

Annual Report 2020-21

*For a better  
tomorrow.*

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(Consolidated)



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## *For a better tomorrow*

**FY 2020-21 was no doubt challenging, and the financial services sector in India was also hit hard, with increasing stress on balance sheets and asset quality. However, the proactive measures undertaken by the government and the Reserve Bank of India helped cushion the impact to a very large extent.**

**With the phased reopening of the economy, credit demand is likely to gain momentum and the pace and breadth of the vaccination drive offer some hope.**

During the year, we managed to protect the interests of all our customers, employees, investors and other stakeholders as the custodian of their precious trust. However, the uncertainty in the operating environment is still significant, and calls for appropriate due diligence.

Our priorities now comprise meticulous management of our portfolio in terms of accelerating collection efforts, restructuring of assets wherever required, optimising costs and supporting our employees and customers in these trying times.

The proposed reverse merger will entail a lot of changes, and it is crucial for us to ensure the interests of all stakeholders are taken care of.





## Corporate Identity

# A custodian of trust

Ujjivan Financial Services Limited (UFSL) is a Core Investment Company (NBFC-NDIS-CIC) registered with the Reserve Bank of India (RBI). Being a non-operating holding Company, its main objective is to carry on the business of making investments in the group company(ies). Both, the Company and its subsidiary 'Ujjivan Small Finance Bank', are led by highly governed and regulated Boards, and adopt high standards of corporate and social governance, which effectively paves the way for the trust of all the stakeholders including, but not limited to its customers, employees, shareholders, the regulators and the community at large.

UFSL commenced operations as an NBFC in 2005, to provide a full range of financial services to the 'economically active' underbanked/unbanked segment of the population, primarily based on the joint liability group-lending model for providing collateral-free, small ticket-size loans. It also offered individual loans to Micro and Small Enterprises (MSEs). UFSL adopted an integrated approach to lending, which combines a high customer touchpoint similar to microfinance, with the technology infrastructure and back-end support similar to a retail bank.

On October 7, 2015, UFSL received an in-principle approval from the RBI to set up a Small Finance Bank and floated its wholly owned subsidiary, Ujjivan Small Finance bank Limited (the Bank). UFSL transferred its business to the Bank, which subsequent to the RBI license, commenced its banking operations from February 1, 2017. As of March 31, 2021, UFSL holds 83.32% in the Bank.

As part of its ongoing CSR initiatives, UFSL has continued its partnerships for CSR projects during the year, by working closely with the Parinaam Foundation, and has delivered on several community development projects under the brand name 'Chote Kadam – Coming Together for Good'.

**83.32%**  
Holding in the Bank

## About our subsidiary

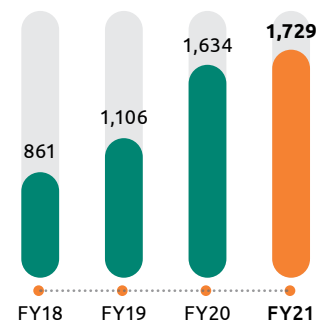
Ujjivan Small Finance Bank (material listed subsidiary of the company) serves over 59.2 lakh active customers through 575 branches and 16,571 employees, spread across 248 districts and 24 states and union territories in India. Its gross loan Book stands at ₹15,140 crore with a deposit base of ₹13,136 crore as of March 31, 2021.



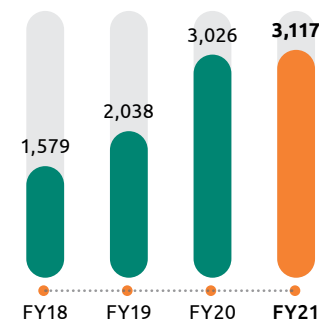


## Key Performance Indicators (listed subsidiary – Ujjivan Small Finance Bank)

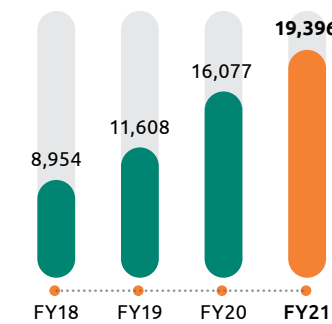
**NII**  
(₹ in Crores)



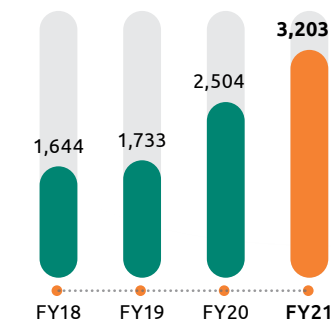
**TOTAL INCOME**  
(₹ in Crores)



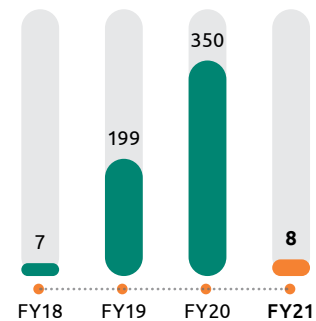
**AVERAGE TOTAL ASSETS**  
(₹ in Crores)



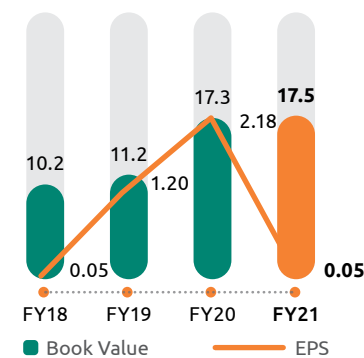
**AVERAGE NET WORTH**  
(₹ in Crores)



