



UTKARSH SMALL FINANCE BANK LIMITED



(Please scan the QR to view the RHP and the Abridged Prospectus)

Our Bank was incorporated as 'Utkarsh Small Finance Bank Limited' on April 30, 2016 at Varanasi, Uttar Pradesh as a public limited company under the Companies Act, 2013 and was granted a certificate of incorporation by the Registrar of Companies, Central Registration Centre. Our Promoter, Utkarsh Coreinvest Limited (formerly known as Utkarsh Micro Finance Limited), was granted an in-principle approval to establish a small finance bank ("SFB"), by the RBI, pursuant to its letter dated October 7, 2015. Subsequently, our Bank received the final approval of the RBI to carry on the business as an SFB on November 25, 2016. Our Bank commenced its business operations on January 23, 2017 and was included in the second schedule to the RBI Act pursuant to a notification issued by the RBI dated October 4, 2017 and published in the Gazette of India (Part III - Section 4) dated November 7, 2017. For details in relation to the change in the registered office address of our Bank, see "History and Certain Corporate Matters" beginning on page 205 of the red herring prospectus dated July 6, 2023 ("RHP" or "Red Herring Prospectus").

Registered and Corporate Office: Utkarsh Tower, NH - 31 (Airport Road), Seemalpur, Kazi Sarai, Harhua, Varanasi 221 105, Uttar Pradesh, India; Tel: +91 542 660 5555; Contact Person: Muthiah Ganapathy, Company Secretary and Compliance Officer; Tel: +91 22 6872 9552
E-mail: shareholders@utkarsh.bank; Website: www.utkarsh.bank; Corporate Identity Number: U65992UP2016PLC082804

OUR PROMOTER: UTKARSH COREINVEST LIMITED

INITIAL PUBLIC OFFER OF UP TO [] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF UTKARSH SMALL FINANCE BANK LIMITED (OUR "BANK") FOR CASH AT A PRICE OF ₹ [] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [] PER EQUITY SHARE) (THE "ISSUE PRICE") AGGREGATING UP TO ₹ 5,000 MILLION (THE "ISSUE"). THE ISSUE INCLUDES A RESERVATION OF UP TO [] EQUITY SHARES, AGGREGATING UP TO ₹ [] (CONSTITUTING UP TO 1% OF THE SIZE OF THE ISSUE), FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS HERINAFTER REFERRED TO AS THE "NET ISSUE". THE ISSUE AND THE NET ISSUE SHALL CONSTITUTE []% AND []%, RESPECTIVELY, OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR BANK.

Utkarsh Small Finance Bank Limited is a small finance bank with operations across 26 States and Union Territories in India, as of March 31, 2023. We offer asset products such as microbanking loans, retail loans, wholesale lending, housing loans, commercial vehicle/ construction equipment loans, and gold loans. On the liabilities side, we offer savings accounts, current accounts and term and recurring deposit accounts. We 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.

The Issue is being made through the Book Building Process pursuant to Regulation 6(2) of the SEBI ICDR Regulations.

QIB Portion: Not less than 75% of the Net Issue | Non-Institutional Portion: Not more than 15% of the Net Issue | Retail Portion: Not more than 10% of the Net Issue
Employee Reservation Portion: Up to 20,00,000 Equity Shares aggregating up to ₹ [] Million

PRICE BAND: ₹ 23 TO ₹ 25 PER EQUITY SHARE OF FACE VALUE OF ₹ 10 EACH
THE FLOOR PRICE IS 2.30 TIMES THE FACE VALUE OF THE EQUITY SHARES AND
THE CAP PRICE IS 2.50 TIMES THE FACE VALUE OF THE EQUITY SHARES

THE PRICE TO EARNING RATIO FOR FISCAL 2023 BASED ON DILUTED EPS AT THE FLOOR PRICE IS 5.10 AND AT THE CAP PRICE IS 5.54
BIDS CAN BE MADE FOR A MINIMUM OF 600 EQUITY SHARES AND IN MULTIPLES OF 600 EQUITY SHARES THEREAFTER

In accordance with the recommendation of Independent Directors of our Bank, pursuant to their resolution dated July 7, 2023, the above provided price band is justified based on quantitative factors/ KPIs disclosed in the 'Basis for the Issue Price' section of the RHP vis-a-vis the WACA of primary and secondary transactions, as applicable, disclosed in the 'Basis of the Issue price' section on page 105-116 of the RHP.

