Bulk Deposits	922.77	-	1,200.08	-	1,297.83	-	909.68	-	440.63	-
Total Deposits	3,343.84	100.00%	2,491.36	100.00%	2,848.72	100.00%	1,593.43	100.00%	749.52	100.00%

Borrowings

(₹ In Cr, except %)

	As of December 31,		Year ended March 31,		
	2020	2019	2020	2019	2018
Borrowings	1,487.08	886.93	1,264.62	1,124.23	717.83
Average Balance of Borrowings	1,456.04	1,005.86	1,023.34	1,081.27	815.97
Interest on RBI/inter-bank borrowings and Other interest	93.51	73.01	93.95	106.82	96.63
Cost of Borrowings*	8.56%	9.68%	9.18%	9.88%	11.84%
Average cost of subordinated debt*	11.61%	15.36%	15.30%	15.32%	10.99%
Cost of average refinance borrowings*	8.65%	9.55%	9.12%	9.00%	8.89%

* Annualised

Loan Portfolio

	As of December 31,				Year ended March 31,					
	2020		2019		2020		2019		2018	
	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total
Inclusive Finance Loans	2,749.58	70.35%	2,726.35	75.73%	2,814.78	75.85%	2,419.12	81.44%	1,544.13	89.89%
Commercial Vehicle Loans	368.01	9.42%	347.38	9.65%	370.55	9.99%	218.51	7.40%	8.55	0.50%
Affordable Housing Loans	246.03	6.30%	157.23	4.37%	181.18	4.88%	79.68	2.68%	21.90	1.27%
Micro Business Loans (T-Nagar)	38.67	0.99%	37.43	1.04%	42.81	1.15%	27.31	0.92%	6.32	0.37%
Unsecured MSME/SME Loans	39.95	1.02%	52.61	1.46%	37.50	1.01%	96.68	3.25%	82.63	4.81%

	As of December 31,				Year ended March 31,					
	2020		2019		2020		2019		2018	
	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total
Secured Business Loans	142.03	3.63%	100.44	2.79%	106.25	2.86%	67.53	2.27%	35.16	2.05%
Financial Intermediary Group Loans	186.70	4.78%	88.54	2.46%	100.49	2.72%	48.44	1.63%	9.08	0.53%
Others	137.27	3.51%	89.88	2.50%	57.28	1.54%	13.16	0.44%	10.01	0.58%
Gross Loan Portfolio	3,908.23	100.00%	3,599.85	100.00%	3,710.84	100.00%	2,970.44	100.00%	1,717.78	100.00%

Capital Adequacy

(₹ In Cr, except %)

	9 Months ended December 31,		As of and for the year ended March 31,		
	2020	2019	2020	2019	2018
Common Equity Tier I Capital	1,117.66	1,044.26	1,010.45	851.94	523.66
Tier I Capital	1,117.66	1,044.26	1,010.45	851.94	523.66
Tier II Capital	128.10	26.84	33.69	34.37	41.03
Total Capital	1,245.75	1,071.11	1,044.13	886.31	564.68
Total Risk Weighted Assets	3,025.66	2,636.35	2,946.16	2,203.58	1301.22
Capital Adequacy Ratio					
Common Equity Tier I Capital Ratio (as a % of Risk Weighted Assets)	36.94%	39.61%	34.30%	38.66%	40.25%
Tier I Capital (as a % of Credit Risk Weighted Assets (%))	36.94%	39.61%	34.30%	38.66%	40.25%
Tier II Capital (as a % of Credit Risk Weighted Assets (%))	4.23%	1.02%	1.14%	1.56%	3.15%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a % of Risk Weighted Assets)	41.17%	40.63%	35.44%	40.22%	43.40%

Non-Performing Assets

(₹ In Cr, except %)