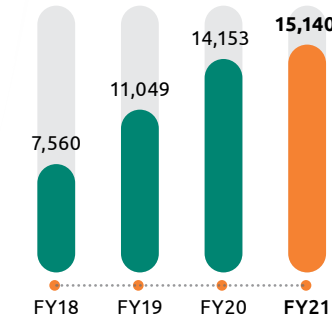
**PROFIT AFTER TAX**  
(₹ in Crores)



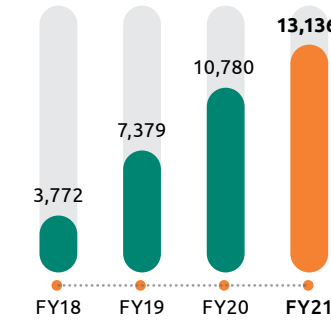
**BOOK VALUE PER SHARE AND EPS**  
(In ₹)



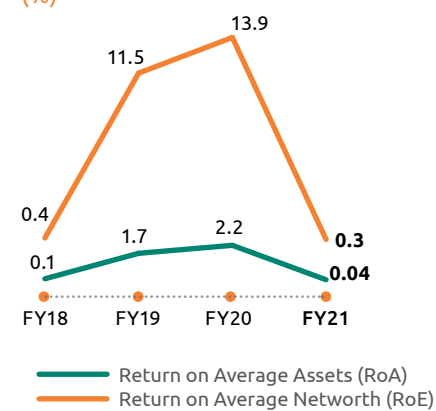
**ASSETS UNDER MANAGEMENT (AUM)**  
(₹ in Crores)



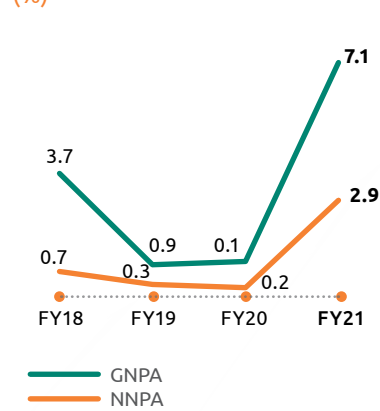
**TOTAL DEPOSITS**  
(₹ in Crores)



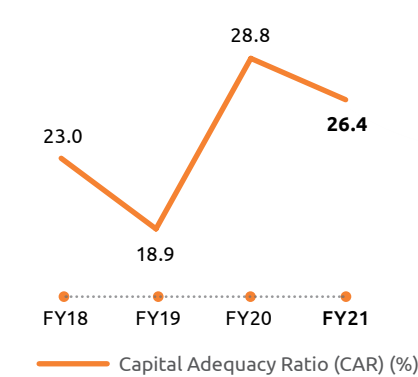
**ROA & ROE**  
(%)



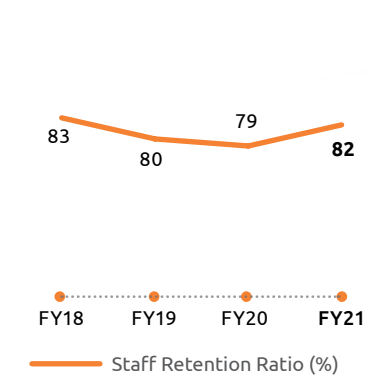
**GNPA & NNPA**  
(%)



