

We pass reduced cost of ops to consumers

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SURYODAY Small Finance Bank (SSFB), which got banking license in January 2017, recently forayed into the north Indian market by opening two branches in New Delhi. In an interview, R Baskar Babu, MD & CEO, SSFB, spoke about the bank's journey, IPO plans, offering higher interest rates and more. Excerpts:

What are your plans for north Indian market?

On Friday, we entered the north Indian market with the launch of two branches in Delhi, where we want to be a major player in the next five-six years. Next month, we will open more branches in Noida. We want to make a significant presence in Delhi-NCR before venturing into other markets such as Punjab. Besides this, we are also opening in Varanasi this month, which will cater to the microfinance institutes we have in eastern Uttar Pradesh.

As a banking unit, you recently completed two years. How has been the journey?

The journey has been exciting. Our loan book has grown closer to 80 per cent to ₹2,500 crore, while deposit books have grown close to 100 per cent to ₹1,250 crore. We continue to remain profitable and expect to end this fiscal with ₹90 crore profit.

When we started, the skepticism was that how new small finance banks will be able to garner deposits. But overall, as a sector, we all have done extremely well.

In the first year, we did not focus much on current and savings accounts as we wanted to ensure that the system is in place, but now, we have started focusing on the existing customers for small ticket savings.

What are your IPO and fundraising plans?

We plan to go public with an Initial Public Offering (IPO) in October-December quarter next year. We may also look to raise capital to the tune of ₹175-200 crore this year, to fund business growth. The fund would be raised through share sale on a private placement basis to the existing and new investors.



How are you able to offer higher interest rates than larger banks on FDs and savings accounts?

We offer exactly 125 basis points above the regular banks. Our cost of operations at the branch level is probably one-fifth of that of a regular bank branch, as we don't spend much on rent and advertisement. The reduced cost of operations get passed on in the form of high interest rate to consumers. It will continue from our side.

Will the recent cut in repo rate provide relief to consumers?

It will help us to a point of reducing our deposit cost marginally and pass it onto customers in terms of reduced rate on loans. It is also sending a positive signal that credit growth will continue to be robust in the economy.

