



IPO Details	
Opening Date	July 12, 2023
Closing Date	July 14, 2023
Stock Exchange	NSE, BSE
Lot Size	600 Shares
Issue Price	₹ 23 - 25 per share
Issue Size	Aggregating up to 500 Cr.
Fresh Issue	Aggregating up to 500 Cr.
Application Amount (@ upper Band)	Min. Inv. - ₹ 15,000 (600 shares) Max. Inv. - ₹ 1,95,000 (7800 shares)

IPO Objective
Augmenting its Tier - 1 capital base to meet its future capital requirements.
Proceeds from the Issue will also be used towards meeting the expenses in relation to the Issue.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	75,92,72,222	84.75%
Public	13,66,32,441	15.25%

Promoter of the Company	
1	Utkarsh CoreInvest Limited.

Competitive Strengths	
1	Sound understanding of microfinance segment and presence in rural and semi-urban areas.
2	Growing deposits with focus on retail deposits.
3	Diversified distribution network with significant cross-selling opportunities.
4	Focus on risk management and effective operations.
5	Stable growth with cost efficient operational performance.

Company Background
<ul style="list-style-type: none"> Company was incorporated in the year 2016 and has its registered office in Uttar Pradesh. Company provides microfinance to unserved and underserved segments and in particular in the states of Uttar Pradesh and Bihar. Operations of the company are spread across India and are present in 26 States and Union Territories with 830 Banking Outlets and 15,424 employees, as of March 31, 2023. Company has been diversifying product portfolio to include non-micro banking loans allowing them to reduce dependence on microfinance business and grow secured loan portfolio. As on March 31, 2023, Company had 15,424 employees as on payroll.

Market Capitalization	
	(In Cr.)
Pre-Issue	₹ 2,240.00
Post-Issue	₹ 2,740.00

Financial Summary			
	(In Lacs)		
For the Period Ended	Mar-23	Mar-22	Mar-21
Total Assets	19,11,754.20	15,06,377.00	12,13,791.20
Net Assets	2,00,032.00	1,57,230.00	1,36,835.00
Total Borrowings	2,34,947.50	2,57,193.50	2,60,782.50
Total Revenue	2,80,428.60	2,03,364.60	1,70,583.60
Profit After Tax	40,400.20	6,146.20	11,181.50

Tentative Timeline	
Opening Date	July 12, 2023
Closing Date	July 14, 2023
Basis of Allotment	July 19, 2023
Initiation of Refunds	July 20, 2023
Credit of Shares to Demat	July 21, 2023
Listing Date	July 24, 2023



Company Background and Analysis

Company was incorporated in the year 2016 and provides microfinance to unserved and underserved segments particularly in the states of Uttar Pradesh and Bihar. Operations are spread across India and are present in 26 States and Union Territories with 830 Banking Outlets and 15,424 employees, as of March 31, 2023. Company is focused on further strengthening presence in newer geographies in addition to existing states where it operates by entering into arrangements with business correspondents (“BCs”) and direct selling agents (“DSAs”) and as of March 31, 2023, Company tied up with 13 BCs to source customers and 321 DSAs to grow asset portfolio.

Deposits have grown from ₹ 75,075.68 million as of March 31, 2021 to ₹ 1,00,741.83 million as of March 31, 2022 and further to ₹ 1,37,101.40 million as of March 31, 2023. Total number of deposit customers, that include microbanking customers to whom company also offer ‘joint liability group’ (“JLG”) loans, were 0.88 million, 1.50 million and 2.04 million, as of March 31, 2021, 2022 and 2023, respectively. Retail term deposits comprised 39.83%, 37.28% and 40.66% of total deposits, as of March 31, 2021, 2022 and 2023, respectively, while CASA as a percentage of overall deposits was 17.68%, 22.37% and 20.89% as of March 31, 2021, 2022 and 2023, respectively. Company have been focusing on growing a stable and sustainable CASA base; CASA was ₹ 28,637.35 million as of March 31, 2023.