**CAPITAL ADEQUACY RATIO**



**STAFF RETENTION RATIO**







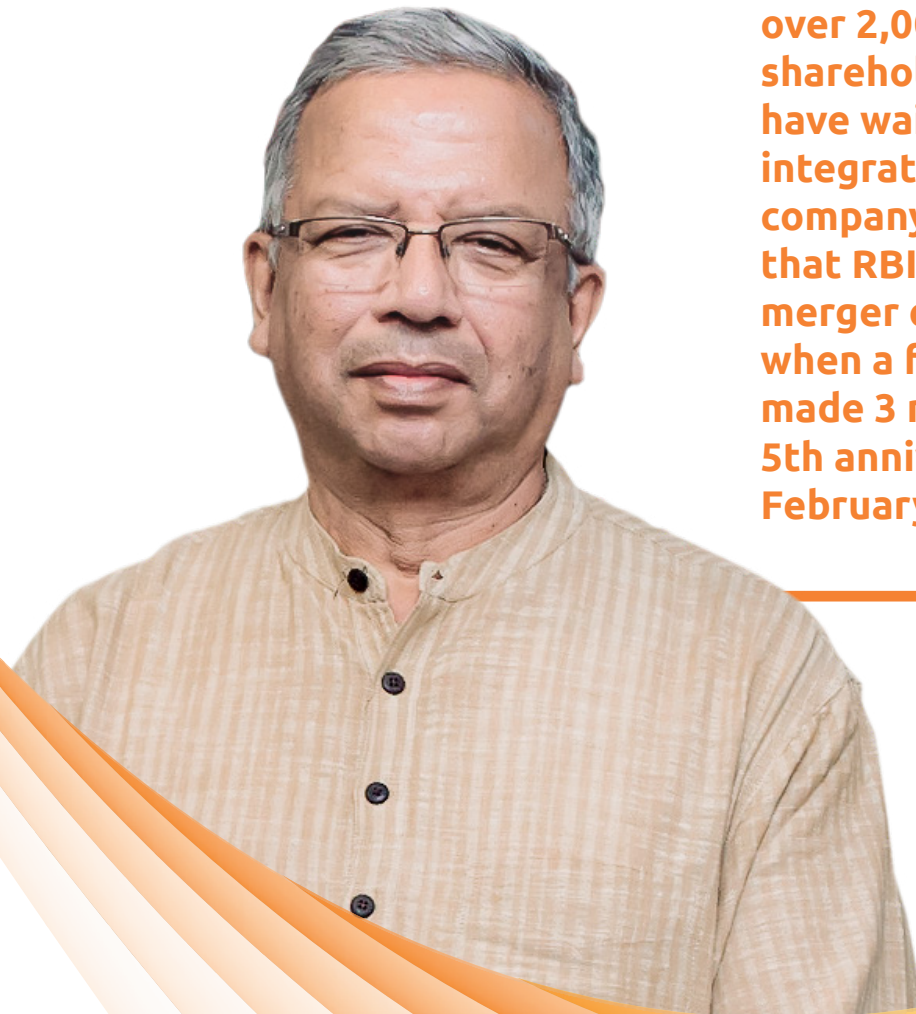
## Message from the Chairman

# Strengthening our way forward

“

As of now UFSL has over 1,00,000 shareholders and USFB over 2,00,000 both mainly small shareholders. UFSL shareholders have waited patiently for being integrated into the operating company and we are hopeful that RBI will permit the reverse merger of UFSL with USFB when a formal application is made 3 months prior to Bank's 5th anniversary, which is on February 01, 2022.

”



## Dear Shareholders,

The last year has been a very difficult one for all of us both economically and more important personally. I will not elaborate on the effects the pandemic had on the economy and society as these are well known. However, a prolonged crisis with repeated waves impacts our customers & our employees who are the vulnerable members of our society. We have lost 12 Bank staff and innumerable family members. As on August 25th 2021, the number of staff infected & recovered was 2576 and currently 76.4% of our staff has been vaccinated. The Quick Response Team (QRT) of the Bank has worked literally day & night for last 18 months to support the staff & their families for hospitalization, in case of bereavement and organize vaccinations. We on behalf of the UFSL Board would like to take pause to share the grief of the bereaved families & thank the work by the QRT members across the country.

### FINANCIAL RESULTS:

#### 1. Standalone (UFSL)

As you will be aware, Ujjivan Financial Services Limited (UFSL), is a non-operating holding company with sole 83.32% ownership of Ujjivan Small Finance Bank (USFB) and it does not have any other business interest. At standalone level, the income streams of UFSL include dividend income from investments held in its subsidiary, USFB and interest earned on fixed deposits invested with various banks. There was no dividend income received on its equity investment held in USFB since inception of the Bank including during the financial year 2020-21, due to restrictions on declaring dividend by banks as per Reserve Bank of India (RBI). We had invested ₹200 Crores in Preference Shares in the Bank. On this we had received dividend income of ₹11 crores in the previous financial year 2019-20. But for reasons mentioned earlier, no dividend income was received this year. However, UFSL closed on a standalone level with a profit after tax of ₹2.93 crores in comparison to ₹8.82 crores in previous year. This was from the interest income on bank deposits and a substantial reduction in expenses at standalone level during the year.

#### 2. Consolidated (UFSL with USFB)

UFSL's consolidated loss (which includes Bank's financials) under Ind-AS for the financial year 2020-21 stood at ₹239.11 crores vis-à-vis profit of ₹298.65 crores during the financial year 2019-20. The loss includes impairment on Financial Assets – Loans, based on Expected Credit Loss (ECL) provisions of ₹1,165.16 crores due to COVID-19 compared to ₹174.46 crores of provisions in previous year.

The Bank's operating profit under IGAAP, prior to provisioning, rose from ₹637.23 crores to ₹809.30 crores and net profit stood at ₹8.30 crores vis-à-vis net profit of ₹349.92 crores, in the previous year. Provisions on Gross Advances as per IGAAP books for the financial year 2020-21 were ₹798.96 crores vis-à-vis ₹170.99 crores in financial year 2019-20.

It is important to note that UFSL, as NBFC is required to prepare its financials as per Ind-AS and to provide for bad debt on the basis of ECL methodology, however the banks continue to provide under IGAAP. The difference between the provision under ECL methodology as per Consolidated Financial Statements under Ind-AS and provision as per Bank Standalone Financial Statements under IGAAP is due to the reason that ECL is computed on expected credit loss following a forward looking approach. This is arrived by discounting the future expected cash flows, whereas IGAAP provisioning is based on historical data prescribed by RBI's prudential norms. This is a rule based provisioning and based on the days past due data.

### COVID-19 RELIEF SUPPORT

Although our annual CSR obligations are very small from the financial year 2020-21 and onwards, during this hour of need, UFSL was willing to support few deserving medical institutions which are in the frontline of COVID-19 treatment for poor patients. Hence, considering UFSL's standalone profitability and eligibility, the Board of Directors of UFSL approved ₹50 lakhs fund for this purpose to be spent during the financial year 2021-22. Accordingly, we have identified and provided financial support to few hospitals across India to procure certain medical equipment and related items for treatment of COVID-19 patients with help of our CSR partner, Parinaam Foundation.

# ₹50 lakhs

## Fund approved by the Board of Directors of UFSL

### REVERSE MERGER AND CHANGES ON THE BANK BOARD INCLUDING MY INDUCTION AS A MEMBER

RBI through its communication dated July 9th, 2021 to the CEOs of Association of Small Finance Banks (SFBs) has conveyed its decision to permit SFBs and the respective holding companies to apply for amalgamation of the holding company with the SFB three months prior to the 5th anniversary of the Bank, subject of course to the entities complying with the all regulatory prescriptions. The completion of the process of reverse merger is likely to take one year from the time we get permissions from regulatory authorities including RBI, SEBI and NCLT.



