

Utkarsh Small Finance Bank



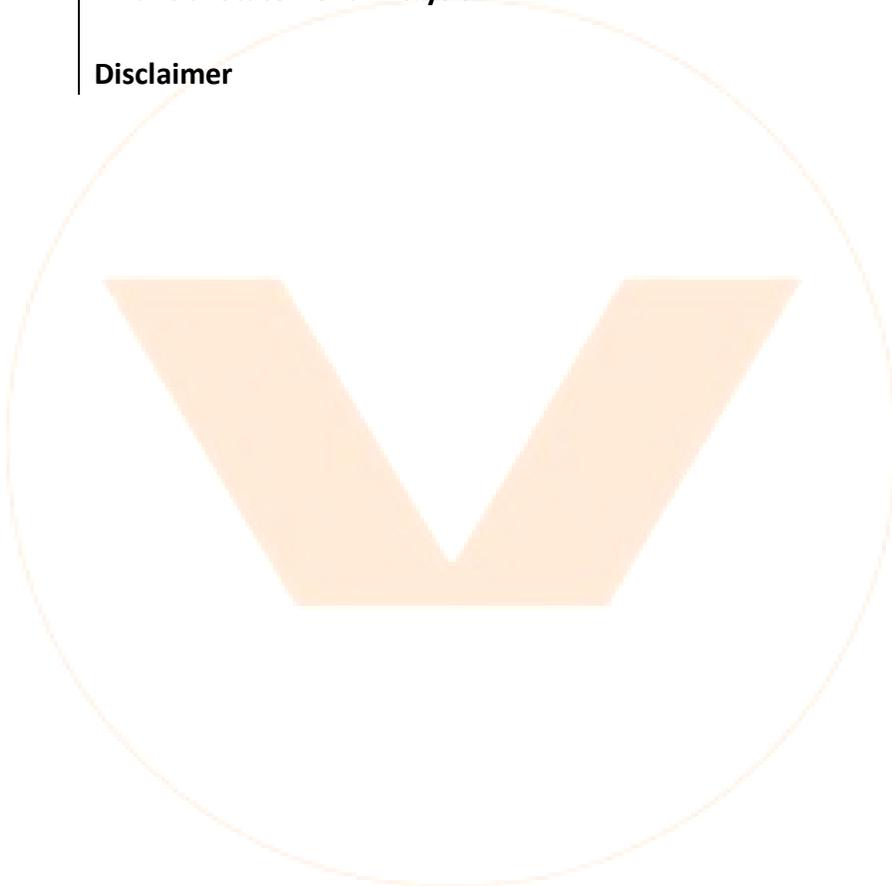
Utkarsh Small Finance Bank



Kyon ki bhaiya, sabse bada rupaiya.

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Not Rated
Small Finance Bank

Utkarsh Small Finance Bank is an SFB which provides affordable loan services across India. Established in 2009, Utkarsh Small Finance Bank is a proud solitary Small Finance Bank from Varanasi which 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. The company is focused on providing microfinance to unserved and underserved communities mainly in the states of UP and Bihar.

As of March 31, 2023, it is present in 26 States and Union Territories with 830 Banking Outlets and 15,424 employees. As of March 31, 2023, 27.35% of their Banking Outlets were located in Unbanked Rural Centres (“URCs”) as against the regulatory requirement of 25%.

Over FY21-23, Utkarsh Small Finance Bank’s Revenue grew from INR 170.84 cr to INR 2804.29 cr which equates to a CAGR of 28.216%. Through the years, EBITDA margins grew at 10.61% / 3.02% / 14.42% respectively to reach INR 404.50 cr in FY23. The company’s PAT margins through these years were 6.92% / 3.02% /

Utkarsh Small Finance Bank’s proposed issue size is INR 500 cr out of which the entire amount is a fresh issue. The proposed fresh issue will be utilized for

- Augmenting 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.