The following table sets forth certain information relating to operations and financial performance in the periods specified:

(Amount in Millions)

Metric	As of and for the years ended March 31,		
	2021	2022	2023
	(₹ million, except percentages)		
Gross Loan Portfolio	84,156.60	1,06,307.25	1,39,571.08
Disbursements	59,140.08	90,462.79	1,24,428.94
Deposits	75,075.68	1,00,741.83	1,37,101.40
Credit to Deposit Ratio ⁽¹⁾	109.45%	101.53%	95.32%
Capital & Reserves	13,683.53	15,722.97	20,003.21
Net Interest Income ⁽²⁾	8,392.46	10,608.51	15,290.31
Net Interest Margin ⁽¹⁾	8.20%	8.75%	9.57%
Profit before taxes	1,514.36	797.13	5,358.14
Net profit for the year	1,118.15	614.62	4,045.02
Return on Average Assets	1.05%	0.48%	2.42%
Return on Average Equity	9.99%	4.14%	22.84%
Average Yield	15.46%	15.24%	15.67%
Cost of Funds ⁽¹⁾	8.27%	7.47%	6.96%
CASA + Retail Term Deposit Ratio (as percentage of total deposits)	57.51%	59.64%	61.55%
CASA Ratio ⁽¹⁾	17.68%	22.37%	20.89%
Provision Coverage Ratio (including technical write off) ⁽¹⁾	80.42%	78.14%	95.78%
Cost to Income Ratio ⁽¹⁾	56.54%	58.90%	54.15%
Gross NPA as a percentage of Gross Advances (%)	3.75%	6.10%	3.23%
Net NPA as a percentage of Net Advances (%)	1.33%	2.31%	0.39%



As of March 31, 2021, 2022 and 2023, gross NPAs were ₹ 3,152.89 million, ₹ 6,481.57 million and ₹ 4,315.04 million, respectively, and accounted for 3.75%, 6.10% and 3.23% of Gross Advances, respectively. Net NPAs were ₹ 1,088.14 million, ₹ 2,357.92 million and ₹ 505.12 million, and accounted for 1.33%, 2.31% and 0.39% of Net Advances, as of March 31, 2021, 2022 and 2023, respectively. As of March 31, 2021, gross NPAs in microbanking, retail, wholesale and housing loan segments accounted for 4.13%, 3.22%, 0.00% and 0.72% of Gross Advances, respectively, and as of March 31, 2022, gross NPAs in microbanking, retail, wholesale and housing loan segments accounted for 7.53%, 1.85%, 0.00% and 4.61% of Gross Advances, respectively. As of March 31, 2023, gross NPAs in microbanking, retail, wholesale and housing loan segments accounted for 4.09%, 1.36%, 0.00% and 5.09% of Gross Advances, respectively.

Business Strategies

1. Continue diversifying retail asset portfolio

The Company intends to leverage wide base of existing customers in the unserved and underserved segments by developing a range of asset products based on their vintage and credit worthiness to create sustainable livelihood. Therefore, company intends to extend the offering from JLG loans to individual loans to micro enterprise loans, affordable housing loans and other new products.

2. Increase share of fee income and capitalize on cross-selling opportunities

The company intends to further diversify fee and non-interest-based revenues and intend to achieve this by generating fee income from products and cross-selling third-party products such as distribution of mutual funds, life insurance and general insurance products, Atal Pension Yojana, National Pension Scheme, micro-insurance and by introducing newer products and services. Engaged with various partners in offering these products and intend to continue to develop newer partnerships.

New Geographies

The company is planning to expand presence in new geographies through additional Banking Outlets in top 100 cities in terms of overall deposits, where they are not extensively present. Company will expand presence in new geographies through additional Banking Outlets and BC partnerships and in particular in rural and semi-urban areas where company is not extensively present.