As of now UFSL has over 1,00,000 shareholders and USFB over 2,00,000 both mainly small shareholders. UFSL shareholders have waited patiently for being integrated into the operating company and we are hopeful that RBI will permit the reverse merger of UFSL with USFB when a formal application is made 3 months prior to Bank's 5th anniversary, which is on February 01, 2022. With this perspective we must reflect on the shape of the integrated company USFB (as UFSL will cease to exist on completion of the said reverse merger). We would expect USFB to carry forward the values of the operating UFSL, in particular the financial inclusion and socio-economic goals, the people orientation towards employees and its customers.

In view of this significant positive development, the Board of the Company has recommended that I also serve on the Board of USFB as common director (RBI permits UFSL to have 3 common directors on USFB board) in addition to being the non-Executive Chairman of UFSL. The Board was of the view that my direct association on the Board of the Bank will be immensely beneficial for the whole Ujjivan group when the process of reverse merger is initiated. This is because of my relationship with shareholders & employees of both entities and also with the regulators. Also my long standing experience in the microfinance sector and USFB businesses would stand in good stead in guiding the bank management to steer through the severe credit crisis. Accordingly, under due process, I have also become a director on the Board of USFB effective from August 20, 2021 and I look forward to start my new journey as a Non-Executive member of the Bank Board.

Going forward some of the directors and KMPs of UFSL will also move to the Bank after the merger. The common trend is now to entrust the operations of a listed company more to the Board of Directors and less to the "promoter". A SEBI discussion paper suggests replacement of the concept of promoter to one of "Person in Control" based on shareholding and other factors. Today there is no dominant shareholder in UFSL or the bank (except UFSL). Even after the merger there will be no dominant shareholder in the merged entity. We at UFSL have worked collaboratively with USFB to structure the USFB Board with persons of integrity and relevant skill sets who are attuned to the goals and philosophy of Ujjivan.

As you would know Nitin Chugh, MD & CEO of the Bank has resigned effective Sep 30, 2021 due to personal reasons and Carol Furtado has been appointed as the Officer on Special Duty (OSD) who is leading the charge of handling day-to-day operations of the Bank from August 26, 2021.

Carol has been with Ujjivan since inception and has steered the organization in numerous occasions playing vital part across different roles in her long one and a half decade association. We believe she is an ideal candidate and very well equipped to handle the current covid situation with her all-round experience to handle business, operations and human resources. She has always been our go-to person during several difficult situations such as demonetization and Andhra crisis. She will be serving the Bank as 'OSD' until Nitin is in office. Post September 30 Carol will take charge as the Interim CEO. In the meanwhile, board will evaluate suitable candidates and submit two names to RBI for approval on the basis of which the new MD & CEO will be appointed. This process might take 3-4 months.

We are fortunate to have on the Bank Board Mr. B.A. Prabhakar, ex-CMD of Andhra Bank and Chairman of NSDL who has joined the Bank Board as an Independent Director and has been recommended to the RBI for his appointment as Part-Time Chairman of the Bank.

Ms. Sudha Suresh has also joined the Bank Board as a Non-Executive Director. She has been associated with Ujjivan for over 14 years and has served as the CFO and MD of the Holding Company during her tenure. She will add significant value to the Bank and will also play a pivotal role during the said reverse merger. Further, Mr. Ravichandran Venkataraman has joined as an Independent Director. He is an experienced finance, operations and banking professional and has a track record of 35 years and has a strong business background having worked with top business leaders across the globe. His multi-dimensional role covering both finance and IT will further strengthen the Bank Board.

As USFB is only over four years old as a bank, with the above inductions of new members including myself on the Bank Board, we have a blend of directors, who are seasoned bankers and professionals who will bring in perspectives of other institutions of repute and help achieve our mission to be the best digital mass market Bank. Finally, the Board of the merged entity will be responsible to the integrated base of shareholders going forward.

We must look into the future with optimism and we have always believed that we will prevail against all odds.

## BACKGROUND & LITTLE BIT HISTORY

It may be instructive at this time to look back briefly at our history of 16 years and see how we got here and where we are now

Ujjivan was founded by myself, as a microfinance company (NBFC-MFI) in 2005 and its initial capital of ₹2.43 Crores was subscribed by myself, my friends, colleagues and Bellwether Microfinance Fund. In 10 years it grew from strength to strength attracting capital mainly from international developmental financial institutions & private equity firms, as per the permitted levels. During this period, I coming from a professional banking background, got progressively diluted, as the capital requirement rose substantially as the business scaled up.

When we received the license to convert to a Small Finance Bank, one condition was that the bank had to have a promoter, who should be predominantly Indian and to be eligible UFSL applied to the RBI as the promoter of the proposed bank. This led to UFSL IPO in 2016 whereby the foreign holding was reduced below 50%. Many of you subscribed to the IPO and have held on to the share, sharing in the overall goal of the company as well as an investment. The operations were then spun off to the bank entity USFB in early 2017 and UFSL became a holding company, with USFB an unlisted subsidiary. As per RBI stipulations within three years and having a capital exceeding ₹500 Crore, USFB itself had to be listed and there was a successful IPO in end 2019. Thereafter USFB is a listed company although a subsidiary of UFSL. USFB is also governed by the Banking Regulation Act in terms of its ownership structure, number of independent directors, and other aspects. USFB is also governed by SEBI regulations. In the circumstances, UFSL although a promoter in concept is not what is generally understood as a promoter. For example it has only 26% voting rights (notwithstanding economic interest of 83%), half the bank directors have to be independent and only three directors can be common as between UFSL and USFB. All the directors and Key Management Professionals (KMPs) of UFSL are covered by the code of conduct as regards the sharing and dealing with any potential unpublished price sensitive information (UPSI).