	As of December 31,		As of Year ended March 31,		
	2020	2019	2020	2019	2018
Gross NPAs as at the period end	29.91	95.56	101.25	49.62	56.57
Closing balance of provision for NPAs	17.07	42.94	41.23	28.73	21.08
Closing balance of floating provisions	53.77	37.61	53.22	32.32	6.26
Net NPAs	12.81	17.62	20.37	12.01	29.23
Advances	3,782.26	3,360.90	3,531.94	2,679.58	1,568.68
Gross Advances	3,853.10	3,441.45	3,626.39	2,740.63	1,596.02
Gross NPAs/ Gross Advances (%)	0.78%	2.78%	2.79%	1.81%	3.54%
Net NPAs/ net Advances (%)	0.33%	0.52%	0.57%	0.44%	1.86%
Provision for NPA as a percentage of Gross NPAs [^]	57.06%	44.93%	40.72%	57.90%	37.27%
Provision coverage ratio*	89.58%	84.22%	84.71%	75.80%	48.33%

*including technical write-offs and floating provisions to an extent utilized. [^] Provisions are excluding floating provision

Productivity Ratios

	As of June 30,		As of year ended March 31,		
	2020	2019	2020	2019	2018
Banking Outlets (Nos.)	554	439	477	382	240
Banking Correspondents (Nos.)	16	17	14	6	0
ATMs (Nos.)	25	25	26	24	24
Total number of employees (Nos.)	4,770	4,423	4,695	3,931	2,883
Gross Advances per employee (₹ Cr)	0.81	0.78	0.77	0.70	0.55
Gross Advances per Banking Outlet (₹ Cr)	6.96	7.84	7.60	7.17	6.65
Total Accounts (Nos.)	2,104,419	1,620,674	1,695,230	1,375,472	909,222
Disbursements per Banking Outlet (₹ Cr)	2.09	5.27	6.48	7.48	7.12
Disbursements per employee (₹ Cr)	0.24	0.52	0.66	0.73	0.59
Deposits per employee (₹ Cr)	0.70	0.56	0.61	0.41	0.26
Deposits per Banking Outlet (₹ Cr)	6.04	5.68	5.97	4.17	3.12

COMPETITIVE STRENGTHS

- **Customer centric approach with a focus on financial inclusion**

As of December 31, 2020, SSFB served 1.44 million customers and in the period between Fiscal 2018 to Fiscal 2020, their customer base increased by 0.65 million. Their inclusive finance portfolio (comprising loans to Joint Liability Group ("JLG"s) accounted for 70.35% of their Gross Loan Portfolio, as of December 31, 2020. Given their operating history as microfinance institution, a significant portion of their portfolio continues to qualify as "priority sector lending" as mandated by the RBI and helps them promote financial inclusion in India

Bank's average "priority sector" loans as a percentage of average ANBC for Fiscal 2018, 2019 and 2020 and in the 9 months ended December 31, 2020 was 99.08%, 112.10%, 103.67% and 114.09% , respectively. Significant portion of their inclusive finance loans, T-Nagar loans, commercial vehicle loans, affordable housing loans and secured and unsecured business loans and some portion of their commercial vehicle loans classify as "priority sector" loans based on the criteria notified by the RBI.

Bank's core strength is their ability to customize products that cater to the requirements of their customers. Bank's 24/7 call centre, 'Smile Centre', has been set-up to resolve customer queries and actively gathers feedback to further improve their services. In Fiscal 2021, they commenced offering digital collection facilities for all their customers to pay their loan instalments digitally.

- **Diversified asset portfolio with a focus on retail operations**

Over the years, SSFB has been able to diversify its product portfolio to ensure that the proportion of net unsecured portfolio has reduced from 94.81% of their net advances in Fiscal 2018 to 74.59% in the 9 months ended December 31, 2020. Their products cater to customer segments across the board. The bank offers inclusive finance loans and micro business loans for customers that are not a part of the formal banking infrastructure they offer affordable housing loans to customers belonging to the middle and low income segment, secured business loans to SME/MSME/ corporates, commercial vehicle loans to fleet owners and retail customers and unsecured business loans to low and middle class individuals, self-employed individuals and micro and small enterprises. They also provide commercial vehicle loans, institutional credit to NBFCs as well as various liability products to self-employed individuals, enterprises, corporates, partnership firms, banks etc. and mid-sized enterprises. In addition, they offer funds transfer facilities and distribute various general and life insurance products and mutual fund products.