Competitive Scenario and Peer Mapping

Competition

The company faces high competition from the existing players in the market Bandhan Bank Ltd, AU Small Finance Bank Ltd, Equitas Small Finance Bank etc. The bargaining power of the bank is low and the threat of new entrant is also high. Bank faces competition in India as there are many small finance banks in every state but India being one of the largest populated country small finance banks has lot of scope to explore untapped villages and introduce their products to them and try to diversify their revenue percentage from microfinance.



Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -

Particulars	Utkarsh Small Finance Bank Limited	Equitas Small Finance Bank Limited	Ujjivan Small Finance Bank Limited	Credit Access Grameen Limited	Spandana Sphoorty Financial Limited
P/E	5.54	13.00	4.48	17.31	306.24
P/B	1.37	1.98	1.94	3.87	1.63
RoNW	20.22%	11.13%	26.13%	16.17%	0.39%
NAV per share	8,001.28	7,685.54	16,669.31	558.02	571.08

Particulars	Bandhan Bank Limited	AU Small Finance Bank Limited	Suryoday Small Finance Bank Limited	Fusion Micro Finance Limited
P/E	14.37	27.04	13.01	10.42
P/B	1.88	4.65	1.13	2.61
RoNW	11.21%	13.01%	4.92%	0.00%
NAV per share	10,004.09	1,895.03	1,662.99	579.41

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -

Particulars	Utkarsh Small Finance Bank Limited	Equitas Small Finance Bank Limited	Ujjivan Small Finance Bank Limited	Credit Access Grameen Limited	Spandana Sphoorty Financial Limited
P/E	35.71	23.50	-6.69	34.25	55.08
P/B	1.42	2.40	2.91	5.02	1.68
RoNW	3.91%	6.62%	-14.81%	9.70%	1.59%
NAV per share	6,289.19	8,064.58	17,457.94	469.13	795.05

Particulars	Bandhan Bank Limited	AU Small Finance Bank Limited	Suryoday Small Finance Bank Limited	Fusion Micro Finance Limited
P/E	384.55	33.61	-11.60	0.00
P/B	2.12	6.79	1.19	-
RoNW	0.72%	15.04%	-6.18%	0.00%
NAV per share	5,794.63	1,246.10	1,480.57	-

**The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -**

Particulars	Utkarsh Small Finance Bank Limited	Equitas Small Finance Bank Limited	Ujjivan Small Finance Bank Limited	Credit Access Grameen Limited	Spandana Sphoorty Financial Limited
P/E	17.12	17.98	610.00	73.11	29.57
P/B	1.64	3.00	2.54	5.44	1.83
RoNW	8.17%	11.31%	0.25%	3.91%	4.75%
NAV per share	5473.41	5603.96	10550.82	543.35	458.13

Particulars	Bandhan Bank Limited	AU Small Finance Bank Limited	Suryoday Small Finance Bank Limited	Fusion Micro Finance Limited
P/E	25.24	31.43	248.04	0.00
P/B	2.11	8.13	1.12	-
RoNW	12.67%	18.66%	0.75%	0.00%
NAV per share	5037.33	1064.91	574.87	-



