



UTKARSH SMALL FINANCE BANK LIMITED

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 further details, see "History and Certain Corporate Matters" beginning on page 164.

Registered and Corporate Office: S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi, 221 002, Uttar Pradesh, India; **Tel:** +91 542 250 0596

Contact Person: Ms. Nutan Rane, 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) AGGREGATING UP TO ₹13,500 MILLION (THE "OFFER") COMPRISING A FRESH ISSUE OF UP TO [•] EQUITY SHARES AGGREGATING UP TO ₹7,500 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO [•] EQUITY SHARES BY UTKARSH COREINVEST LIMITED ("PROMOTER SELLING SHAREHOLDER", AND SUCH EQUITY SHARES THE "OFFERED SHARES") AGGREGATING UP TO ₹6,000 MILLION (THE "OFFER FOR SALE"). THE OFFER INCLUDES A RESERVATION OF UP TO [•] EQUITY SHARES, AGGREGATING UP TO ₹[•] (CONSTITUTING UP TO [•]% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL), FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE OFFER LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET OFFER". THE OFFER AND THE NET OFFER SHALL CONSTITUTE [•]% AND [•]%, RESPECTIVELY, OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR BANK.

OUR BANK, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS ("BRLMs"), MAY CONSIDER AN ISSUANCE OF EQUITY SHARES AGGREGATING UP TO ₹2,500 MILLION (THE "PRE-IPO PLACEMENT"). THE PRE-IPO PLACEMENT WILL BE AT A PRICE TO BE DECIDED BY OUR BANK, IN CONSULTATION WITH THE BRLMs AND THE PRE-IPO PLACEMENT, IF ANY, WILL BE UNDERTAKEN PRIOR TO FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, UTTAR PRADESH AT KANPUR ("RoC"). IF THE PRE-IPO PLACEMENT IS COMPLETED, THE FRESH ISSUE SIZE WILL BE REDUCED TO THE EXTENT OF SUCH PRE-IPO PLACEMENT, SUBJECT TO THE MINIMUM OFFER SIZE CONSTITUTING AT LEAST [•]% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR BANK.

THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR BANK AND OUR PROMOTER SELLING SHAREHOLDER, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND WILL BE ADVERTISED IN [•] EDITIONS OF [•], A WIDELY CIRCULATED ENGLISH NATIONAL DAILY NEWSPAPER AND [•] EDITIONS OF [•], A WIDELY CIRCULATED HINDI NATIONAL DAILY NEWSPAPER WITH A WIDE CIRCULATION IN VARANASI (HINDI ALSO BEING THE REGIONAL LANGUAGE OF VARANASI, UTTAR PRADESH WHERE OUR REGISTERED AND CORPORATE OFFICE IS LOCATED) AT LEAST TWO WORKING DAYS PRIOR TO THE BID/OFFER OPENING DATE AND SHALL BE MADE AVAILABLE TO BSE LIMITED ("BSE") AND NATIONAL STOCK EXCHANGE OF INDIA LIMITED ("NSE") AND TOGETHER WITH BSE, THE "STOCK EXCHANGES") FOR THE PURPOSE OF UPLOADING ON THEIR RESPECTIVE WEBSITES.

In case of any revision to the Price Band, the Bid/Offer Period will be extended by at least three additional Working Days following such revision of the Price Band, provided that the Bid/Offer Period shall not exceed 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Bank and our Promoter Selling Shareholder in consultation with the BRLMs may, for reasons to be recorded in writing, extend the Bid/Offer Period for a minimum of three Working Days, subject to the Bid/Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Offer Period, if applicable, will be widely disseminated by notification to the Stock Exchanges by issuing a public notice, and also by indicating the change on the respective websites of the BRLMs and at the terminals of the Syndicate Members and by intimation to the Self Certified Syndicate Banks (the "SCSBs"), other Designated Intermediaries and the Sponsor Bank, as applicable.

