

Delivering value  
**RESPONSIBLY**

# Across the Pages

## 02-13

### Corporate Overview

Corporate Identity .....	02
Key Performance Indicator .....	04
Chairman’s Message .....	06
Meet our Board of Directors .....	10
Leadership Team .....	12

## 13-81

### Statutory Reports

Management Discussion and Analysis .....	13
Board’s Report .....	19
Corporate Governance Report .....	46
Business Responsibility & Sustainability Report .....	62

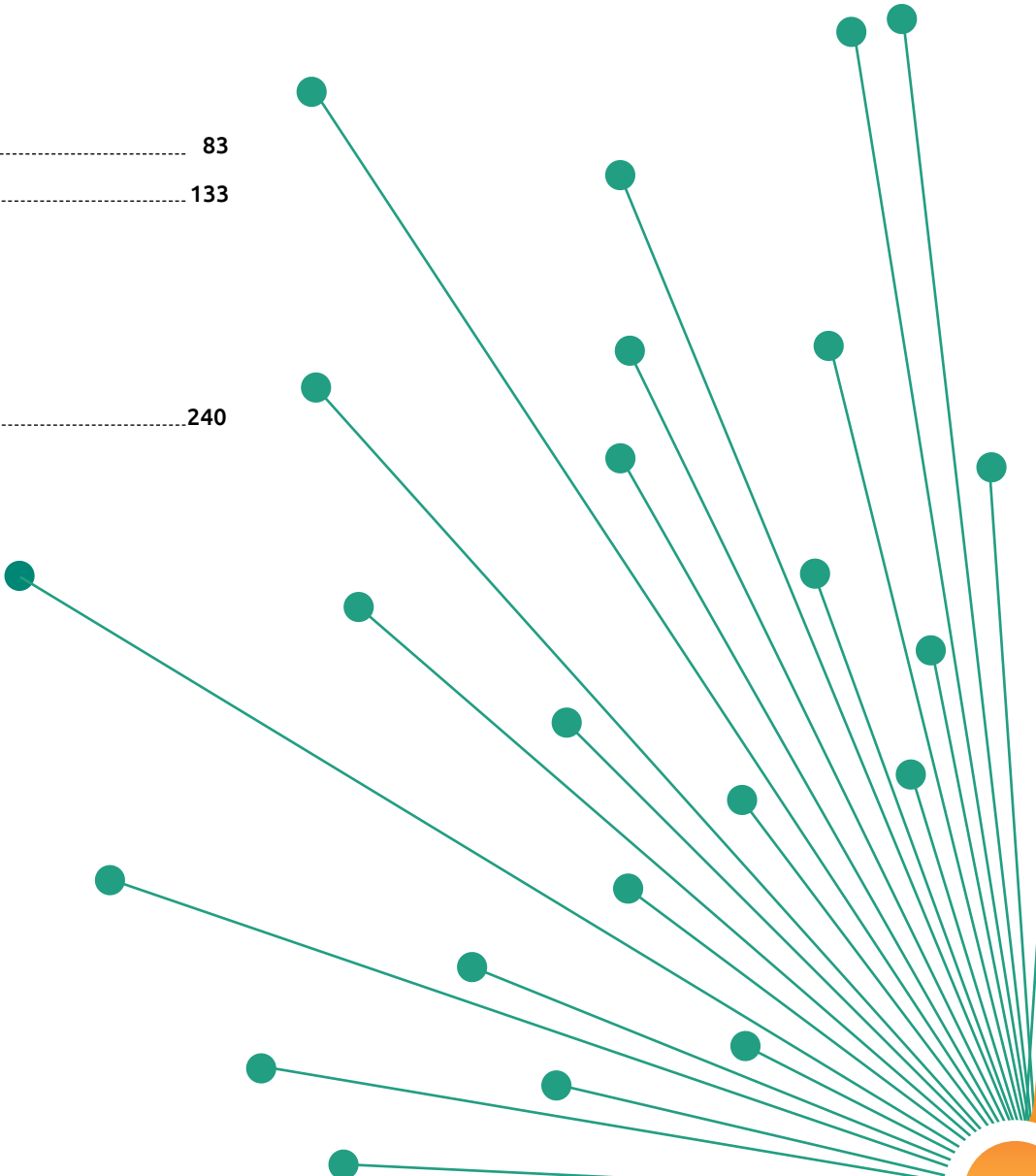
## 83-239

### Financial Statements

Standalone .....	83
Consolidated .....	133

## 240-247

Notice .....	240
--------------	-----






# Delivering value **RESPONSIBLY**

Nearly two decades ago, we embarked on a meaningful journey as an NBFC, fuelled by our mission to drive India's inclusive growth agenda. Armed with a deep understanding of the unbanked and underbanked segments, we laid the groundwork for the establishment of Ujjivan Small Finance Bank, a mass market institution.