Industry Overview

Exhibit 1: Total banking sector assets

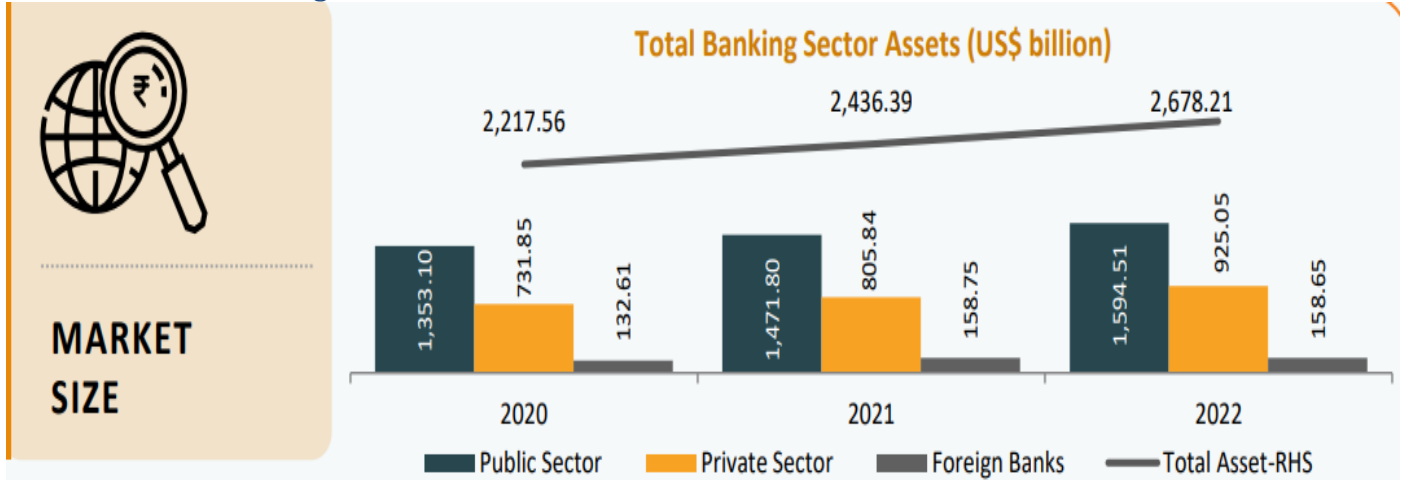


Exhibit 2: Interest income growth & breakup of banks in india

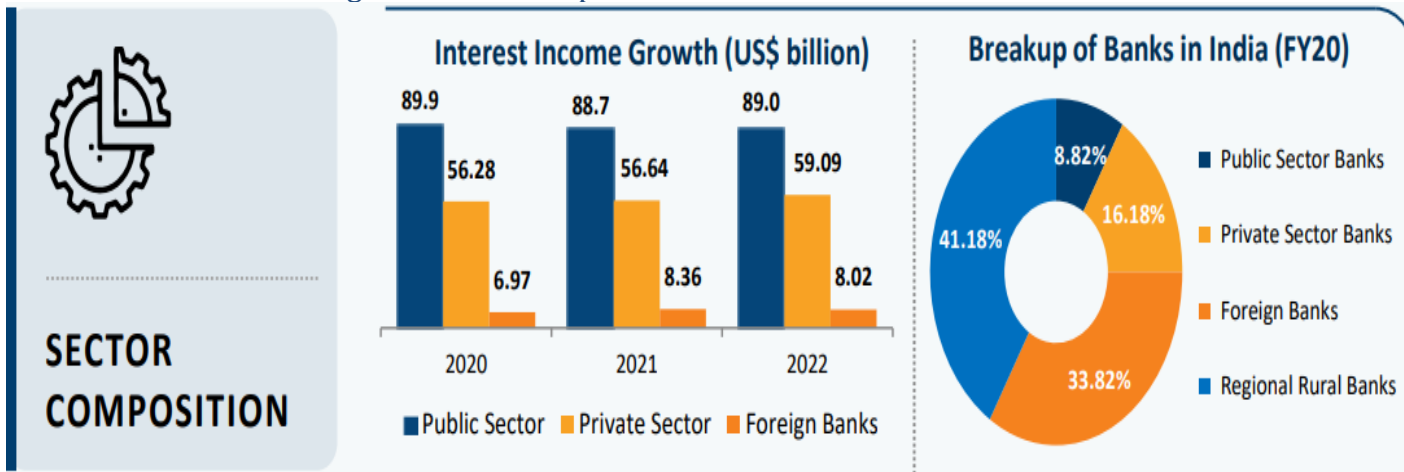
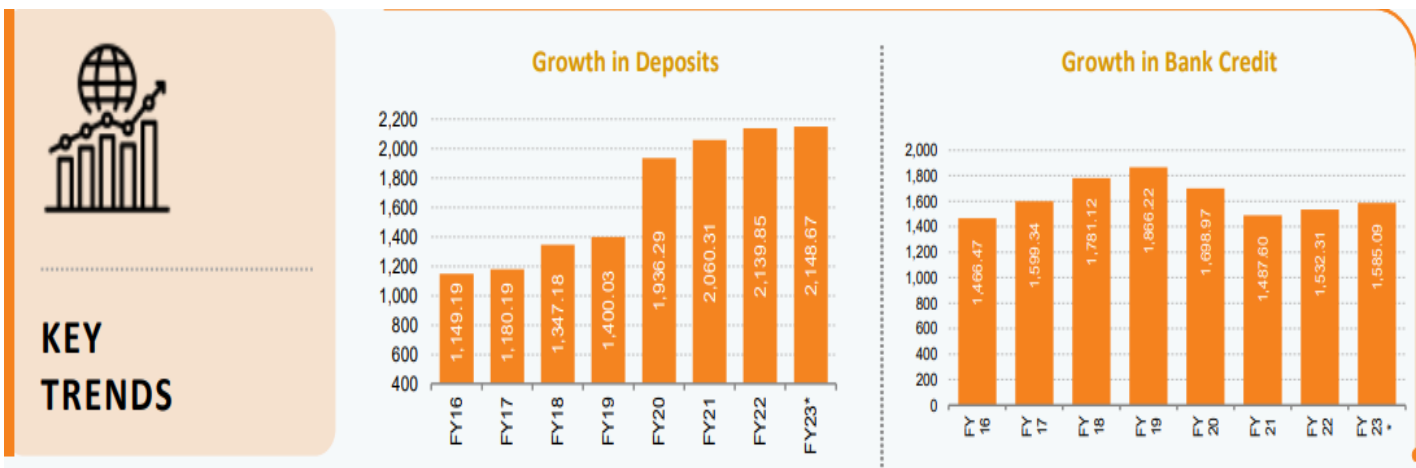


Exhibit 3: Growth in deposits and bank credits



(Source: Prospectus)



Small finance bank Industry

SFBs' target audience is the low-income segment, who can be wooed with a sachet level product suite. Unlike NBFCs, which expand horizontally with a special focus product, SFBs have a chance to expand vertically and horizontally. This will enable them to have a good mix of medium and low-value customers. Also, rural and microfinance borrowers have low credit penetration and migrate less from one player to another. This will enable SFBs to build longer and loyal customer relationships. CASA and other retail deposits are a cheap source of funds for SFBs, which help them expand their product portfolio. They can provide lower rates in the market to compete with NBFCs. With SFBs expanding in the underserved regions further, their deposit base is expected to further widen. The CASA deposits for SFBs are estimated to have grown at 66% CAGR from Fiscal 2018 to Fiscal 2023. This will give them an advantage over NBFCs and help expand their asset book.

GROWTH DRIVERS FOR SMALL FINANCE BANKS

Customized products aided by technology and information availability.

Greater use of technology is enabling lenders to provide customised products, that too at much lower turnaround time. Multiple data points are available for lenders that is facilitating quick decision making. In fact, they can take lending decisions within minutes using data-driven automated models. These models would help in supply of credit to small business units and the unorganised sector at low cost. Technology also helps these players expand their reach to under penetrated population in remote areas at a lower operating cost.

Availability of funds at cheaper rates

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Large Target audience

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(Source: Prospectus)



Key Managerial Personnel

UTKARSH COREINVEST LIMITED, is a public limited company incorporated on May 15, 1990. The main object of the promoter is to carry on the business, whether in India or outside, of making investment in group Companies in the form of Shares, bonds debentures, debt, loan or securities and providing guarantees, other form of collateral, or other contingent liabilities on behalf of or for the benefit of any group Companies.

