



IPO DETAILS

#IPOology

Utkarsh Small Finance Bank Ltd.



Issue Opens

12 July, 2023 Wednesday

Issue Closes

14 July 2023, Friday

Min. Lot Size

600 Shares

Issue Price Band

₹23- ₹25

Industry

Private Banks

Issue Size

Fresh Issue: 200mn
Eq shares (₹5,000mn)

OFS:
Nil

Face Value
₹10

Listing at
NSE, BSE

Rationale

Considering the FY23 BVPS of Rs22.82 on a post issue basis, the company is going to list at a P/B of 1.10x with a market cap of Rs. 27,398mn. whereas its peers namely Equitas SFB, Ujjivan SFB, AU SFB, CreditAccess Grameen are trading at a P/B of 2.71x, 2.02x, 6.28x, 3.89x.

We assign "Subscribe" rating to this IPO as company has stable growth with cost efficient operational performance and diversified distribution network with significant cross-selling opportunities. Also, it is available at reasonable valuation as compared to its peers.

Objectives of the issue

The Utkarsh Small Finance Bank Limited proposes to utilize the Net Proceeds from the Issue towards augmenting its Tier - 1 capital base to meet its future capital requirements.

Further, the proceeds from the Issue will also be used towards meeting the expenses in relation to the Issue

Rating

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Utkarsh Small Finance Bank Limited

Company Overview

Incorporated in 2016, Utkarsh Small Finance Bank Limited is an SFB (Small Finance Bank) in India and recorded the second fastest AUM growth in the years Fiscal 2019 and Fiscal 2022 among SFBs with AUM of more than Rs. 50 billion.

It recorded the third fastest Gross Loan Portfolio growth between Fiscal 2019 and Fiscal 2023 among SFBs with Gross Loan Portfolio of more than ₹ 60 billion.

Their 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.

Their asset products include

Microbanking loans that include joint liability group loans, and individual loans

Retail loans that includes unsecured loans, such as business loans and personal loans, and secured loans, such as loans against property

Wholesale lending that includes short term and longterm loan facilities to SMEs, mid and large corporate and institutional clients

Housing loan, commercial vehicle / construction equipment loans; and gold loans that was launched in Fiscal 2022.



Banking Services Suite

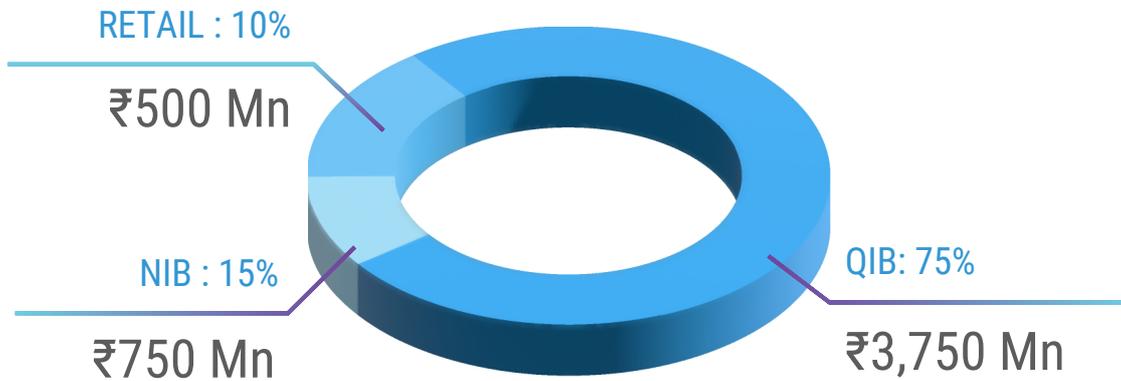
On the liabilities side, they offer savings accounts, current accounts and a variety of term and recurring deposit accounts. In addition, they also provide non-credit offerings comprising ATM-cum-debit cards, bill payment system and distribute third party point of sales terminals, mutual funds and insurance products.