The ongoing merger process upon completion will entail an emergence of consolidated organisation with better stakeholder management to serve the masses. Our legacy of unwavering pursuit will further strengthen the bed rock of trust and continue to deliver value responsibly.



# CUSTODIANS OF SUSTAINABLE VALUE CREATION

**Ujjivan Financial Services Limited ('UFSL' or 'the Company') is a Core Investment Company (NBFC-NDSI-CIC) registered with the Reserve Bank of India (RBI). As a non-operating holding company, its main objective is to engage in 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 they adhere to high standards of corporate and social governance. This effectively fosters trust among all stakeholders, including but not limited to customers, employees, shareholders, regulators, and the community at large.**

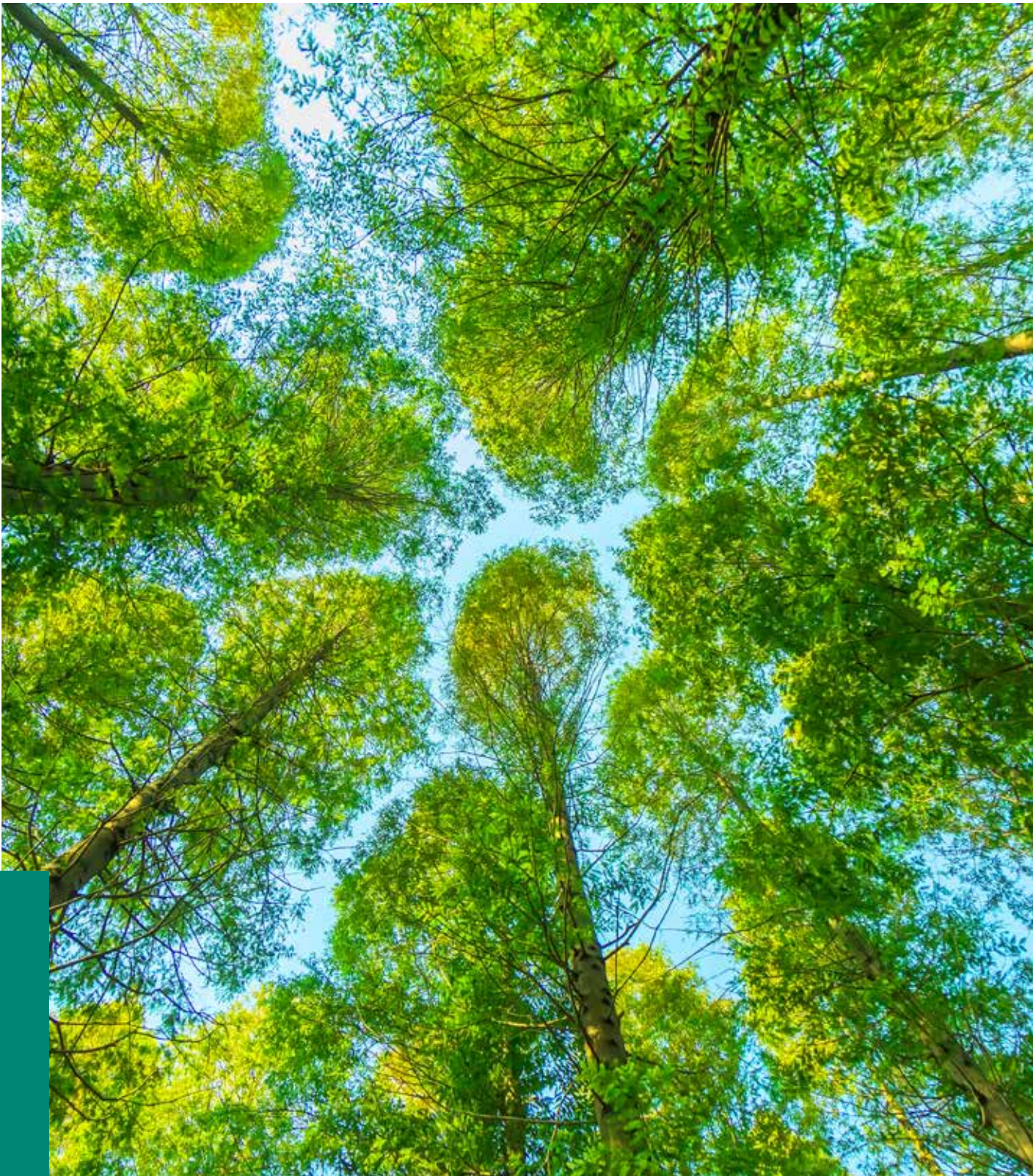
UFSL commenced operations as an NBFC in 2005, offering a comprehensive range of financial services to the economically active underbanked/unbanked segment of the population. It primarily relied on the joint liability group-lending model to provide collateral-free, small-ticket-size loans. Additionally, UFSL extended individual loans to Micro and Small Enterprises (MSEs). UFSL adopted an integrated approach to lending, combining a high customer touchpoint similar to microfinance with the technological infrastructure and back-end support of a retail bank.