Mr. Parveen Kumar Gupta, aged 63, is a part time non-executive chairman and Independent Director of the bank. He holds a bachelor's degree of commerce and an associate member of The Institute of Company Secretaries of India. He is also a certified associate of the Indian Institute of Bankers.

Mr. Govind Singh, aged 58, is the Managing Director and Chief Executive Officer of the Bank. He holds a bachelor's degree in commerce and is a certified associate of the Indian Institute of Bankers. He was the managing director and chief executive officer of the company's Promoter.

Ms. Kajal Ghose, aged 66, is an Independent Director of the Bank. He holds a bachelor's degree in commerce, and a diploma in human resources development. He is a certified associate of the Indian Institute of Bankers.

Ms. Kalpana Prakash Pandey, aged 54, is an Independent Director of the Bank. She holds a bachelor's degree in science, a master's degree in science, a master's degree in technology, and a post-graduate diploma in electronics and communication engineering.

Mr. Chandra Shekhar Thanvi, aged 58, is the nominee Director of the Bank. He holds a bachelor's degree of technology in mining engineering. He is a certified associate of the Indian Institute of Bankers.

Mr. Muralidharan Rajamani, aged 62, is a non-executive director of the Bank. He holds a bachelor's degree in science (mathematics), and a master's degree in arts. He has completed the management of managers.

To conclude, the banks promoter is a public limited company. The Chairman, managing director, and the independent and executive directors of the company have vast experience and knowledge in the industry in which the company operates in.



Financial Snapshot

Profit and loss statement			(In lacs)
Particulars	FY 2021	FY 2022	FY 2023
Income			
Interest Earned	1,58,098.70	1,84,881.30	2,50,498.00
Other Income	12,484.90	18,483.30	29,930.60
Total	1,70,583.60	2,03,364.60	2,80,428.60
Expenditure			
Interest Expended	74,174.10	78,796.20	97,594.90
Operating Expenses	54,505.70	73,374.90	99,001.30
Provisions and Contingencies	30,722.30	45,047.30	43,382.20
Total	1,59,402.10	1,97,218.40	2,39,978.40
Profit			
Net Profit for the year	11,181.50	6,146.20	40,450.20
Balance in Profit and Loss account brought forward from previous year	14,548.30	20,724.80	25,372.40
Total	25,729.80	26,871.00	65,822.60
Appropriations			
Transfer to Statutory Reserve	2,795.40	1,536.50	10,112.50
Transfer to Investment Fluctuation Reserve	1,366.60	-1,112.70	-179.90
Transferred to Capital Reserve	843.00	23.20	-
Other adjustments	-	1,051.60	1,051.60
Balance carried over to Balance Sheet	20,724.80	25,372.40	56,941.60
Earnings Per Equity Share			
Basic EPS	1.46	0.70	4.52
Diluted EPS	1.46	0.70	4.51
Face Value per share	10.00	10.00	10.00

Balance Sheet			(In Lacs)
Particulars	FY 2021	FY 2022	FY 2023
Capital and Liabilities			
Capital	84,833.40	89,552.20	89,590.50
Reserves and Surplus	52,001.90	67,677.50	1,10,441.60
Deposits	7,50,756.80	10,07,418.30	13,71,014.00
Borrowings	2,60,782.50	2,57,193.50	2,34,947.50
Other Liabilities and Provisions	65,416.60	84,535.50	1,05,760.60
Total Capital and Liabilities	12,13,791.20	15,06,377.00	19,11,754.20
Assets			
Cash and balances with RBI	1,10,493.80	1,79,789.70	1,19,205.70
Balances with banks and money at call and short notice	6,487.80	7,375.20	1,32,430.60
Investments	2,31,393.50	2,34,792.40	2,85,942.20
Advances	8,21,685.80	10,22,814.70	13,06,876.60
Fixed Assets	18,117.10	28,653.40	30,332.40
Other Assets	25,613.20	32,951.60	36,966.70
Total Assets	12,13,791.20	15,06,377.00	19,11,754.20
Contingent Liabilities	-	-	-
Bills for Collection	-	-	-
Significant accounting policies	-	-	-
Notes to Restated Financial Information	-	-	-