The Offer is being made in terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended, (the "SCRR") read with Regulation 31 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations"). The Offer is being made through the Book Building Process, in compliance with Regulation 6(2) of the SEBI ICDR Regulations, where not less than 75% of the Net Offer will be Allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs") (the "QIB Category"), provided that our Bank and our Promoter Selling Shareholder may, in consultation with the BRLMs, allocate up to 60% of the QIB Category to Anchor Investors, on a discretionary basis (the "Anchor Investor Portion"), of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which Equity Shares are allocated to Anchor Investors. Further, 5% of the QIB Category (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Category shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. If at least 75% of the Net Offer cannot be Allotted to QIBs, then the entire application money will be refunded forthwith. Further, not more than 15% of the Net Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not more than 10% of the Net Offer shall be available for allocation to Retail Individual Investors, in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. Further, Equity Shares will be allocated on a proportionate basis to Eligible Employees applying under the Employee Reservation Portion, subject to valid Bids received from them being at or above the Offer Price. All Bidders, other than Anchor Investors, are required to mandatorily utilise the Application Supported by Blocked Amount ("ASBA") process, providing details of their respective bank accounts (including UPI ID in case of RIBs) in which the Bid Amount will be blocked by the SCSBs, to participate in the Offer. Anchor Investors are not permitted to participate in the Offer through the ASBA process. For details, see "Offer Procedure" beginning on page 378.

RISKS IN RELATION TO THE FIRST OFFER

This being the first public issue of the Equity Shares of our Bank, there has been no formal market for the Equity Shares. The face value of each Equity Share is ₹10. The Floor Price and the Cap Price (determined by our Bank and our Promoter Selling Shareholder in consultation with the BRLMs), and Offer Price (determined by our Bank and our Promoter Selling Shareholder in consultation with the BRLMs, in accordance with the SEBI ICDR Regulations and on the basis of the assessment of market demand for the Equity Shares by way of the Book Building Process, as stated under "Basis for the Offer Price" beginning on page 89), should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Offer unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Offer. For taking an investment decision, investors must rely on their own examination of our Bank and the Offer, including the risks involved. The Equity Shares have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Draft Red Herring Prospectus. Specific attention of the investors is invited to "Risk Factors" beginning on page 23.

BANK AND PROMOTER SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Bank and the Offer, which is material in the context of the Offer, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions, misleading in any material respect. Further, our Promoter Selling Shareholder accepts responsibility for only such statements confirmed or undertaken by our Promoter Selling Shareholder in this Draft Red Herring Prospectus to the extent such statements pertain to itself and/or the Offered Shares and confirms that such statements are true and correct in all material respects and are not misleading in any material respect. However, our Promoter Selling Shareholder does not assume any responsibility for any other statements, including without limitation, any and all of the statements made by or in relation to our Bank in this Draft Red Herring Prospectus.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on BSE and NSE. We have received in-principle approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [•] and [•], respectively. For the purpose of this Offer, [•] is the Designated Stock Exchange. A signed copy of the Red Herring Prospectus and the Prospectus shall be filed with the RoC in accordance with Section 26(4) of the Companies Act, 2013. For details of the material contracts and documents available for inspection from the date of the Red Herring Prospectus up to the Bid/Offer Closing Date, see "Material Contracts and Documents for Inspection" beginning on page 403.

BOOK RUNNING LEAD MANAGERS

REGISTRAR TO THE OFFER

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE OFFER
ICICI Securities Limited ICICI Centre, H.T. Parekh Marg Churchgate, Mumbai 400 020 Maharashtra, India Tel: +91 22 2288 2460 E-mail: utkarsh ipo@icicisecurities.com Website: www.icicisecurities.com Investor grievance e-mail: customercare@icicisecurities.com Contact person: Shekher Asnani / Anurag Byas SEBI registration no.: INM000011179	IIFL Securities Limited 10th Floor, IIFL Centre Kamala City, Senapati Bapat Marg Lower Parel (West), Mumbai 400 013 Maharashtra, India Tel: +91 22 4646 4600 E-mail: utkarsh ipo@iiflcap.com Website: www.iiflcap.com Investor grievance e-mail: ig.ib@iiflcap.com Contact person: Pinak Bhattacharyya/ Keyur Ladhawala SEBI registration no.: INM000010940	Kotak Mahindra Capital Company Limited 1 st Floor, 27 BKC, Plot No. 27, 'G' Block Bandra Kurla Complex, Bandra (East) Mumbai 400 051 Maharashtra, India Tel: +91 22 4336 0000 E-mail: utkarshsf ipo@kotak.com Website: www.investmentbank.kotak.com Investor grievance e-mail: kmccredressal@kotak.com Contact person: Ganesh Rane SEBI registration no.: INM000008704	KFin Technologies Private Limited (formerly known as Karvy Fintech Private Limited) Selenium, Tower-B, Plot 31 & 32, Financial District, Nanakramguda, Serilingampally Hyderabad, Rangareddi 500 032, Telangana, India Tel: +91 40 6716 2222 / 1800 345 4001 E-mail: utkarsh ipo@kfintech.com Investor grievance e-mail: einward.ris@kfintech.com Website: www.kfintech.com Contact person: M. Murali Krishna SEBI registration number: INR000000221

BID/OFFER PERIOD

BID/OFFER OPENS ON*

[•]

BID/OFFER CLOSES ON**

[•]

* Our Bank and our Promoter Selling Shareholder may, in consultation with the BRLMs, consider participation by Anchor Investors, in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date.