On October 7, 2015, UFSL received in-principle approval from the RBI to establish a Small Finance Bank and established its wholly-owned subsidiary, Ujjivan Small Finance Bank Limited (the Bank). UFSL transferred its business to the Bank, which commenced its banking operations on February 1, 2017, following the issuance of the RBI license. As of March 31, 2023, UFSL held 73.67% stake in the Bank. During the year under review, UFSL has continued its corporate social responsibility (CSR) activities and has granted ₹5.00 Lakhs to Chinchpada Christian Hospital, a charitable organisation providing medical assistance to poor patients.

## About Our Subsidiary: Ujjivan Small Finance Bank

Ujjivan Small Finance Bank (material listed subsidiary of the Company) serves over 76.9 Lakhs customers through 629 banking outlets and 17,870 employees, spread across 271 districts and 25 states and union territories in India. Its gross loan Book stands at ₹ 24,085 Crores with a deposit base of ₹ 25,538 Crores as of March 31, 2023.







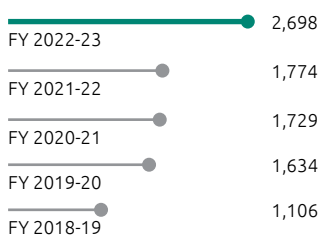
## Key Performance Indicators

# FIVE-YEAR PERFORMANCE

(Listed subsidiary – Ujjivan Small Finance Bank)

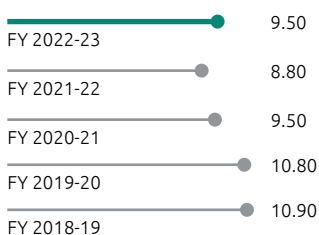
### Net Interest Income (NII)

(₹ in Crores)



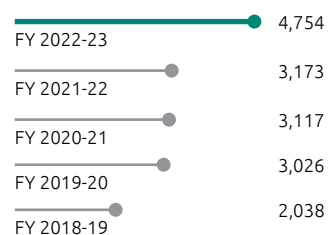
### Net Interest Margin

(in %)



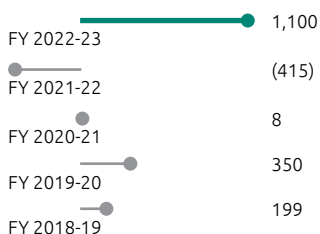
### Total Income

(₹ in Crores)



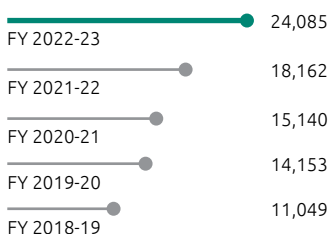
### Profit after Tax

(₹ in Crores)



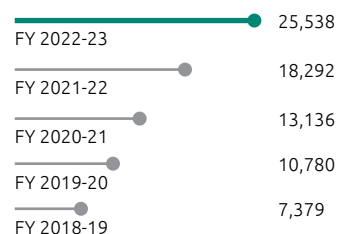
### Assets Under Management (AUM)

(₹ in Crores)



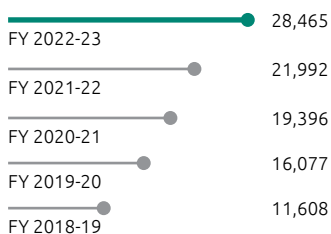
### Total Deposits

(₹ in Crores)



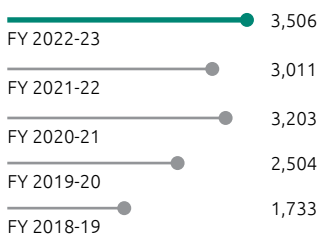
### Average Total Assets

(₹ in Crores)