However, financially the two companies are intertwined: the major asset of UFSL is shares (preference shares and equity) in USFB and UFSL depends on dividend from USFB to in turn declare any dividend to its shareholders. UFSL has bank deposits with USFB as well.

UFSL in itself has actually no effective promoter. The term promoter is defined variously under enactments from the technical (signing of memorandum of association, disclosure in prospectus or annual return) to the practical (control over the affairs of the company, control over the board of directors, binding advice, shareholders agreement).

However, in none of the statutes does the degree of shareholding come into play as defining a promoter, i.e. there is no minimum shareholding for a promoter to hold, nor is there any requirement to hold any share. There is a misconception in some quarters that the founder, myself is the promoter of UFSL. This is incorrect. I am only one of the directors of UFSL appointed by the shareholders like the other. A director appointed in a professional capacity is not a promoter. On the other hand to dispel a common impression, I have a very small shareholding in UFSL. RBI regulations require that the Managing Director of a bank cannot hold more than 50,000 shares or 10% of any company, whichever is lower. Hence I had to actually dilute my shareholding in UFSL to meet the said requirement. A significant part of the proceeds of the enforced sale of UFSL shares was invested by me in USFB, during the Bank IPO during my service as the MD & CEO of the Bank from February 2017 to November 2019.

## LOOKING AT THE YEAR AHEAD AND POTENTIAL SYNERGIES POST-MERGER

The pandemic is by no means over. We can breathe easy once the vaccination levels in India reach the threshold levels of 70-80%.

- Meanwhile we have to manage the credit crisis which hits our customers & our staff in waves. This means a close management of the portfolio in terms of collection, restructuring of loans and supporting our good customers with top ups & specialized government guaranteed loans. Secondly, we need to provide support to our customers & their families to get vaccinated at the earliest, which is the ultimate solution.
- It is important in a storm to hold the crew of the ship together with all hands on deck. We have unfortunately seen unprecedented high levels of attrition of staff at all levels across the organization. This must be stopped & the employees should be encouraged and motivated to operate with full confidence.
- Finally, it is important for UFSL & USFB to work in collaboration to ensure the reverse merger takes place and the shareholders' interest is duly taken care of.

**We look to the future with optimism.**

**Samit Ghosh, Chairman**  
August 25, 2021.





## Corporate Social Responsibility

# Committed to community well-being

Our development efforts target various social issues in the domains of providing access to free clean drinking water, healthcare, right to quality education and others, across India.

At UFSL, we began our social responsibility programmes in 2010, much before it was mandated by government policies; and today we undertake various programmes in collaboration with the Parinaam Foundation. During this year, we also provided a local community support wherein two non-profit organizations were identified and provide them a support package to fund their residents' requirements for few months.

## CHOTE KADAM

In association with the Parinaam Foundation, we have undertaken a Community Development Programme (CDP), Chote Kadam, which addresses critical community needs in the areas of education, healthcare, sanitation, public infrastructure and general community welfare activities across India. The programme is designed to work along with families, corporates, peers and knowledge partners, to bring greater transformation across neighbourhoods in India.

**Out of our Commitment and Amount funded to Parinaam Foundation towards Chote Kadam, Parinaam Foundation have spent Rs. 4.46 crores up till March 31, 2021**

₹ 2.81 lakhs CSR spent in FY 2020-21. It includes the carried forward amount of Rs. 0.10 Lakhs, which UFSL was unable to spend towards CSR obligation in the preceding financial years.



## Key Project Objectives

The project seeks to align with our mission to serve the unserved and underserved by:

- Serving needs of unserved and underserved beyond financial services
- Creating a connect and deeper understanding between Ujjivan and the community
- Addressing critical community needs in the areas of education, healthcare, sanitation and public Infrastructure across India

The programme deeply resonates with our purpose of enabling a better life for the unserved and underserved, and focuses on providing the marginalised communities with basic infrastructural facilities across India. During the year, we implemented several new projects in the areas of public infrastructure, health and education through the non-profit. We also worked with equal zeal towards maintaining the projects completed earlier, with a focus on maximising the use of recycled materials.

## CHOTE KADAM IMPACT Since August 2017

Project type	Number of projects	Number of beneficiaries <sup>1</sup>
Bus stops/bus sheds	18	826,342
Children's play area	5	11,400
Community development	7	41,750
Educational institute renovation	67	29,404
Healthcare centre renovation	14	3,72,181
Public toilets	1	583
Tree plantation	1	10,000
Road safety	1	20,000
Safe water access	10	91,617
Solar street lighting	6	26,185
Waste management	1	28,754
Old Age Home	1	35
Orphanage Development	1	16
Anganwadi	4	266
<b>Total</b>	<b>137</b>	<b>14,58,533</b>

<sup>1</sup> The beneficiary numbers are approximate values, the statistical data not being altogether complete.

## LOCAL COMMUNITY SUPPORT

This year Company followed a slightly different approach to provide direct community support and stay local in Bangalore. We identified an Old Age Home and an Orphanage and support was given to them for their monthly provision and other needs for few months.