** Our Bank and our Promoter Selling Shareholder may, in consultation with the BRLMs, decide to close the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date.

(This page is intentionally left blank)

TABLE OF CONTENTS

SECTION I: GENERAL	1
DEFINITION AND ABBREVIATIONS	1
OFFER DOCUMENT SUMMARY	12
CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION	17
FORWARD LOOKING STATEMENTS	21
SECTION II: RISK FACTORS	23
SECTION III: INTRODUCTION	62
THE OFFER	62
SUMMARY OF FINANCIAL INFORMATION	64
GENERAL INFORMATION	68
CAPITAL STRUCTURE	76
OBJECTS OF THE OFFER	85
BASIS FOR THE OFFER PRICE	89
STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS	92
SECTION IV ABOUT OUR BANK	96
INDUSTRY OVERVIEW	96
OUR BUSINESS	125
KEY REGULATIONS AND POLICIES	156
HISTORY AND CERTAIN CORPORATE MATTERS	164
OUR MANAGEMENT	170
OUR PROMOTER AND PROMOTER GROUP	192
OUR GROUP COMPANY	195
DIVIDEND POLICY	198
SELECTED STATISTICAL INFORMATION	199
SECTION V: FINANCIAL INFORMATION	225
FINANCIAL STATEMENTS	225
OTHER FINANCIAL INFORMATION	304
RELATED PARTY TRANSACTIONS	306
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION	307
CAPITALISATION STATEMENT	341
FINANCIAL INDEBTEDNESS	342
SECTION VI: LEGAL AND OTHER INFORMATION	344
OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS	344
GOVERNMENT AND OTHER APPROVALS	349
OTHER REGULATORY AND STATUTORY DISCLOSURES	353
SECTION VII: OFFER INFORMATION	369
TERMS OF THE OFFER	369
OFFER STRUCTURE	374
OFFER PROCEDURE	378
RESTRICTION ON FOREIGN OWNERSHIP OF INDIAN SECURITIES	395
SECTION VIII: DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION	397
SECTION IX: OTHER INFORMATION	403
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION	403
DECLARATION	405

SECTION I: GENERAL

DEFINITION AND ABBREVIATIONS

This Draft Red Herring Prospectus uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, or unless otherwise specified, shall have the meaning as provided below. References to any legislations, acts, regulations, rules, guidelines, circulars, notifications, clarifications or policies shall be to such legislations, acts, regulations, rules, guidelines or policies as amended, updated, supplemented, re-enacted or modified, from time to time, and any reference to a statutory provision shall include any subordinate legislation made, from time to time, under such provision.

Offer related terms used but not defined in this Draft Red Herring Prospectus shall have the meaning ascribed to such terms under the General Information Document. Any other words and expressions used but not defined in this Draft Red Herring Prospectus shall have the meaning ascribed to such terms under the SEBI ICDR Regulations, the Companies Act, the SCRA, and the Depositories Act and the rules and regulations made thereunder.

The terms not defined herein but used in “Statement of Possible Special Tax Benefits”, “Industry Overview”, “Key Regulations and Policies”, “Selected Statistical Information”, “Financial Statements”, “Outstanding Litigation and Material Developments”, “Description of Equity Shares and Terms of Articles of Association” and “Offer Procedure” beginning on pages 92, 96, 156, 199, 225, 344, 397, and 378, respectively, shall have the meanings ascribed to such terms in these respective sections.