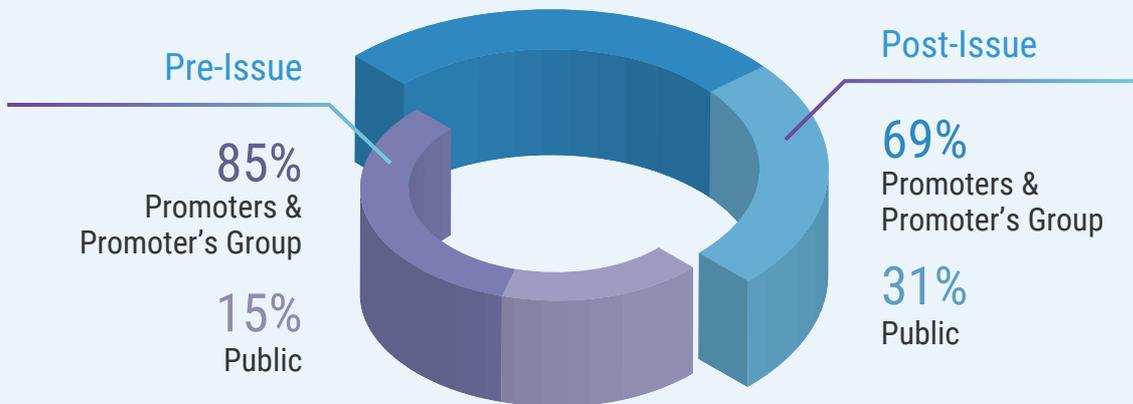
Utkarsh Small Finance Bank Limited

Issue Details

Issue Break-Up



Shareholding Pattern



Capital Structure (in ₹)



13,000 Mn

Authorised Equity Share Capital



8,959 Mn

Paid-Up Capital (Pre-Offer)



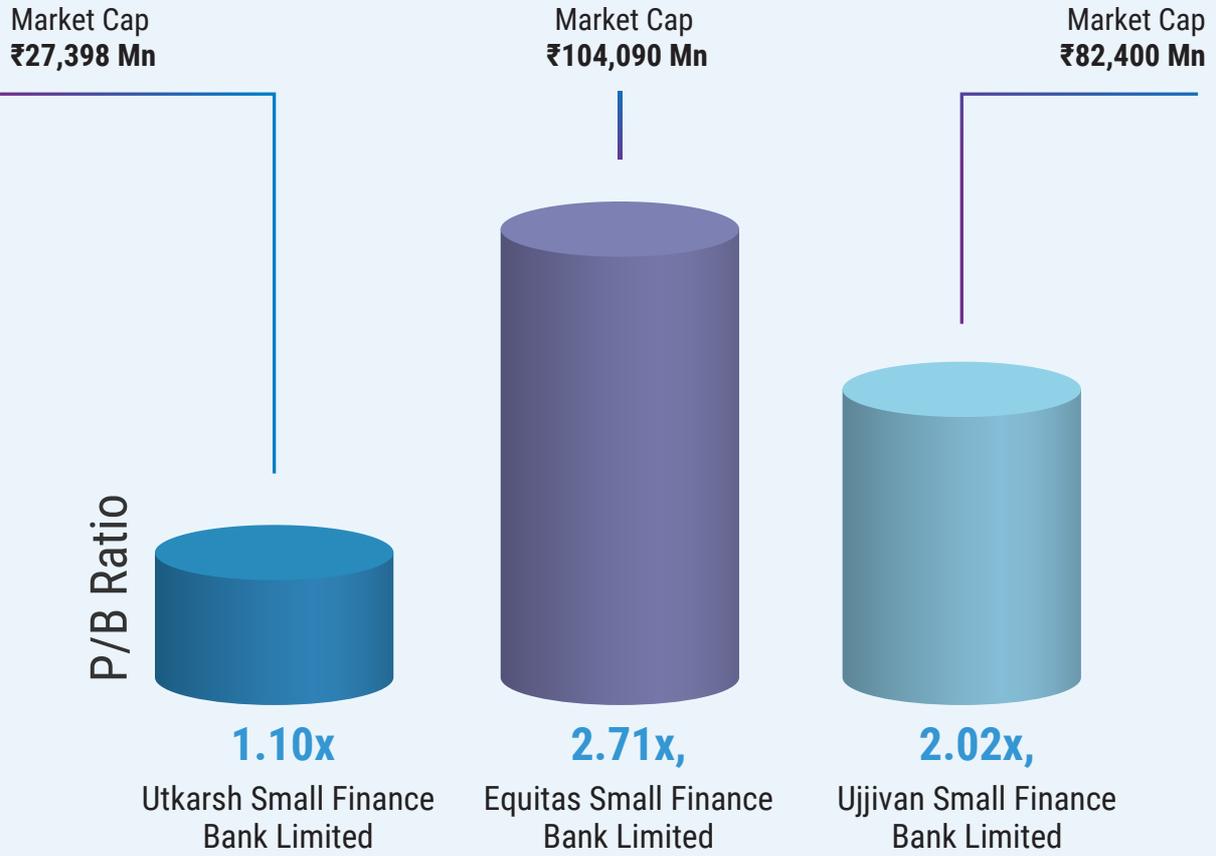
10,959 Mn

Paid-Up Capital (Post-Offer)