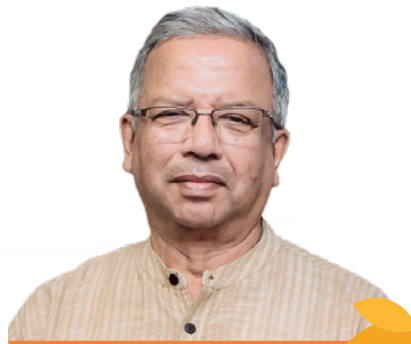
**Rs. 2.81 lakhs amount spent on local community support program including Rs. 0.28 lakh paid to Parinaam Foundation towards Academic Adoption program for poor kids.**







## Board of Directors



**Samit Ghosh**

Mr. Samit Ghosh is the Non-Executive Chairman of our Company. He founded the Company in 2004 and served as its MD & CEO until January 31, 2017. With the approval of the Reserve Bank of India, Mr. Samit Ghosh was designated and took charge as the MD & CEO of Ujjivan Small Finance Bank Limited (the listed subsidiary of the Company) effective from February 01, 2017 and he retired on November 30, 2019 from this position on attaining the age of 70 years. Prior to founding Ujjivan, Mr. Samit Ghosh was a career banker with over 30 years of experience in India & overseas with a specialization in retail banking. He was part of the management team which launched retail banking with Citibank in 1985, Standard Chartered Bank in 1993 and HDFC bank in 1996 and his last employment prior to founding Ujjivan was in Bank Muscat. He is also on the Boards of Ujjivan Small Finance Bank Limited and Parinaam Foundation as a Non-Executive Director. Mr. Samit Ghosh holds a master of business administration degree from the Wharton School of Business at the University of Pennsylvania.



**K.R. Ramamoorthy**

Mr. K.R Ramamoorthy is a Non-Executive, Independent Director of our Company. He holds a bachelor's degree in arts from Delhi University and bachelor's degree in law from Madras University. He is also a fellow member of the Institute of Company Secretaries of India. He is the former Chairman and Managing director, Corporation Bank and former Chairman & Chief Executive Officer, ING Vysya Bank. He has served as an advisor to CRISIL and as consultant to The World Bank. He serves as an independent director on the boards of Subros Limited, Nilkamal Limited and Amrit Corp. Limited.



**Abhijit Sen**

Mr. Abhijit Sen is a Non-Executive, Independent Director of our Company. He retired from Citibank N.A. India after serving for over 18 years, last position being Managing Director - Chief Financial Officer. He was also a director of Citicorp Services India Limited and other locally incorporated Citi entities. He currently serves on several boards including Trent Limited, Tata Investment Corporation Limited, Manappuram Finance Limited, Kalyani Forge Limited, Ugro Capital Limited and Pramerica Life Insurance Limited. He holds a bachelors honors degree in engineering from Indian Institute of Technology, Kharagpur and a post-graduate diploma in business management from Indian Institute of Management, Calcutta.



**Sunil Vinayak Patel**

Mr. Sunil Patel is a Non-Executive, Independent Director of our Company. He is a chartered accountant from the Institute of Chartered Accountants of India and is a certified management consultant from the Institute of Management Consultants' of India. He was previously consultant and Director of A.F. Ferguson & Co. and Partner, A.F. Ferguson Associates. He served as a director on the boards of L&T Investment Management Limited and retired as the part-time Chairman of Ujjivan Small Finance Bank Limited in January 2020. He was also on the Board of Ujjivan Financial Services Limited from 2006 till 2017 and on the Local Advisory Board of Bank Muscat India from 1998 to 2003. He holds a bachelor's degree in commerce from Bombay University and a master of business administration degree from the Wharton School, University of Pennsylvania.



**Mona Kachhwaha**

Ms. Mona Kachhwaha is a Non-Executive, Independent Director of our Company. She has over 25 years of financial services industry experience, which includes 12 years with Caspian Impact Investment Advisers (2007-2019) and 13 years with Citibank N.A. (1994-2007). At Caspian, she managed the India Financial Inclusion Fund, a USD 89 Million impact fund with a focus on financial inclusion. She has also been a part of investment and credit committees of other funds managed by Caspian. She is currently on the board of Aptus Value Housing Finance India Limited and is a designated partner in UC Investment Management LLP. She has graduated in Mathematics (Hons.) from Delhi University (1992) and holds an MBA from XLRI, Jamshedpur (1994). She completed an executive program in Private Equity from Said Business School, Oxford University in 2010.



**Anand Narayan**

Mr. Anand Narayan is a Non-Executive Director of our Company. He currently serves as Managing Partner of Creador India. He joined Creador in 2011. Prior to joining Creador, he was a Partner and Director of Veda Corporate Advisors Private Limited, where he was responsible for mergers and acquisitions, sponsor coverage of private equity firms and raising structured debt for a number of mid-market corporates. He had also served in Infrastructure Leasing & Financial Services as Vice President between 1994 -2006 and served various corporate entities like Zuari Agrochemicals and at Eicher Motors Ltd in the past in operational roles. Mr. Narayan holds an M.B.A. from IIM, Bangalore and graduated with honors in Mechanical Engineering from the National Institute of Technology, Jaipur. He is also a non-executive director in Ashiana Housing Limited and Redrock (India) Offshore Consultants Private Limited and is a designated partner of Creador Advisors India LLP.