General Terms

Term	Particular
“our Bank”, “the Bank”, “the Issuer”	Utkarsh Small Finance Bank Limited, a company incorporated under the Companies Act, 2013 and registered as a small finance bank with the RBI, having its Registered and Corporate Office at S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi 221 002, Uttar Pradesh, India
“we”, “us” or “our”	Unless the context otherwise indicates or implies, refers to our Bank

Bank Related Terms

Term	Description
Articles of Association or AoA	Articles of association of our Bank, as amended
Audit Committee	Audit committee of the Board of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the Listing Regulations, guidelines issued by the RBI from time to time, and as described in “Our Management” beginning on page 170
Business Transfer Agreement	Business transfer agreement dated January 21, 2017 entered into between our Promoter and our Bank in connection with the transfer of the Business Undertaking. For details, see “History and Certain Corporate Matters” beginning on page 164
Business Undertaking	Business of providing microfinance including assets, liabilities, contracts, receivables, licenses, employees, books and records, tax benefits, etc. transferred by our Promoter to our Bank under the Business Transfer Agreement
Board or Board of Directors	Board of directors of our Bank
CCDs or Compulsorily Convertible Debentures	387,000,000 compulsorily convertible debentures of our Bank, with face value of ₹10 each
Corporate Social Responsibility Committee	Corporate social responsibility committee of our Bank constituted in accordance with the applicable provisions of the Companies Act, 2013 and as described in “Our Management” beginning on page 170
CSFR Committee	Capital Structuring & Fund Raise Committee of the Board of our Bank
Director(s)	The directors on the Board of our Bank
ESOP Plan 2020	USFBL Employee Stock Option Plan 2020
ESOP Scheme 1	USFBL Employee Stock Option 2020 - Scheme 1 notified under the ESOP Plan 2020
Equity Shares	The equity shares of our Bank of face value of ₹10 each
Group Company	Our group company, namely Utkarsh Welfare Foundation, identified in accordance with Regulation 2(1)(t) of the SEBI ICDR Regulations and disclosed in “Our Group Company” beginning on page 195
Independent Directors	Independent directors on our Board, as described in “Our Management” beginning on page 170
Investment Agreement	Investment agreement dated February 10, 2021 between our Bank, Olympus ACF Pte. Ltd., responsAbility Participations Mauritius, Aavishkaar Bharat Fund, Triodos Sicav II - Triodos

Term	Description
	Microfinance Fund, Legal Owner Triodos Funds B.V. (in its capacity as legal owner of Triodos Fair Share Fund) and Growth Catalyst Partners LLC
Key Managerial Personnel or KMP	Key managerial personnel of our Bank shall have the meaning as set out under Regulation 2(1)(bb) of the SEBI ICDR Regulations and as described in “Our Management” beginning on page 170
Managing Director	The managing director of our Bank, Mr. Govind Singh
MD & CEO ESOP Plan	USFBL MD & CEO Employee Stock Option Plan 2020
Memorandum of Association or MoA	Memorandum of association of our Bank, as amended
Nomination and Remuneration Committee	Nomination and Remuneration Committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the Listing Regulations and guidelines issued by the RBI from time to time and as described in “Our Management” beginning on page 170
Preference Shares	The preference shares of our Bank of face value of ₹10 each
Promoter or UCL or Promoter Selling Shareholder	The promoter of our Bank, namely Utkarsh CoreInvest Limited (formerly known as Utkarsh Micro Finance Limited)
Promoter SHA	Second restated and amended shareholders agreement dated March 1, 2021 entered into between Mr. Govind Singh, Ms. Revati Govind, RAAG Family Private Trust, our Promoter, other shareholders and the investors namely Aavishkaar Bharat Fund, Aavishkaar Goodwill India Microfinance Development Company II Limited, Aavishkaar Venture Management Services Private Limited, CDC Group Plc, Faering Capital India Evolving Fund II, Faering Capital India Evolving Fund III, HDFC Ergo General Insurance Company Limited, HDFC Life Insurance Company Limited, Housing Development Finance Corporation Limited, Hero Enterprise Partner Ventures, ICICI Prudential Life Insurance Limited, International Finance Corporation, Jhelum Investment Fund I, Lok Capital Growth Fund, NMI Frontier Fund KS, RBL Bank Limited, responsAbility Participations Mauritius, Sarva Capital LLC, Shriram Life Insurance Company Limited, Small Industries Development Bank of India and Sustainability - Finance - Real Economies SICAV- SIF
Promoter Group	Persons and entities constituting the promoter group of our Bank in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, as disclosed in “Our Promoter and Promoter Group” beginning on page 192
RBI In-Principle Approval	RBI letter dated October 7, 2015 bearing no. DBR.PSBD.NBC(SFB-UMFPL). No. 4923/16.13.216/2015-16, pursuant to which the RBI granted our Promoter an in-principle approval to establish an SFB in the private sector under Section 22 of the Banking Regulation Act
RBI Licence	RBI letter dated November 25, 2016 bearing no. DBR.NBD. (SFB-UMFL). No. 5993/16.13.216/2016-17 pursuant to which the RBI granted license MUM:125 to our Bank to carry on the SFB business in terms of Section 22(1) of the Banking Regulation Act
Registered and Corporate Office	The registered and corporate office of our Bank situated at S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi 221 002, Uttar Pradesh, India
Registrar of Companies or RoC	Registrar of Companies, Uttar Pradesh at Kanpur
Restated Financial Statements	Restated financial statements of our Bank as at and for the six months ended September 30, 2020 and for Fiscals 2020, 2019 and 2018 which comprises the restated summary statement of assets and liabilities as at September 30, 2020, March 31, 2020, March 31, 2019 and March 31, 2018, the restated summary statements of profit and loss and the restated summary statement of cash flows for the six months ended September 30, 2020 and the financial years ended March 31, 2020, March 31, 2019 and March 31, 2018 and notes thereto prepared in terms of the requirements of Section 26 of Part I of Chapter III of the Companies Act, the SEBI ICDR Regulations, the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the ICAI and the circular no. SEBI/HO/CFD/DIL/CIR/P/2016/47 dated March 31, 2016 issued by SEBI, as amended from time to time
Shareholders	Holders of Equity Shares of our Bank from time to time
SIDBI	Small Industries Development Bank of India
Stakeholders’ Relationship Committee	Stakeholders’ relationship committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations and as described in “Our Management” beginning on page 170
Statutory Auditors	Haribhakti & Co. LLP, Chartered Accountants, the current statutory auditors of our Bank
UCL ESOP Schemes	Employee Stock Option Plan, 2010 (Pool I and II) and Utkarsh Employee Stock Option Plan 2016 at UCL, our Promoter.
UMFL	Utkarsh Micro Finance Limited
UWF	Utkarsh Welfare Foundation

