

Proxy Advisory Report (Addendum) Ujjivan Small Finance Bank Ltd

BANK INFORMATION	MEETING DETAILS	E-VOTING DETAILS
BSE CODE: 542904 NSE SYMBOL: UJJIVANSFB ISIN: INE551W01018 Industry: Other Bank Email: corporatesecretarial@ujjivan.com Phone: 080-40712121 Registered Office: Grape Garden, No. 27, 3rd "A" Cross, 18th Main, 6th Block, Koramangala, Bengaluru – 560 095, Karnataka, India	Meeting Type: AGM Meeting Date: 27 th September, 2021 at 03:30 PM Venue: Video Conferencing (VC) / Other Audio Visual Means (OAVM) Notice Date: 25 th August, 2021 Notice: Click here Annual Report: FY 2020-21 (Updated as on 15 th September, 2021) SES PA Report (AGM 2021): Report	e-Voting Platform: KFintech Cutoff Date: 20 th September, 2021 Remote E-voting Start: 23 rd September, 2021 Ends: 26 th September, 2021

RESEARCH ANALYST: MANSHI SINGH

This Addendum is issued based on e-mail dated 15th September, 2021 sent by Ujjivan Small Finance Bank Ltd ('the Bank') w.r.t. Proxy Advisory Report ('PA Report') issued by SES in relation to the ensuing Annual General Meeting (AGM) of the Bank to be held on 27th September, 2021.

There is a change in SES recommendation, since, the Bank has provided relevant information.

Resolution #1 from **AGAINST to **FOR**.**

Apart from this there is no change in any of other resolution.

BACKGROUND

SES, as per its policy, had e-mailed its Proxy Advisory Report (PA Report) to the Bank on 13th September, 2021 in respect of AGM of the Bank.

Post release of PA Report, SES received an email from the Bank. The Bank sent an email providing its view point, which is reproduced at the last in [blue text](#) along with the SES Response.

SES COMMENTS TO BANK RESPONSE

[Adoption of financial statements](#)

SES Observations- *The Bank has not disclosed Auditor's Report along with financial statements in its Annual Report 2020-21.*

Bank's Response- *We understand that the Statutory Auditors' Report is an integral part of the financial statements and should be part of the Annual Report before its dispatch to the Shareholders to enable them to make an informed decision.*

The Statutory Auditors' Report was not included in the previous version of the aforesaid Annual Report inadvertently and now the same forms part of the updated Annual Report. We regret the unintentional error.

This is to confirm that M/s. MSKA & Associates, Chartered Accountants (FRN:105047W), Statutory Auditors have expressed unqualified and unmodified opinion in their Audit Report dated May 18, 2021 for the FY 2020-21.

The updated version of Annual Report for the FY 2020-21 containing, inter-alia, the Statutory Auditors' Report, has been filed with the stock exchanges today.



The eligible shareholders can access the updated copy of the Annual Report for the Financial Year 2020-21 by clicking the same link provided in our email sent to them on September 03, 2021.

Request you to modify your voting recommendation accordingly.

SES Comment: The Bank had not disclosed the Auditor's Report in its Annual Report 2020-21. Since the same is now included and uploaded on the website of the Stock Exchanges, the concern raised by SES stands addressed and therefore **SES is changing its recommendation on resolution #1 from AGAINST to FOR.**

Regularization of appointment of Mr. Umesh Bellur as an Independent Director in the ensuing AGM of the Bank scheduled to be held on September 27, 2021

SES Observations- Why the Bank has not proposed the appointment of Mr. Umesh Bellur as the director of the Bank, when an additional director is appointed just for that purpose.

Bank's Response- The Bank had received a letter dated August 12, 2021 from Mr. Umesh Bellur expressing his unwillingness to be appointed as an Independent Director in the ensuing AGM of the Bank. Therefore, his appointment was not proposed by the Bank in the ensuing AGM. Mr. Umesh Bellur shall hold office until the date of AGM i.e. September 27, 2021.

SES Comment: Shareholders may take note of the same. Having said that as a good governance practice the Bank should have disclosed this in its Annual Report for the sake of information to the Shareholders. AGM Notice is dated 25th August, 2021 and the Bank received such intimation from the director on 12th August, 2021. Certainly, the Bank could have shared the same.