Key Financial Data (INR Cr, unless specified)

	Revenue	PPoP	PAT	PPoP (%)	PAT (%)	EPS (₹)	BVPS (₹)	RoAE (%)	RoAA (%)	P/E (X)	P/BV (X)
FY21	1725.1	438.3	111.8	25.4	6.5	1.0	12.5	9.4	1.0	24.5	2.0
FY22	2033.6	511.9	61.5	25.2	3.0	0.6	14.4	4.2	0.5	44.6	1.7
FY23	2804.3	838.3	404.5	29.9	14.4	3.7	18.3	22.6	2.4	6.8	1.4

Industry	Banking
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Issue Details

Listing	BSE & NSE
Open Date	12 th July 2023
Close Date	14 th July 2023
Price Band	INR 23 - 25
Face Value	INR 10
Market Lot	600 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	NA
Fresh Issue	100%
Issue Size (Amt)	INR 500 cr
Issue Size (Shares)	20,00,00,000
QIB Share (%)	≥ 75%
Non-Inst Share (%)	≤ 15%
Retail Share (%)	≤ 10%
Pre issue sh (nos)	895,521,522
Post issue sh (nos)	1,095,521,522
Post issue M Cap	INR 2,739 cr

Utkarsh Small Finance Bank Key Managerial Personnel

Key Person	Designation	Details
Govind Singh	Managing Director & Chief Executive Officer	<ul style="list-style-type: none"> Over 25 years of experience in the banking and financial services sector and in particular the microfinance industry Previously associated with Utkarsh CoreInvest (Bank's Promoter and erstwhile Utkarsh Micro Finance Limited) as managing director and chief executive officer
Trilok Nath Shukla	Head – Micro Banking	<ul style="list-style-type: none"> Worked at Cashpor Micro Credit Also been a Wholetime director of Utkarsh CoreInvest
Sarjukumar Pravin Simaria	Chief Financial Officer	<ul style="list-style-type: none"> Experienced in the field of financial management Worked at Edelweiss, Fino Payments Bank and HDFC AMC
Alok Pathak	Chief Risk Officer	<ul style="list-style-type: none"> Experienced in the field of risk and treasury management Worked at Yes Bank as executive vice president - risk management
Abhijeet Bhattacharjee	Chief Information Officer	<ul style="list-style-type: none"> Experienced in the field of information technology Worked with RBL Bank as its head of digital channels
Arun Raman	Head – Operations	<ul style="list-style-type: none"> Experienced in the field of operations Worked at Ahli Bank as its deputy head of operations
Rahul Dey	Head – Internal Audit	<ul style="list-style-type: none"> Experience in banking and MFI sector Worked with Ujjivan Financial Service and Spandana Spoorthy
Sanjay Sharda	Head – Consumer Banking	<ul style="list-style-type: none"> Experienced in the field of banking Worked with HDFC Bank, Kotak Mahindra Bank, BNP Paribas, IndusInd, and Citibank
Hitain Sharma	Chief Human Resources Officer	<ul style="list-style-type: none"> Experienced in the field of human resources and industry relations Worked at Aditya Birla Sun Life Insurance and Kotak Mahindra Bank as vice president - human resources
Mukesh Singh Verma	Chief Compliance Officer	<ul style="list-style-type: none"> Experienced in providing regulatory compliance services covering RBI regulations Worked with North East Small Finance Bank and AU Small Finance Bank

Umesh Arora

Head – Assets

- Experienced in the field of banking
- Worked at UTI Bank and Axis Bank

Muthiah
Ganapathy

Company Secretary &
Compliance Officer

- Responsible for managing the secretarial affairs
- Worked at Aditya Birla Housing Finance

Rahul Sinha

Head – Collections

- Experienced in the field of lending.
- Worked at Bajaj Finance as its business.



Key Risks & Concerns

- The company is subject to inspections by regulatory authorities, including by the RBI. Non-compliance with RBI inspection/ observations or other regulatory requirements or any adverse observations from such regulators may have a material adverse effect on the company's business, financial condition, results of operation or cash flows.
- A significant portion of the company's 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 the company's business, financial condition, results of operations and cash flows.
- The company is dependent on their Key Managerial Personnel and Senior Management and the loss of, or their inability to attract or retain, such persons could adversely affect its business, financial condition, results of operations and cash flows.