Offer Related Terms

Term	Description
Allot or Allotment or Allotted	Unless the context otherwise requires, allotment of the Equity Shares pursuant to the Fresh Issue and transfer of Offered Shares pursuant to the Offer for Sale to the successful Bidders
Allotment Advice	Note or advice or intimation of Allotment sent to the successful Bidders who have been or are to be Allotted the Equity Shares after the Basis of Allotment has been approved by the Designated Stock Exchange
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations and the Red Herring Prospectus and who has Bid for an amount of at least ₹100 million
Anchor Investor Allocation Price	Price at which Equity Shares will be allocated to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which will be decided by our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs, during the Anchor Investor Bid/Offer Period
Anchor Investor Application Form	Application form used by an Anchor Investor to make a Bid in the Anchor Investor Portion and which will be considered as an application for Allotment in terms of the Red Herring Prospectus and Prospectus
Anchor Investor Bid/Offer Period	One Working Day prior to the Bid/Offer Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Offer Price	Final price at which the Equity Shares will be Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Offer Price but not higher than the Cap Price. The Anchor Investor Offer Price will be decided by our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs
Anchor Investor Portion	Up to 60% of the QIB Portion which may be allocated by our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs, to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations
Application Supported by Blocked Amount or ASBA	Application, whether physical or electronic, used by ASBA Bidders to make a Bid and authorizing an SCSB to block the Bid Amount in the ASBA Account and will include applications made by RIBs using the UPI Mechanism where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by RIBs using the UPI Mechanism
ASBA Account	Bank account maintained with an SCSB by an ASBA Bidder, as specified in the ASBA Form submitted by ASBA Bidders for blocking the Bid Amount mentioned in the relevant ASBA Form and includes the account of an RIB which is blocked upon acceptance of a UPI Mandate Request made by the RIBs using the UPI Mechanism
ASBA Bid	A Bid made by an ASBA Bidder
ASBA Bidders	All Bidders except Anchor Investors
ASBA Form	Application form, whether physical or electronic, used by ASBA Bidders to submit Bids, which will be considered as the application for Allotment in terms of the Red Herring Prospectus and the Prospectus
Bankers to the Offer	Collectively, Escrow Collection Bank(s), Public Offer Account Bank(s), Sponsor Bank(s) and Refund Bank(s), as the case may be
Basis of Allotment	Basis on which Equity Shares will be Allotted to successful Bidders under the Offer and which is described in “Offer Structure” beginning on page 374
Bid	Indication to make an offer during the Bid/Offer Period by an ASBA Bidder pursuant to submission of the ASBA Form, or during the Anchor Investor Bid/Offer Period by an Anchor Investor, pursuant to submission of the Anchor Investor Application Form, to subscribe to or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto as permitted under the SEBI ICDR Regulations and in terms of the Red Herring Prospectus and the Bid cum Application Form. The term “Bidding” shall be construed accordingly
Bid Amount	The highest value of optional Bids indicated in the Bid cum Application Form and, in the case of RIBs Bidding at the Cut off Price, the Cap Price multiplied by the number of Equity Shares Bid for by such Retail Individual Bidder and mentioned in the Bid cum Application Form and payable by the Bidder or blocked in the ASBA Account of the Bidder, as the case may be, upon submission of the Bid
Bid cum Application Form	Anchor Investor Application Form or the ASBA Form, as the context requires
Bid Lot	[•] Equity Shares and in multiples of [•] Equity Shares thereafter
Bid/Offer Closing Date	Except in relation to any Bids received from the Anchor Investors, the date after which the Designated Intermediaries will not accept any Bids, which shall be notified in [•] editions of [•], a widely circulated English national daily newspaper and [•] editions of [•], a widely circulated Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being