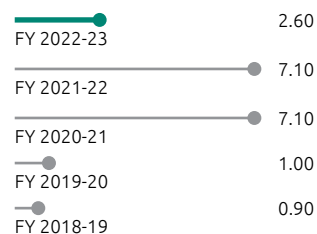
### Average Net Worth

(₹ in Crores)

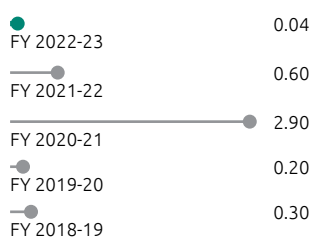


### GNPA

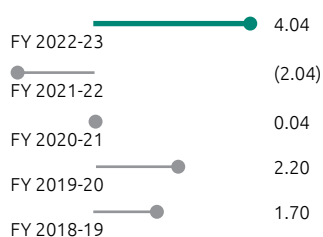
(in %)



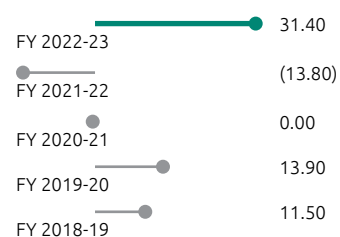
### NNPA (in %)



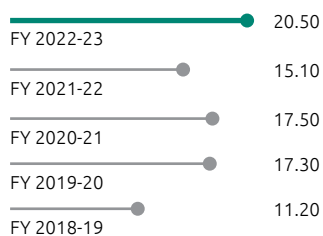
### RoA (in %)



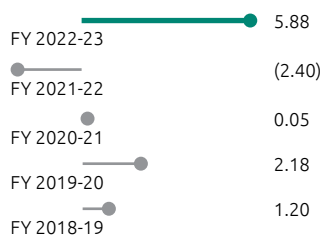
### RoE (in %)



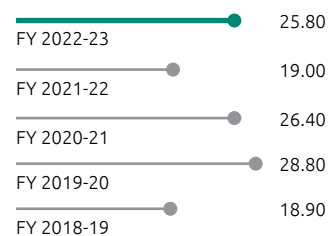
### Book Value per Share (in ₹)



### EPS (in ₹)



### Capital Adequacy Ratio (in %)



## DELIVERING WITH FOCUS AND FORESIGHT

“

It is with immense pride that I present to you the FY 2022-23 Annual Report. Ujjivan, as a group, and especially our subsidiary, Ujjivan Small Finance Bank (the Bank), have displayed tremendous turnaround in the previous year.

”





## Dear Stakeholders,

It is with immense pride that I present to you the FY 2022-23 Annual Report. Ujjivan, as a group, and especially our subsidiary, Ujjivan Small Finance Bank (the Bank), have displayed tremendous turnaround in the previous year. As you are aware, the Bank has delivered a stellar performance in terms of asset and deposit book growth, strengthened and introduced a robust underwriting framework to improve its asset quality, and has become the second most profitable small finance bank. We have emerged stronger from the impacts of the pandemic and the issues emanating from it.

## Interim Dividend

To share this joyous feat, we have also rewarded our shareholders who continued to believe in us and extended their support during tough times by declaring and paying a handsome interim dividend of ₹ 5 per equity share. This amount is almost equivalent to 60% of the permitted Profit After Tax (PAT) by regulation for a Core Investment Company.

## Financial Results

### Standalone Results

In the FY 2022-23, Ujjivan Financial Services Limited (UFSL) reported a healthy standalone PAT of ₹ 108 Crores, up from ₹ 2 Crores in FY 2021-22. UFSL, being a non-operating core investment company of the Bank, has no other business interest apart from holding investments in preference and equity shares and fixed deposits. Our surge in profitability was predominantly due to the dividend income amounting to ₹ 119 Crores received from our subsidiary. Furthermore, as interest rates across the industry remained elevated, we were able to earn higher interest income from our fixed deposits, which further contributed to our profits.

### Consolidated Results

UFSL's consolidated results, largely driven by the Bank's performance, showcased robust profitability owing to the strong all-round performance of the Bank in the previous financial year. On a consolidated basis, UFSL reported an

unprecedented net profit of ₹ 1,140 Crores, compared to a loss of ₹ 230 Crores in FY 2021-22. The consolidated results were prepared based on IND-AS, resulting in a positive variance compared to the Bank's net profit, which is prepared based on I-GAAP norms. The difference is largely due to upfront income recognition on securitised assets and lower provisioning in IND-AS results.