Further, Schedule IV of the Companies Act, 2013 states that:

IV. (2) *The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.*

As per the above clause, appointment of an Independent Director has to be approved by the Shareholders. The Bank had appointed Mr. Umesh Bellur as an Additional Director (Independent) with effect from March 13, 2021 till the ensuing AGM of the Bank, unless this term is approved by the shareholders of the Bank, SES is of the opinion that he cannot be considered Independent for the time he was a director in the Bank.

Appointment of Mr. Prabal Kumar Sen and Ms. Chitra Kartik Alai before IPO of the Bank.

SES Observations- Not clear whether such appointment was approved by shareholders or not.

Bank's Response-

Mr. Prabal Kumar Sen:

Mr. Prabal Kumar Sen was appointed as an Independent Director of the Bank by the shareholders in Extra-Ordinary General Meeting held on December 30, 2016 for 5 consecutive years commencing from January 16, 2017 to January 15, 2022.

Ms. Chitra Kartik Alai:

Ms. Chitra was appointed as a Nominee Director of the Bank pursuant to Small Industries Development Bank of India ("SIDBI") letter bearing reference number SFB/01020/UJSFB/ND dated May 09, 2019 w.e.f. May 09, 2019.

We hereby inform you that pursuant to the aforesaid letter and provisions of SIDBI Act, 1989, as amended and Section 161(3) of the Companies Act, 2013, her appointment does not require shareholders' approval.

SES Comment: Shareholders may take note of the same.

The Bank has disclosed that "The ratio of the remuneration of each director to the median remuneration of the employees of the Bank for the FY 2020-21 – 55.12x".

SES Observations- Name of such directors not disclosed



Bank's Response- We hereby inform you that the Bank has paid remuneration to only Mr. Nitin Chugh, Managing Director and CEO who was the only Executive Director as on March 31, 2021.

The Bank has paid only sitting fee to all the other directors.

We have mentioned the name of Mr. Nitin Chugh under the disclosure of "percentage increase in remuneration of each director" in Annexure-1 of Directors' Report.

Therefore, the "ratio of the remuneration of each director to the median remuneration of the employees of the Bank for the FY 2020-21" is w.r.t. Mr. Nitin Chugh only.

SES Comment: Shareholders may take note of the same.

Disclosure of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanation

SES Observations- The Bank has disclosed the Key Financial Ratios in Annual Report 2020-21 but has not discussed the changes in ROE.

Bank's Response- We hereby inform you that ROE of the Bank stands 0.30% as on March 31, 2021 and 13.90% as on March 31, 2020.

The reduction in ROE is on account of lower net profit of the Bank during the FY 2020-21.

SES Comment: While, the Bank has stated the reason, SES is of the opinion that such reasons is of no use to shareholders, since shareholders can also see that Net Profits is lower.

The intention of the law is to communicate the reasons behind significant shift in ratios and not mathematical explanation of numerator / denominator. SES is of the view that the Bank should explain what has caused Net Profit to decrease rather than stating ROE is lower due to lower profits.

BANK'S E-MAIL DATED 15TH SEPTEMBER 2021 TO SES

We appreciate and take cognisance of your views/recommendations made on the agenda items and other information as listed on your report and in lieu, we wish to submit our responses as detailed below:

SR. NO	Particulars	SES Observations	Bank's Response
1	Adoption of financial statements	The Bank has not disclosed Auditor's Report along with financial statements in its Annual Report 2020-21.	<p>We understand that the Statutory Auditors' Report is an integral part of the financial statements and should be part of the Annual Report before its dispatch to the Shareholders to enable them to make an informed decision.</p> <p>The Statutory Auditors' Report was not included in the previous version of the aforesaid Annual Report inadvertently and now the same forms part of the updated Annual Report. We regret the unintentional error.</p> <p>This is to confirm that M/s. MSKA & Associates, Chartered Accountants (FRN:105047W), Statutory Auditors have expressed unqualified and unmodified opinion in their Audit Report dated May 18, 2021 for the FY 2020-21.</p> <p>The updated version of Annual Report for the FY</p>