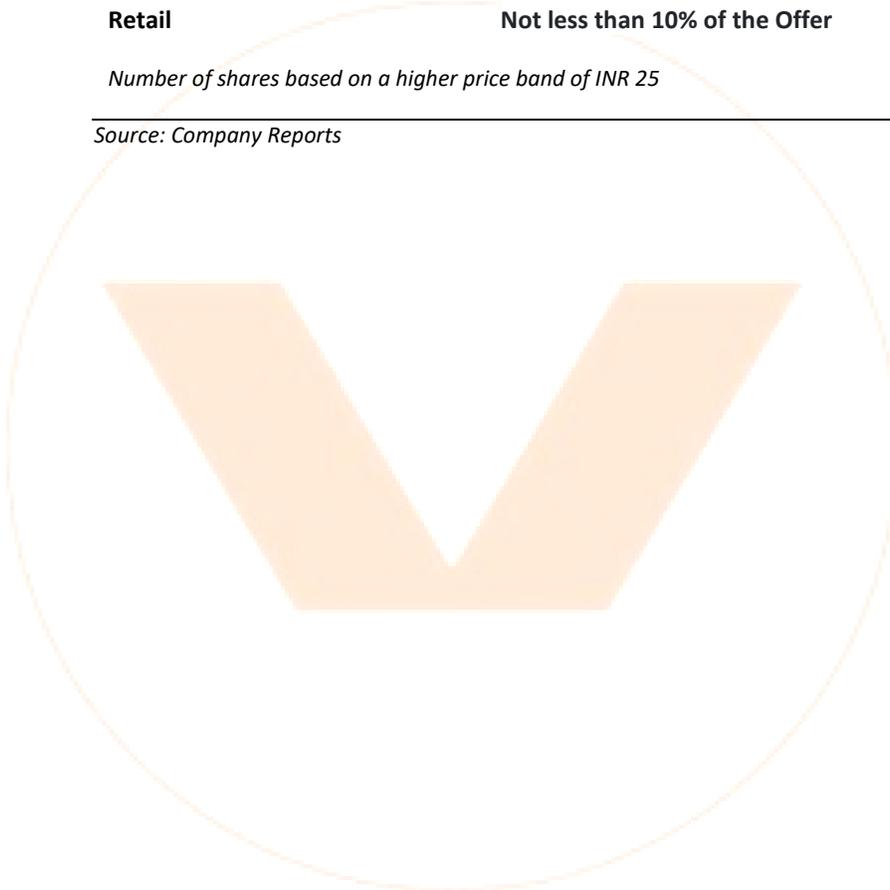
Issue Structure and Offer Details

The proposed issue size of Utkarsh Small Finance Bank IPO is INR 500 cr (and the price band for the issue is in the range of INR 23 - 25 and the bid lot is 600 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares offered
QIB	Not more than 75% of the Offer	14,85,00,000
NIB	Not less than 15% of the Offer	2,97,00,000
Retail	Not less than 10% of the Offer	1,98,00,000