- **Fast evolving granular deposit franchise**

The bank has witnessed rapid growth in deposits between Fiscal 2018 and Fiscal 2020. Their deposit base has grown at a CAGR of 94.95% from ₹ 749.52 crore as of March 31, 2018 to ₹ 2,848.72 crore as of March 31, 2020 and was ₹ 3,343.84 crore as of December 31, 2020. As of December 31, 2020, their deposit base represented 69.22% of their overall funding profile.

SSFB is among the SFBs with the highest deposit growth rate in Fiscal 2020. They offer a variety of demand and time deposits and other services through which their customers can realize their savings goals. Their focus on productivity, better customer experience and customer acquisition along with expanding their operations has led to significant growth in their deposits.

Their deposit portfolio is primarily sourced from Maharashtra and Tamil Nadu with each state contributing to 49.21% and 23.57%, respectively, of their total deposit base, as of December 31, 2020. They have been able to leverage the experience and network of their BCs to grow their retail liability portfolio and their expertise to expand into newer geographies. As of December 31, 2020, they have 4 BC led Banking Outlets that had a deposit balance of ₹ 209.07 crore.

- **Leveraging emerging technologies to enhance digital footprint**

The bank has leveraged technology to enable smooth and seamless customer experience. They had their digital channels such as internet banking and mobile banking since commencement of their SFB operations. As of December 31, 2020, bank's 3,261 employees use tablets/ digital services for opening of savings account and for customer on-boarding. This has led to greater customer convenience and operational efficiency. As a result, they have been able to significantly reduce the turn-around time for processing inclusive finance loans to 5 days in the 9 months ended December 31, 2020. For opening Smile OD and savings accounts for existing inclusive customers, the process of opening account is completely digitalised and accounts are typically opened within a day.

- ***Strong credit processes and robust risk management framework***

The bank has a strong credit function that comprises a team of 83 individuals as of December 31, 2020, each of whom have experience in the banking and financial services industry. They have implemented credit management models such as credit history checks with various bureaus, fraud verification tools/ processes on customer profile and documentation, which have enabled them to maintain a stable portfolio quality. Their credit underwriting practices include scorecard based assessment for their retail asset products, segment-based and geography-based assessment policies.

They have also streamlined their internal processes for credit evaluation, internal scoring and credit decision and have integrated them with their technology platform. The bank has a quality assurance officer at each of their Banking Outlets that offer inclusive finance loans.

They have an established risk management framework to identify, assess, monitor and manage risk. Their framework is driven actively by the Board through the Risk Management Committee of the Board (“**RMCB**”). Their risk management measures as well as their financial performance have also enabled them to improve their credit ratings, which have allowed them to access capital at competitive rates, as reflected in their credit ratings. The certificate of deposit programme has the highest rating of A1+ by CRISIL and ICRA and their non-convertible debentures and subordinated debt programmes have both been rated A (Stable) by ICRA.

- ***Track record of strong financial performance and cost efficient operations***

SSFB has been growing since their conversion as an SFB and are currently in a robust financial position that will enable them to expand their business quickly.

Their cost-to-income ratio is lowest among SFBs in India. Their core strength is to perform operations in a cost efficient and effective manner without compromising on the quality of their service. Their cost-to-income ratio has reduced from 64.44% in Fiscal 2018 to 55.39% in the 9 months ended December 31, 2020. Their operating expense ratio as percentage of their average balance of Gross Loan Portfolio has reduced from 10.72% in Fiscal 2018 to 8.38% (annualized) in the 9 months ended December 31, 2020. The relatively moderate size of their Banking Outlets has led to reduction in the overall capital expenditure and operating expenditure per Banking Outlet. Their cost efficient operations are attributable to their automation and digitization of various processes including their loan sourcing in inclusive finance business. The average cost per employee was ₹ 282,233.49 in the 9 months ended December 31, 2020 that they credit to their compensation structure that includes providing stock options to employees across various levels and has led to significant reduction in overall compensation cost and resulted in employee stickiness over the years.