			<p>2020-21 containing, inter-alia, the Statutory Auditors' Report, has been filed with the stock exchanges today.</p> <p>The eligible shareholders can access the updated copy of the Annual Report for the Financial Year 2020-21 by clicking the same link provided in our email sent to them on September 03, 2021.</p> <p>Request you to modify your voting recommendation accordingly.</p>
2	<p>Regularization of appointment of Mr. Umesh Bellur as an Independent Director in the ensuing AGM of the Bank scheduled to be held on September 27, 2021</p>	<p>Why the Bank has not proposed the appointment of Mr. Umesh Bellur as the director of the Bank, when an additional director is appointed just for that purpose.</p>	<p>The Bank had received a letter dated August 12, 2021 from Mr. Umesh Bellur expressing his unwillingness to be appointed as an Independent Director in the ensuing AGM of the Bank.</p> <p>Therefore, his appointment was not proposed by the Bank in the ensuing AGM.</p> <p>Mr. Umesh Bellur shall hold office until the date of AGM i.e. September 27, 2021.</p>
3	<p>Appointment of Mr. Prabal Kumar Sen and Ms. Chitra Kartik Alai before IPO of the Bank.</p>	<p>Not clear whether such appointment was approved by shareholders or not.</p>	<p>Mr. Prabal Kumar Sen:</p> <p>Mr. Prabal Kumar Sen was appointed as an Independent Director of the Bank by the shareholders in Extra-Ordinary General Meeting held on December 30, 2016 for 5 consecutive years commencing from January 16, 2017 to January 15, 2022.</p> <p>Ms. Chitra Kartik Alai:</p> <p>Mr. Chitra was appointed as a Nominee Director of the Bank pursuant to Small Industries Development Bank of India ("SIDBI") letter bearing reference number SFB/01020/UJSFB/ND dated May 09, 2019 w.e.f. May 09, 2021.</p> <p>We hereby inform you that pursuant to the aforesaid letter and provisions of SIDBI Act, 1989, as amended and Section 161(3) of the Companies Act, 2013, her appointment does not require shareholders' approval.</p>
4	<p>The Bank has disclosed that "The ratio of the remuneration of each director to the median remuneration of the employees of the Bank for the FY 2020-21 – 55.12x".</p>	<p>Name of such directors not disclosed.</p>	<p>We hereby inform you that the Bank has paid remuneration to only Mr. Nitin Chugh, Managing Director and CEO who was the only Executive Director as on March 31, 2021.</p> <p>The Bank has paid only sitting fee to all the other</p>



			<p>directors.</p> <p>We have mentioned the name of Mr. Nitin Chugh under the disclosure of “percentage increase in remuneration of each director” in Annexure-1 of Directors’ Report.</p> <p>Therefore, the “ratio of the remuneration of each director to the median remuneration of the employees of the Bank for the FY 2020-21” is w.r.t. Mr. Nitin Chugh only.</p>
5	<p>Disclosure of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations.</p>	<p>The Bank has disclosed the Key Financial Ratios in Annual Report 2020-21 but has not discussed the changes in ROE.</p>	<p>We hereby inform you that ROE of the Bank stands 0.30% as on March 31, 2021 and 13.90% as on March 31, 2020.</p> <p>The reduction in ROE is on account of lower net profit of the Bank during the FY 2020-21.</p>

We request you to kindly take note of the above and modify your report accordingly.



Disclaimer**Sources**

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders' Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

Disclaimer

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This report in no manner constitutes an offer, solicitation or advice to buy or sell securities, nor solicits votes or proxies on behalf of any party. SES, which is a not-for-profit initiative or its staff, has no financial interest in the companies covered in this report except what is disclosed on its website. The report is released in India and SES has ensured that it is in accordance with Indian laws. Person resident outside India shall ensure that laws in their country are not violated while using this report; SES shall not be responsible for any such violation.

All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

NC – Compliance Concern: The Company has not met statutory compliance requirements

FC – Fairness Concern: The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

GC – Governance Concern: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

TC - Disclosures & Transparency Concern: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

Company Information

Stakeholders Empowerment Services

SEBI Reg. No. INH000000016

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