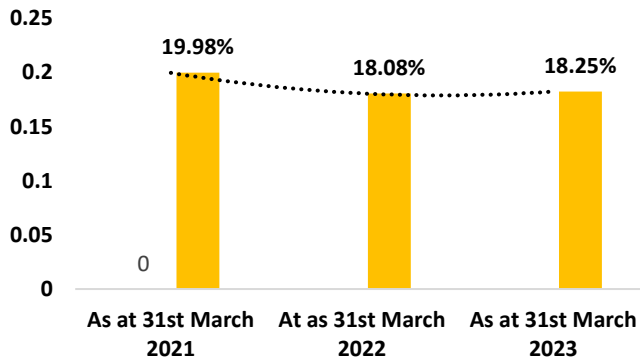


Key Ratios			
Particulars	FY 2021	FY 2022	FY 2023
Banking ratios			
Common Equity Tier I (CET) capital ratio	19.98%	18.08%	18.25%
Tier I Capital ratio	19.98%	18.08%	18.25%
Tier II Capital ratio	1.90%	3.51%	2.39%
Total Capital ratio (CRAR) (%)	21.88%	21.59%	20.64%
Leverage Ratio	10.38%	9.49%	9.55%
Return Ratios			
RoNW	8.17%	3.91%	20.22%
Valuation Ratios			
P/E	17.12	35.71	5.54
P/B	1.64	1.42	1.37