Leadership Team



**Sanjeev Barnwal**  
*Company Secretary and  
Compliance Officer*

Sanjeev Barnwal is a qualified Company Secretary from the Institute of Company Secretaries of India and holds a Bachelor's degree in Law and a Diploma in Business Management. He also received NSE's Certification in Financial Markets (NCFM) for Compliance Officer (Corporate) Module. He has a corporate experience of over 17 years and prior to joining Ujjivan, he worked with SMC Capitals Limited as Associate Vice President and Company Secretary. He played a significant role in the IPO and listing of the Company and subsequently in the restructuring, incorporation, formation and listing of the Small Finance Bank. He has also worked with companies like CMC Limited and SBEC Sugar Limited previously.



**Barun Agarwal**  
*Chief Financial Officer*

Barun Agarwal is a chartered Accountant and has about 13 years of post-qualification experience. Previously he was with S. R. Batliboi & Associates LLP (EY network firm) wherein he primarily worked in Audit- Assurance service line as Senior Manager handling audits of listed, multinational as well as Indian companies in Healthcare, Manufacturing, Retail Apparel, Technology and other sectors. He has extensive experience in Ind-AS, previous Indian GAAP, Internal Control over Financial Reporting framework etc.

# Statutory and Financial reports



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- 179 Notice for the 17th Annual General Meeting**





## Management Discussion and Analysis

The Company, a RBI registered NBFC-Core Investment Company is the promoter of 'Ujjivan Small Finance Bank Limited' (hereinafter referred to as "USFB" or "the Bank"). The Company on a standalone basis has no operation of its own and derives its value primarily from its investments in USFB where it holds 83.32%.

### KEY HIGHLIGHTS PERTAINING TO THE CONSOLIDATED FINANCIALS (AS PER IND-AS) ARE GIVEN BELOW:

Particulars	(₹ in Crores)		
	FY 2020-21	FY 2019-20	y-o-y growth
Total Income	3,181.00	2,969.38	7.13%
Total Operational Expenses	3,500.32	2,553.47	37.08%
Profit/(Loss) Before Tax	-319.33	415.91	NA
Profit/(Loss) After Tax	-239.11	298.66	NA

**This report is being presented from the Bank perspective and highlights a synopsis of the banking industry, business and financials of the Bank which predominately dominates the consolidated financials and business of the Company; on a standalone basis the Company is a non-operating Company.**

### MACROECONOMIC INDICATORS

The growth in India's gross domestic product (GDP) during FY 2020-21 is estimated at -8.0% as compared to 4.0% in FY 2019-20. Asia's third largest economy was on the brink of an impending recession with contraction in GDP growth since Q3 FY20. Q1 FY21 witnessed severe slowdown across all sectors on account of the nation-wide lockdown to check the spread of the COVID-19 pandemic. The partial lifting of the lockdown across states saw gradual opening up of the economy and a semblance of growth returning across sectors from Q3. Cumulatively the Index of Industrial Production, (IIP) contracted by 7% in FY 2020-21 against a 0.7% growth in FY 2019-20. IIP had declined for five consecutive months from April to August in FY 2020-21, before returning to positive territory in September and October. India's current account balance deficit (balance of exports minus imports) recorded a deficit of 0.2% of GDP in Q3 FY21 after a surplus of 2.4% of GDP in Q2 FY21 and 3.7% of GDP in Q1 FY21 and a deficit of 0.4% of GDP in Q3 a year ago.

### BANKING INDUSTRY SCENARIO

Bank credit growth decelerated on the back of weak demand across all population groups (rural/ semi-urban/ urban/ metropolitan) on account of the lockdowns and restrictions due to rising infections and mortality rates during the second wave of the pandemic. Non-food credit growth of scheduled commercial banks (SCBs) decelerated to 4.9% in March 2021 as compared with 6.7% a year ago. Growth in credit by private sector banks decelerated considerably to 6.7% in December 2020 (13.1% a year ago), whereas that for public sector banks improved to 6.5% in December 2020 (3.7% a year ago). Credit growth in agriculture and allied activities accelerated to 12.3% in March 2021 from 4.2% in March 2020. The forecast of normal monsoon by the India Meteorological Department (IMD) augurs well for agriculture output and farm incomes. Credit growth to industry

decelerated to 0.4% in March 2021 from 0.7 % in March 2020. Credit to medium industries registered a robust growth of 28.8% in March 2021 as compared to a contraction of 0.7% a year ago. Credit growth to micro and small industries decelerated to 0.5% in March 2021 from 1.7% a year ago, while credit to large industries contracted by 0.8% as compared to a growth of 0.6% a year ago.

The RBI has announced additional measures to instil public confidence in the stability of financial systems in the midst of the uncertainties. To enable immediate liquidity for ramping up COVID-related healthcare infrastructure and services in the country, an on-tap liquidity window of ₹50,000 Crore with tenors of up to three years at the repo rate up to March 2022 was announced. Under the scheme, banks could provide fresh lending support to a wide range of entities focusing on Covid care with the additional advantage of PSL benefits for such lending till March 2022. To provide further support to small business units, micro and small industries, and other unorganized sector entities adversely affected during the current wave of the pandemic, special three-year long-term repo operations (SLTRO) of ₹10,000 Crore at repo rate for small finance banks (SFBs). Fresh lending of up to ₹10 lakh per borrower could be deployed till October 31, 2021. In view of the challenges brought on by the pandemic and to address the emergent liquidity position of micro finance institutions (MFIs), SFBs will be permitted to reckon fresh lending to smaller MFIs (with asset size of up to ₹500 Crore) for on-lending to individual borrowers as priority-sector lending up to Mar 2022. To incentivise credit flow to the micro, small and medium enterprise (MSME) borrowers, cash reserve ratio (CRR) exemption for MSMEs was extended up to December 31, 2021, from the current October 31, 2021, timeframe. Resolution Framework 2.0 was announced, allowing extension of tenor up to two years for restructured accounts under Resolution Framework 1 and opportunity for fresh invocation of restructure of standard cases as of March 2021 within September 2021 with a 90-day window for implementation. A one-time reassessment of working capital limits has also been allowed for small businesses and MSMEs restructured earlier. In order to mitigate the pandemic-related stress on banks and as a measure to enable capital conservation, banks are being allowed