- ***Multiple distribution channels***

Bank’s distribution and service channels comprise their Banking Outlets, ATMs, phone banking, mobile banking, tablet banking, CSPs and internet banking services. As of December 31, 2020, they operated 554 Banking Outlets including 153 URCs across 13 states and union territories.

As of December 31, 2020, they operated 101, 168, 91 and 194 Banking Outlets (including URCs) in the north, south, east and west regions, respectively. In addition, as of December 31, 2020, 37.13%, 27.28%, 28.83% and 6.26% of their Gross Advances were from metropolitan, urban, semi-urban and rural regions. Their deposit base is served through their Banking Outlets and as of December 31, 2020, 8.15%, 34.74%, 3.18% and 53.92% of their total deposits were in the northern, southern, eastern and western regions of India, respectively. In the nine months ended December 31, 2020, ₹ 634.29 crore and ₹ 782.05 crore worth of transactions took place on their internet banking and mobile banking platforms, respectively. As of December 31, 2020, they had a network of 25 owned ATMs. They have set up 661 CSPs during April 1, 2020 and January 31, 2021 as additional service points for their customers and to increase their customer base.

They also undertake a part of their operations through BCs and as of December 31, 2020, they had 16 BC outlets across their asset and liability businesses. Their BC partners on the asset side carry out inclusive finance business for their Bank in existing and new geographies. They have also collaborated with payment banks in India to grow their deposit base and offer customers of payment banks certain sweep account facilities.

- ***Experienced leadership team, professional management and strong corporate governance***

SSFB is a professionally managed bank led by Baskar Babu Ramachandran, their founder, Managing Director and Chief Executive Officer. A first generation entrepreneur, he has several years of experience in the financial services sector and has held leadership positions in companies like HDFC Bank Ltd., GE Capital Transportation Financial

Services Ltd. amongst others. The members of their senior management team have experience and relevant expertise in banking and financial sectors, corporate laws, sales, technology and operations and have been instrumental in scaling up business operations. Their Board comprises of individuals from various fields of finance with varied and diverse experience. The experience of their Independent Directors helps ensure transparency and accountability in their operations across diverse functional aspects and their inputs enhance quality of their operations.

Bank's operations are also funded by growth capital provided by a diverse group of investors, including development finance institutions, private equity investors, institutional investors and family offices such as Kiran Vyapar Ltd. and Polaris Banyan Holding Pvt. Ltd.

KEY BUSINESS STRATEGIES

- ***Expand the asset portfolio while focusing on secured lending***

The bank aims to grow within their existing geographies as well as in new geographies in a calibrated manner based on their analytics and intelligence on industry growth. Their focus will continue to be on the inclusive finance segment in line with industry growth. They also intend to grow their secured portfolio which will grow at a faster pace as compared to inclusive finance portfolio due to its comparatively small base currently. Amongst their retail asset products, they are focusing on lending for commercial vehicles, home loans, secured business loans, and micro business loans. They also intend to continue to advance commercial vehicle loans to large fleet operators and OEM's to maintain and strengthen their existing relationships with these key customers.

They intend to digitally on-board a potentially large customer base by offering small ticket overdraft loan facilities, in particular to their targeted customer segment, i.e., small and retail transporters. Bank's affordable housing finance segment will be a key focus going forward. They anticipate growth in this segment from areas where they have an existing presence. Their micro unsecured business loan portfolio will also be key focus to grow in the future. Their focus will be to disburse loans to self-employed and salaried individuals for non-agricultural properties and in particular in the affordable housing segment and leverage their existing inclusive finance distribution reach and customer base to source home loan customers.