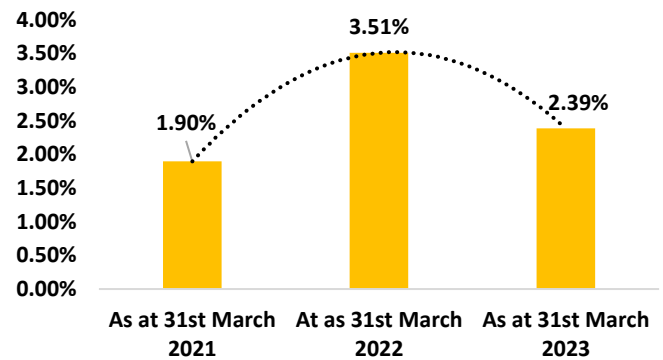


Financial Charts

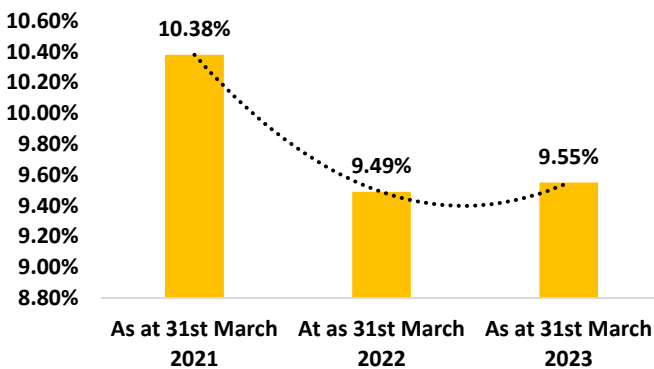
Tier I Capital ratio



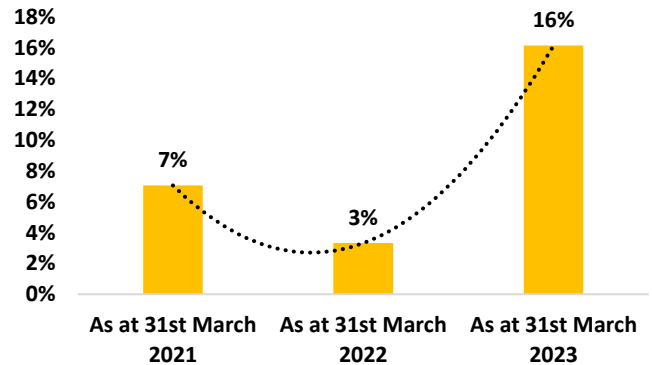
Tier II Capital ratio



Leverage Ratio



Net Profit Margin



Key Risk Factors

1. Previous Statutory Auditors have been debarred by the Reserve Bank of India from undertaking audit assignments for entities regulated by RBI for a period of two years with effect from April 1, 2022.
2. Non-convertible debentures are listed on BSE and in the past, there were certain inadvertent delays by company in making certain disclosures and regulatory filings to BSE under the Listing Regulations. Company have filed settlement applications before SEBI under show cause notice issued by SEBI on account of such inadvertent delays.
3. The company have received a show cause notice from SEBI regarding alleged non-compliance of provisions of Companies Act 2013 and erstwhile SEBI (Issue and Listing of Debt Securities) Regulations, 2008 relating to public offering of securities which may result in penal actions.
4. Bank and Promoter are involved in certain legal proceedings and amount involved is 1,089.11 million, any adverse developments related to which could materially and adversely affect business, reputation and cash flows.
5. Bank have certain contingent liabilities of amount 3,416.05 million that have not been provided for in financial statements, which, if they materialize, may adversely affect results of operations, financial condition and cash flows.

**Track Record of Lead Manager**

The lead manager to the issue is ICICI Securities Limited and Kotak Mahindra Capital Company Limited. A table has been set below highlighting the details of the IPO of the last 5 companies handled by the Lead Managers in recent times –

ICICI Securities Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	KFin Technologies Limited	1,500.00	366.00	December 29, 2022	357.20
2.	Landmark Cars Limited	552.00	506.00	December 23, 2022	759.10
3.	Archean Chemical Industries Limited	1,462.31	407.00	November 21, 2022	534.75
4.	Five Star Business Finance Limited	1,593.45	474.00	November 21, 2022	665.30
5.	Fusion Micro Finance Limited	1,103.99	368.00	November 15, 2022	584.30

*CMP is taken as on 10th July 2023

As per the offer document ICICI Securities Limited have had 35 in the last two fiscal years. For ICICI Securities Limited out of the 5 mentioned above, 2 opened at discounts and the remaining opened at premiums ranging from.

Kotak Mahindra Capital Company Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Mankind Pharma Limited	4,326.36	1,080.00	May 09, 2023	1,729.50
2.	KFin Technologies Limited	1,500.00	366.00	December 29, 2022	357.20
3.	Sula Vineyards Limited	960.35	357.00	December 22, 2022	444.90
4.	Five Star Business Finance Limited	1,593.45	474.00	November 21, 2022	665.30
5.	Bikaji Foods International Limited	881.22	300.00	November 16, 2022	414.70

*CMP is taken as on 10th July 2023

As per the offer document Kotak Mahindra Capital Company Limited have had 30 in the last three fiscal years. For Kotak Mahindra Capital Company Limited out of the 5 mentioned above, 1 opened at discount, remaining all opened at premiums ranging from



Recommendation

The Bank has been into the industry since quite a long time and the revenue of the bank along with the profit margins has shown extra-ordinary growth raising questions on its sustainability.

The management outlook of the company is also good with proper bifurcation of the roles and responsibilities of its top management.

The PE on an annualised and Post IPO basis is around 5.54 times which seems to be fairly priced looking at the performance peers and size of the company.

Utkarsh small finance bank coming up with good price value and with evergreen finance business ,one can consider buying it for long-term and so **one should apply for the IPO.**



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