to fully utilise floating provisions/countercyclical provisioning buffers as on December 31, 2020 to create specific provisions for non-performing assets with prior approval of their Boards up to March 2022. The additional measures also included rationalisation of KYC norms including extension of scope of Video KYC for better convenience. We believe that the measures announced will go a long way in sustaining the financial and systemic stability. There is limited visibility on the vaccination drive, demand conditions and the situation ahead. Overall, downside risks to domestic growth remain significant this year. After a largely depressed Q1, economic activity in Q2 may remain subdued due to the shock of the rising infection levels and associated collateral damage and restrictions, lockdowns and the temporary shortage of labour. Recovery in economic activity is expected to begin in Q3 and gain momentum in Q4 with mass-scale vaccinations and gradually revival of demand. In conclusion, the markets have remained resilient, liquid and stable, establishing conditions for a finance-led recovery of the economy ahead of the increase in demand.

### OUR BANK APPROACH TO CRISIS MANAGEMENT - COVID-19

A special committee of the Bank Board, Business Continuity Monitoring Committee, has been formed to advise, monitor and assess the social, financial, business, credit and risk impact under the current economic scenario.

Further, a Quick Response Team (QRT) was formed to monitor the situation and act as a task force as soon as the COVID-19 pandemic was reported in March 2020. The QRT played a pivotal role in providing various guidelines during the pandemic to our employees. It has been monitoring all government guidelines continuously across our offices and providing guidance to ensure the well-being of our employees and provide a safe working environment. The team regularly reviews the status of all COVID-infected cases of employees and their family members on a weekly basis with the regional committees. It also issued guidelines to be followed at the workplace. The QRT has established Three Mantras for the workplace: Health Mantra- Wash/Sanitise hands frequently, Safety Mantra- Maintain Social distancing and Secure Mantra- Wear the mask. Based on government guidelines and the volatile situation, the team monitored the manpower strength at offices. The State Level Bankers' Committees were consulted while implementing branch-level guidelines.

During the uncertain initial stage of the pandemic, Bank provided financial support to affected employees through grants. Around 800 employees benefited through this support. To monitor the health of employees on a daily basis, a platform, Aarogya Ujjivan, was created for employees to provide inputs towards the daily health survey. With the help of this survey, employees with existing illness were identified and advised precautionary measures. Employees were instructed to work from home (WFH) or opt for leaves based on their health conditions. 'Doctor on call', and 'Doctor on-site' facilities were provided for all employees who required consultation services. In addition, AI-based chest X-Ray analysis for COVID-19 screening was available at the corporate office to

identify early stages of the infection along with abnormalities in the respiratory system. In order to boost immunity, homeopathic medicines were distributed to all employees. A covid task force was set up to handle the emergency requirements of our staff and their families. To spearhead the immunization program for our staff and their families, we set up vaccination camps at our head office and regional office premises and also facilitated vaccination camps in partnerships with local NGOs. We shall also reimburse the vaccination expenses for our staff as our commitment to ensuring a safe and secure work environment.

### OPPORTUNITIES

In the wake of second Covid wave, the RBI announced a slew of measures to infuse liquidity in the system. A total of ₹50,000 Crore of immediate liquidity has been provided for ramping-up healthcare infrastructure and services in the country. RBI will conduct special three-year long-term repo operations (SLTRO) of ₹10,000 Crore at repo rate for the SFBs. It has also given permission to classify the fresh lending to MFIs by SFBs as priority-sector lending. Relief to the most vulnerable category of borrowers—Individuals, small businesses and MSME borrowers—has been proposed in the form of restructuring of loans. The borrowers having loans up to ₹25 Crore, which were classified 'Standard' as on March 31, 2021 and have not availed restructuring under any of the earlier restructuring frameworks, can now invoke the framework up to September 30, 2021 and implement within the next 90 days. With respect to individual borrowers and small businesses who have availed restructuring of their loans under Resolution Framework 1.0, where the resolution plan permitted moratorium of less than two years, lending institutions are permitted to modify such plans to the extent of increasing the period of moratorium and/or extending the residual tenor up to a total of two years. For small businesses and MSMEs restructured earlier, lending institutions are also being permitted, as a one-time measure, to review the working capital sanctioned limits based on a reassessment of the working capital cycle and margins among other factors.

**The unserved and underserved middle- and low-income families:** They offer a great growth potential and represent a large addressable market, besides being the fastest-growing economically active demography in the country. With headroom for a lot of players, differentiated low-cost products and services that are tailored to customer needs and convenience have become key to leveraging the vast target market.

**Our expanding branch network and Unbanked Rural Centres (URCs):** We have a wide network of 575 banking outlets, including 144 outlets in Unbanked Rural Centres (URC) where the Bank is the sole provider of banking services. We are present across 24 states with a good mix of metro, urban, semi-urban and rural areas. As an aspiring mass market bank, the rural and semi-urban centres offer greater opportunity to bring large number of customers under the umbrella of our services. In FY 2021-22, we will expand our network to new geographies as well as deepen our penetration in existing geographies.