- ***Strengthen the retail liability franchise***

The bank intends to strengthen their liability franchise growing their CASA and retail deposit base in a steady manner. In order to grow their retail deposits, they have set up a dedicated team for acquisition of retail deposits across regions and a product development team to enhance the features of their existing products and develop new products. Their strategy will be to build relationships across various customer segments including with senior citizens, NRIs, educational institutions, NBFCs, corporates and co-operative banks. As of December 31, 2020, senior citizens and NRI deposits formed 20.78% of their deposit base and ensure long-term relationship with the Bank.

Bank's focus will be to drive productivity and add more relationships. They intend to deepen relationships with their asset customers over the next few years. They intend to leverage their existing customer base of over 1.44 million customers as of December 31, 2020, to promote their inclusive finance products which will result in a sustained and deeply penetrated deposit base. In addition to expansion of their Banking Outlets that they intend to open to enhance their asset base, and in order to fund those assets, they will also seek to selectively open Banking Outlets specifically focused on generating deposits in urban areas where there is a large potential deposit base.

- ***Continue to focus on technology and data analytics to grow operations***

Bank's strategic focus is to use technology to become an agile and data-driven SFB. The use of advanced, cost-effective technology has been a significant factor contributing to the growth of their operations. By enhancing their digital and technology platform further, their endeavour is to empower customers to access various facilities, products and services on their own, reduce their costs and thereby increase operating efficiencies.

They have built an enterprise integration layer that will facilitate integration with fintech organizations through APIs including open banking API framework. They are in the process of automating their business origination system ("BOS") for products other than their Inclusive Finance products by engaging with fintech partners. They will continue to invest in digital technologies to drive greater customer centricity and employee empowerment. Bank's focus will be on the use of data analytics to perform customer segmentation and understand their evolving requirements leading to new product development, faster and better credit decisions and pro-active risk management.

- **Expand geographic presence and penetrate further into existing geographies**

As of December 31, 2020, they conducted their operations through 554 Banking Outlets in India. They intend to continue expanding their network of Banking Outlets to drive greater and deeper penetration in these states while focusing on low and middle-income individuals and small businesses that have limited or no access to formal banking channels, spread across urban and semi-urban markets. They also intend to open targeted Banking Outlets in urban/ semi-urban areas. All such decisions would be based on data analytics of the particular region in terms of growth, customer behaviour and delinquency. Bank's expansion also caters to their risk management for Banking Outlets with higher advances per branch that can be split into two or more branches to take care of collection and potential growth in nearby regions.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2020)

Name of the Bank/Company	Consolidated / Standalone	Total Income (₹ in Cr)	Face Value	EPS (Basic)	NAV	P/E	RoNW (%)
Suryoday Small Finance Bank Ltd	Restated	854.14	10	13.41	123.13	[•]	10.43%
Peer Group							
Ujjivan Small Finance Bank Ltd	Consolidated	3,025.81	10	2.19	18.32	16.16	14.79
CreditAccess Grameen Ltd.	Consolidated	1,705.48	10	23.20	189.90	31.11	12.27
Spandana Sphoorty Financial Ltd.	Consolidated	1,469.51	10	56.21	408.29	12.14	13.40
Bandhan Bank Ltd.	Consolidated	12,434.69	10	18.78	94.37	17.97	41.08
AU Small Finance Bank Ltd.	Consolidated	4,991.98	10	22.78	142.20	48.34	51.95

Source: RHP; P/E Ratio has been computed based on the closing market price of the equity shares (Source: BSE) on February 12, 2021.

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Suryoday Small Finance Bank Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed the RHP with the RoC and thereafter with SEBI and the Stock Exchanges. The RHP is available on the website of Securities and Exchange Board of India at www.sebi.gov.in, on the websites of the Stock Exchanges at www.bseindia.com and www.nseindia.com as well as on the websites of the BRLMs, Axis Capital Limited at www.axiscapital.co.in. Investors should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see "Risk Factors" of the RHP. Potential investors should not rely on the DRHP filed with SEBI for making any investment decision.

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