Utkarsh Small Finance Bank Limited

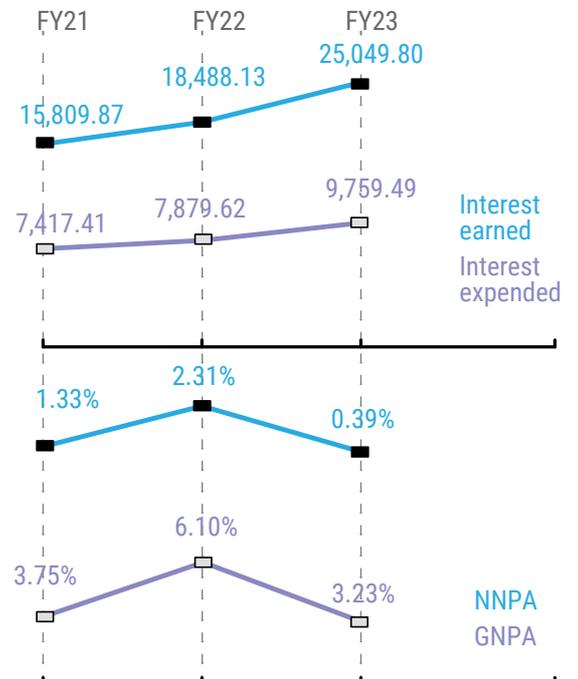
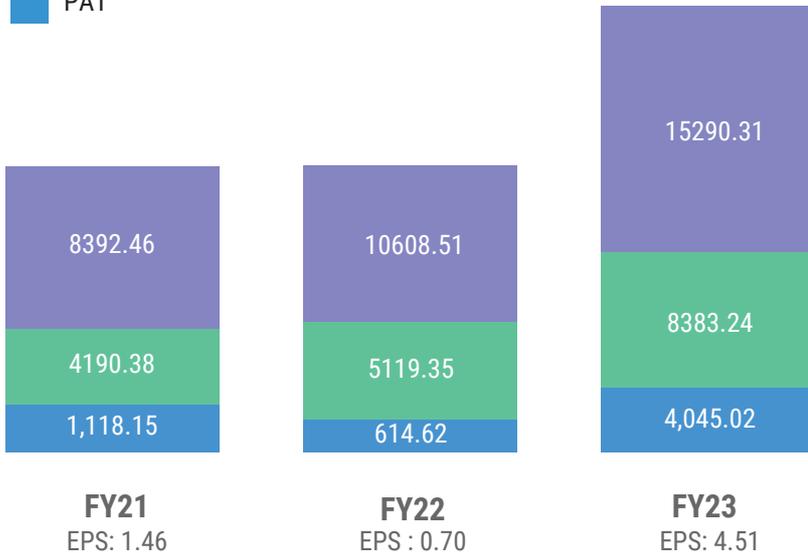
Valuations and Peer Comparison



Market Cap data of listed securities as on July 11, 2023

Financial Snapshot (in ₹ Mn)

- NII
- PPOP
- PAT





Utkarsh Small Finance Bank Limited

Business Insights



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



Business Strategy

- Continue diversifying their 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



Risks

- A significant portion of advances in the micro banking segment are towards customers located in the states of Bihar and Uttar Pradesh, and any adverse changes in the conditions affecting the region can adversely impact business, financial condition, results of operations and cash flows.
- They are dependent on Key Managerial Personnel and Senior Management and the loss of, or inability to attract or retain, such persons could adversely affect business, financial condition, results of operations and cash flows.
- They have a high proportion of bulk deposits. A partial or complete withdrawal of such deposits by any of customers could adversely affect business, results of operations and financial condition.

Promoters and Management Details

Mr. Parveen Kumar Gupta - Part time non – executive chairman and Independent Director

Mr. Govind Singh - Managing Director and chief executive officer

Mr. Kajal Ghose - Independent Director