RISKS TO INVESTORS:

Regulatory Risk

- We are 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 our business, financial condition, results of operation or cash flows.
- Our 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.
- Our non-convertible debentures are listed on BSE and in the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to BSE under the Listing Regulations. We have filed settlement applications before SEBI under show cause notice issued by SEBI on account of such inadvertent delays.
- We 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.

Concentration Risk:

- A significant portion of our advances in the microbanking segment are towards customers located in the states of Bihar and Uttar Pradesh. Further, a significant portion of our deposits from such customers are from the states and union territory of Maharashtra, NCT of Delhi, Uttar Pradesh and Haryana. We are currently significantly dependent on our microbanking segment, particularly joint liability group ("JLG") loans. Details of our bulk deposits, including as a percentage of our total term deposits:

Particulars	As of March 31,					
	2021		2022		2023	
	Amount (₹ million)	Percentage of Total Term Deposits (%)	Amount (₹ million)	Percentage of Total Term Deposits (%)	Amount (₹ million)	Percentage of Total Term Deposits (%)
Bulk deposits	31,900.58	51.61%	40,655.42	51.98%	52,712.72	48.60%

Financial Risk:

- If we are unable to control the level of NPAs in our portfolio, our business, financial conditions, results of operations and cash flows could be adversely affected
- Our profit after tax declined from ₹ 1,118.15 million in Fiscal 2021 to ₹ 614.62 million in Fiscal 2022. While our profit after tax was ₹ 4,045.02 million in Fiscal 2023, there can be no assurance that we will be able to recover our unsecured advances, lower our NPAs or maintain profitability in the future.

Particulars	As of/ For the year ended March 31,		
	2021	2022	2023
Total income (₹ million)	17,058.36	20,336.46	28,042.86
Profit after tax (₹ million)	1,118.15	614.62	4,045.02
Unsecured loans (₹ million)	70,811.13	79,789.88	87,459.11

Particulars	As of/ For the year ended March 31,		
	2021	2022	2023
Unsecured loans as a percentage of total advances (%)	86.18%	78.01%	66.92%
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%
Net Interest Income (₹ million)	8,392.46	10,608.51	15,290.31
Net Interest Margin (%)	8.20%	8.75%	9.57%

- The Weighted Average Cost of acquisition of all Equity Shares transacted in last three years, 18 months and one year preceding the date of the RHP:

Period	Weighted Average Cost of Acquisition (in ₹)#	Cap Price is 'X' times the Weighted Average Cost of Acquisition#	Range of Acquisition: Lowest Price - Highest Price (in ₹)#
Last 1 year	21.23	1.18	14.01 - 27.00
Last 18 Months	20.91	1.20	14.01 - 27.00
Last 3 years	28.64	0.87	14.01 - 31.80

#As certified by JHS & Associates LLP, Chartered Accountants, vide their certificate dated July 7, 2023.

- Weighted average cost of acquisition compared to Floor Price and Cap Price:

Past Transactions	Weighted Average Cost of Acquisition (in ₹)**	Floor price i.e. ₹ 23**	Cap price i.e. ₹ 25**
WACA* of primary issuance	31.80	0.72 times	0.79 times
WACA* of secondary transactions	27.00	0.85 times	0.93 times

Above weighted average cost of acquisition based on past five primary issuances/ secondary transactions.

* WACA- Weighted average cost of acquisition.

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- Average cost of acquisition of Equity Shares for the Promoter is ₹ 10.50 per Equity Share and Issue Price at upper end of the Price Band is ₹ 25 per Equity Share.
- Weighted Average Return on Net Worth for fiscals 2023, 2022 and 2021 is 12.78%.
- The two BRLMs associated with the Issue have handled 68 public issues in the past three Fiscal Years, out of which 24 issue closed below the IPO price on the listing date.

Name of the BRLM	Total Issues	Issues closed below IPO price on listing date
ICICI Securities Limited*	32	14
Kotak Mahindra Capital Company Limited*	19	4
Common Issues of above BRLMs	17	6
Total	68	24

*Issues handled where there were no common BRLMs

ANCHOR INVESTOR BIDDING DATE: TUESDAY, JULY 11, 2023*

BID / ISSUE OPENS ON: WEDNESDAY, JULY 12, 2023

BID / ISSUE CLOSES ON: FRIDAY, JULY 14, 2023**

BID/ISSUE PERIOD

