

Rating

SUBSCRIBE

Issue Offer

Issue Opens on	July 12, 2023
Issue Close on	July 14, 2023
Total IPO size (cr)	500.00
Fresh issue (cr)	500.00
Offer For Sale (cr)	Nil
Price Band (INR)	23-25
Market Lot	600
Face Value (INR)	10
Retail Allocation	10%
Listing On	NSE, BSE

Objects of the issue

- For augmenting its Tier - 1 capital base to meet its future capital requirements.

Issue Break-up (%)

QIB Portion	75
NIB Portion	15
Retail Portion	10

Shareholding (No. of Shares)

Pre Issue	895,904,663
Post Issue	1,095,904,663

Indicative Timetable

Finalisation of Basis of Allotment	19-07-2023
Refunds/Unblocking ASBA Fund	20-07-2023
Credit of equity shares to DP A/c	21-07-2023
Trading commences	24-07-2023

Utkarsh Small Finance Bank limited is a SFB in India and recorded the third fastest Gross Loan Portfolio growth between Fiscal 2019 and Fiscal 2023 among SFBs with Gross Loan Portfolio of more than Rs. 60 billion. Its Promoter, Utkarsh CoreInvest Limited, commenced its operations as a NBFC in Fiscal 2010 and was focused on providing microfinance to unserved and underserved segments and in particular in the states of Uttar Pradesh and Bihar. Now, Its 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

- Utkarsh Small Finance Bank offers a wide range of financial products and services, including microbanking loans, retail loans, wholesale lending, housing loans, commercial vehicle loans, construction equipment loans, gold loans, savings accounts, current accounts, term deposits, recurring deposits, ATM-cum-debit cards, bill payment system, and third-party point of sales terminals. The bank also distributes mutual funds and insurance products.
- Their operations are focused in rural and semi-urban areas and as of March 31, 2023, they had 3.59 million customers (both deposit and credit) majorly located in rural and semi-urban areas primarily in the states of Bihar and Uttar Pradesh.
- They are also focused on further strengthening their presence in newer geographies in addition to existing states where they operate by entering into arrangements with business correspondents and direct selling agents and as of March 31, 2023, they had tie-ups with 13 BCs to source customers and 321 DSAs to grow their asset portfolio.
- Bank leverages the use of technology to provide transactional ease through internet and mobile banking and on-boarding convenience through digital on-boarding of customers with the use of handheld devices .

Outlook & Valuation: The small finance bank (SFB) sector is growing rapidly in India, and Utkarsh Small Finance Bank is one of the leading players in the market. The company has a strong track record of growth, and its financial performance has been improving in recent years. Utkarsh SFB is well-positioned to benefit from the growth of the SFB sector, as it has a strong focus on underserved segments of the population. The IPO is priced at a reasonable valuation, and the company has a strong balance sheet. However, there are some risks to consider, such as the competitive landscape and the potential for asset quality problems. Overall, we believe that the IPO is a good opportunity for investors who are looking for exposure to the growth of the SFB sector. **So, we have Subscribe rating for this IPO.**

KEY MANAGERIAL PERSONNEL

- Mr. Parveen Kumar Gupta is the part time non – executive chairman and Independent Director of the Bank. He is also a certified associate of the Indian Institute of Bankers. Prior to joining this Bank, he was associated with State Bank of India as their managing director (retail & digital banking) till his retirement on superannuation and Bank of Baroda as its senior advisor.
- Mr. Govind Singh is the Managing Director and chief executive officer of the Bank. He is a certified associate of the Indian Institute of Bankers. He was previously the assistant general manager at ICICI Bank Limited.
- Mr. Muthiah Ganapathy is the Company Secretary and Compliance Officer of the Bank. He joined the Bank with effect from March 22, 2022. He is responsible for managing the secretarial affairs of the Bank.
- Mr. Sarjukumar Pravin Simaria is the Chief Financial Officer of the Bank with effect from October 31, 2022. He is responsible for the financial affairs of the Bank.

COMPETITIVE STRENGTHS

- Sound understanding of microfinance segment and presence in rural and semi-urban areas.
- Growing deposits with focus on retail deposits.
- Diversified distribution network with significant cross-selling opportunities.
- Focus on risk management and effective operations.
- Stable growth with cost efficient operational performance.
- Leadership complementing their strengths.

KEY STRATEGIES

- Continue diversifying the retail asset portfolio.
- Grow retail deposits mix across geographies and customer segments to build stable funding source.
- Increase share of fee income and capitalize on cross-selling opportunities.
- Increasing use of technology and digital offerings for last mile delivery to customers.

KEY CONCERNS

- They are subject to inspections by regulatory authorities, including by the RBI.
- A large number of their Banking Outlets are located in the states of Bihar and Uttar Pradesh, any adverse changes there could impact the business.
- Dependent on limited number of customers for a substantial portion of deposits.
- They significantly dependent on microbanking segment, particularly joint liability group (“JLG”) loans, and any adverse developments in this segment could adversely affect the business.
- The banking and financing sector in India is highly competitive and they face competition in all their principal areas of business.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

Name of the Company	EPS (Basic)	NAV	P/E	Total Income (Mn)	RoNW (%)
Utkarsh Small Finance Bank Limited	4.52	22.33	-	28,042.86	20.22%
Peer Group					
Equitas Small Finance Bank Limited	4.71	46.44	19.61	48,314.64	11.12%
Ujjivan Small Finance Bank Limited	5.88	20.25	6.93	47,541.90	27.79%
Credit Access Grameen Limited	52.04	326.89	24.13	35,507.90	16.18%
Spandana Sphoorty Financial Limited	1.74	436.58	403.33	14,770.32	0.40%
Bandhan Bank Limited	13.62	121.58	16.51	183,732.50	11.21%
AU Small Finance Bank Limited	21.86	164.64	35.36	92,398.73	13.01%
Suryoday Small Finance Bank Limited	7.32	149.28	22.90	12,811.00	4.90%
Fusion Micro Finance Limited	43.29	230.74	13.50	17,999.70	16.67%

FINANCIALS (RESTATED CONSOLIDATED)

Particulars (Rs. In Millions)	FY 2023	FY 2022	FY 2021
Equity Share Capital	8,959.05	8,955.22	8,483.34
Reserves and surplus	11,044.16	6,767.75	5,200.19
Net Worth	20003.21	15722.9	13683.5
Deposits	137,101.40	100,741.83	75,075.68
Total Borrowings	23,494.75	25,719.35	26,078.25
Assets	191,175.42	150,637.70	121,379.12
Interest Earned	25,049.80	18,488.13	15,809.87
Net Profit for the year	4,045.02	614.62	1,118.15

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CDSL/NSDL: IN-DP-115-2015 RBI Reg. No.: B-03-00174 IRDA Reg. No.: 713.