Number of shares based on a higher price band of INR 25

Source: Company Reports



Utkarsh Small Finance Bank financial summary and analysis

Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23
Income Statement					Per share data & Yields				
Total income	1,406.2	1,725.1	2,033.6	2,804.3	Adjusted EPS (INR)	1.7	1.0	0.6	3.7
YoY Growth (%)	49.7	22.7	17.9	37.9	Adjusted BVPS (INR)	9.3	12.5	14.4	18.3
Interest expended	579.5	741.7	788.0	975.9	Return Ratios (%)				
Interest Cost to Sales (%)	41.2	43.0	38.7	34.8	Return on Avg Equity	20.8	9.4	4.2	22.6
Operating expenses	476.5	545.1	733.7	990.0	Return on Avg Assets	2.4	1.0	0.5	2.4
Employee Cost to Sales (%)	33.9	31.6	36.1	35.3	Valuation (X)				
Pre-provisioning profit	350.3	438.3	511.9	838.3	P/E	14.7	24.5	44.6	6.8
Margin (%)	24.9	25.4	25.2	29.9	P/BV	2.7	2.0	1.7	1.4
YoY Growth (%)	52.0	25.1	16.8	63.8	Cash Flow Statement				
Provisions & contingencies	101.4	286.9	432.2	302.5	Net Profit Before Taxes	250.4	151.4	79.7	535.8
PBT	248.9	151.4	79.7	535.8	Adjustments for Expenses & Provisions :	136.9	311.8	479.6	390.8
Margin (%)	17.7	8.8	3.9	19.1	Depreciation	25.4	29.6	40.9	58.7
YoY Growth (%)	65.5	(39.2)	(47.4)	572.2	Net (appreciation) / depreciation on investments	0.1	19.3	(14.9)	(4.4)
Tax Expense	62.1	39.6	18.3	131.3	Provision in respect of non-performing assets	(30.1)	171.5	202.4	(112.9)
Tax Rate (%)	25.0	26.2	22.9	24.5	Provision for contingencies & others	133.8	97.8	234.9	428.7
PAT	186.7	111.8	61.5	404.5	Profit/Loss on sale of fixed assets	0.0	0.0	(0.1)	0.0
Margin (%)	13.3	6.5	3.0	14.4	Other Expenses	7.7	(6.3)	16.5	20.7
YoY Growth (%)	98.9	(40.1)	(45.0)	558.1	Adjustments for Liabilities & Assets:	(183.0)	(450.4)	824.2	703.1
Min Int/Sh of Assoc	0.0	(0.0)	0.0	0.0	(Increase)/Decrease in investments	(60.5)	(683.3)	556.4	89.9
Net Profit	186.7	111.8	61.5	404.5	(Increase)/decrease in advances	(1,639.3)	(2,142.0)	(2,434.4)	(3,109.2)
Margin (%)	13.3	6.5	3.0	14.4	Increase/(decrease) in deposits	1,443.8	2,272.4	2,566.6	3,636.0
YoY Growth (%)	98.9	(40.1)	(45.0)	558.1	(Increase)/decrease in other assets	(83.0)	43.1	(38.9)	(104.4)
Balance Sheet					Increase/(decrease) in other liabilities/provisions	155.9	59.4	174.6	190.8
Share Capital	759.3	848.3	895.5	895.9	Refund/(payment) of direct taxes	(89.0)	(96.3)	(54.4)	(70.7)
Total Reserves	260.2	520.0	676.8	1,104.4	Other Direct payments	0.0	0.0	0.0	0.0
Shareholders Fund	1,019.5	1,368.4	1,572.3	2,000.3	Net cash generated from operating activities	115.2	(83.5)	1,329.2	1,559.0
Deposits	5,235.2	7,507.6	10,074.2	13,710.1	Cash flow from investing activities	(322.1)	(532.4)	(738.7)	(693.2)
Borrowings	2,675.0	2,607.8	2,571.9	2,349.5	Purchase of fixed assets	(45.6)	(79.4)	(146.7)	(75.8)
Other Liabilities & Provisions	474.6	654.2	845.4	1,057.6	Proceeds from sale of fixed assets	0.0	0.0	0.5	0.4
Total Liabilities	9,404.3	12,137.9	15,063.8	19,117.5	(Purchase)/sale of held to maturity securities	(276.6)	(453.1)	(592.5)	(617.7)
Cash with RBI	191.7	274.9	1,797.9	1,192.1	Cash flow from financing activities	1,304.4	171.7	111.3	(221.1)
Banks balances & money at call	1,422.4	894.9	73.8	1,324.3	Proceeds from issue of share capital	60.0	237.0	146.6	1.3
Investments	1,192.4	2,313.9	2,347.9	2,859.4	Other Financial activities	1,244.4	(65.4)	(35.3)	(222.5)
Advances	6,281.6	8,216.9	10,228.1	13,068.8	Net increase/(decrease) in cash	1,097.4	(444.2)	701.8	644.7
Net Block	109.7	125.3	285.6	301.5	Cash and cash equivalents at 1st April	516.6	1,614.1	1,169.8	1,871.6
Capital Work in Progress	21.7	55.9	0.9	1.8	Cash and cash equivalents at 31st March	1,614.1	1,169.8	1,871.6	2,516.4
Other Assets	184.9	256.1	329.5	369.7					
Total Assets	9,404.3	12,137.9	15,063.8	19,117.5					

Source: Ventura Research

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Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608