### Turnaround Year - Path to a Profitable Mass Market Bank

Ujjivan Small Finance Bank started FY 2022-23 on a strong note, and the business momentum continued, picking up pace in the last quarter of FY 2021-22. The Bank's management guided for a 30% asset book growth at the start of the year, and this target was achieved due to the well-concerted efforts of the Bank. We ended the year with an asset book size of ₹ 24,085 Crores, growing by 33% on a yearly basis. Overall, FY 2022-23 has been a strong comeback year for Ujjivan, creating a solid platform for the next growth cycle.

During the year, our subsidiary Bank delivered on all fronts, not only crossing the ₹ 1,000 Crores mark for yearly profits but also expanding its presence across the country by adding one new state to its network. Telangana became the 25<sup>th</sup> state for Ujjivan SFB to expand its reach, and 54 new branches were added, taking the total branch count to 629.

Our focus was not limited to asset book growth and branch expansion. The deposit book also displayed strong traction, registering a 40% year-on-year growth to ₹ 25,538 Crores. Our push towards creating a sticky and granular Current Account Savings Account (CASA) base performed equally well, growing at 35% year-on-year and now forming 26% of total deposits. Along with a special focus on customer service, the Bank offered alternative service channels like video banking and phone banking to further enhance engagement and improve convenience for its customers. All these efforts resulted in a multi-fold increase in the Bank's customer base, which now serves over 76 Lakh customers.

Bracing the impact of COVID-19, the Bank was saddled with abnormally high non-performing assets and higher

credit costs in FY 2021-22. In order to regularise the entire portfolio, special efforts were deployed under the scope of a 100-day plan to improve collections and asset quality. These efforts paid off, and the results were visible in FY 2022-23. The Gross Non-Performing Assets (GNPA) ratio came down to 2.6% from 7.1% at the beginning of the year, while the Net Non-Performing Assets (NNPA) also declined to a remarkably low level of 0.05% by the end of the year. Collections improved substantially, with Non-Delinquent Account (NDA) collections climbing back to pre-COVID levels, and overall collection efficiency hovering around the 100% mark. Even the restructured book declined steeply and now represents a minuscule portion of the asset portfolio. Furthermore, strong collection efforts were also evidenced by higher recoveries and upgrades compared to the slippages witnessed during the entire year. This turnaround was a result of a well-charted roadmap laid down by the wwBank, guided by its persistent collection strategy, coupled with the right mix of on and off-roll collection teams, equally assisted by the information sourced from the data analytics team.

FY 2022-23 was a year of milestones for the Bank, despite various microeconomic and geopolitical challenges in the economy. The business environment remained dynamic and complex due to high inflation, leading to a rise in interest rates, and policy changes impacting Microfinance Institution (MFI) credit norms. Nevertheless, the Bank stayed its course and delivered results in line with the guidance. The cost of funds remained high for the full year, but the Bank maintained Net Interest Margins (NIMs) at 9.5%. The cost-to-income ratio was within the range and came in at 55% for the full year, much lower than the previous year, despite continued investments in infrastructure. All of this summed up the most profitable year for the Bank, achieving a PAT of ₹ 1,100 Crores for the full year. To celebrate this success, the Bank declared and paid its maiden equity dividend of ₹ 0.75 per share in the interim and recommended a final equity dividend of ₹ 0.50 per share.

### Other Notable Achievements

During the year under review, the Bank launched 'Hello Ujjivan,' a futuristic mobile banking app targeting non-tech-savvy customers. This app aims to increase digital penetration among customers by assisting them with

their banking transactions and offering voice and video assistance in 9 languages. It was well received by our customers, with total downloads crossing 1.3Lakhs in a span of a few months.

The Bank also raised funds through sub-debt and the issuance of fresh equity. This significantly enhanced the liquidity in the Bank, fuelling the growth engine. The equity raise also helped meet the minimum public shareholding (MPS) requirement, a prerequisite for the amalgamation process.

### Reverse Merger

Post the MPS compliance, a SEBI requirement, the boards of both entities approved a revised scheme of amalgamation and submitted it to the regulators. As of now, we have received no-objection letters from RBI, NSE, and BSE, allowing us to proceed with the amalgamation process, subject to fulfillment of certain conditions, including availing NCLT approval. In compliance with this condition, both companies have submitted a joint application with the Honourable NCLT, Bengaluru bench and are awaiting further directions.



**We constantly strive to be a responsible corporate citizen by aligning our CSR values with our corporate objectives. The Company's philanthropic nature compels it to serve the needy and eradicate issues affecting the underprivileged masses of society.**