Term	Description
	the regional language of Varanasi, Uttar Pradesh where our Registered and Corporate Office is located), and in case of any such extension, the extended Bid/Offer Closing Date shall also be notified on the website and terminals of the Syndicate Members and communicated to the designated intermediaries and the Sponsor Bank
	Our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs may, consider closing the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations. In case of any revision, the extended Bid/Offer Closing Date shall also be notified on the websites of the BRLMs and at the terminals of the Syndicate Members, which shall also be notified in an advertisement in same newspapers in which the Bid/Offer Opening Date was published, as required under the SEBI ICDR Regulations
Bid/Offer Opening Date	Except in relation to any Bids received from the Anchor Investors, the date on which the Designated Intermediaries shall start accepting Bids, which shall be notified in [•] editions of [•], a widely circulated English national daily newspaper and [•] editions of [•], a widely circulated Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh where our Registered and Corporate Office is located)
Bid/Offer Period	Except in relation to Anchor Investors, the period between the Bid/Offer Opening Date and the Bid/Offer Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor
Bidding Centres	Centres at which the Designated Intermediaries shall accept the ASBA Forms, i.e., Designated Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for RTAs and Designated CDP Locations for CDPs
Book Building Process	Book building process, as provided in Schedule XIII of the SEBI ICDR Regulations, in terms of which the Offer is being made
Book Running Lead Managers or BRLMs	The book running lead managers to the Offer, namely, ICICI Securities Limited, IIFL Securities Limited and Kotak Mahindra Capital Company Limited
Broker Centres	Centres notified by the Stock Exchanges where Bidders can submit the ASBA Forms to a Registered Broker. The details of such Broker Centres, along with the names and contact details of the Registered Brokers are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
Confirmation Allocation Note or CAN	Notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares, after the Anchor Investor Bid/Offer Period
Cap Price	Higher end of the Price Band, above which the Offer Price and the Anchor Investor Offer Price will not be finalised and above which no Bids will be accepted
Client ID	Client identification number maintained with one of the Depositories in relation to demat account
Collecting Depository Participant or CDP	A depository participant as defined under the Depositories Act, 1996 registered with SEBI and who is eligible to procure Bids at the Designated CDP Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 issued by SEBI as per the list available on the websites of BSE and NSE, as updated from time to time
Cut-off Price	Offer Price, finalised by our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs, which shall be any price within the Price Band. Only Retail Individual Bidders Bidding in the Retail Portion and Eligible Employees Bidding under Eligible Employee Reservation Portion are entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Forms, a list of which is available on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes or at such other website as may be prescribed by SEBI from time to time
Designated CDP Locations	Such centres of the CDPs where ASBA Bidders can submit the ASBA Forms. The details of such Designated CDP Locations, along with the names and contact details of the CDPs are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com) and updated from time to time
Demographic Details	The details of the Bidders including the Bidder's address, name of the Bidder's father/husband, investor status, occupation, and bank account details and UPI ID, as applicable
Designated Date	The date on which the Escrow Collection Bank(s) transfer funds from the Escrow Account to the Public Offer Account or the Refund Account, as the case may be, and the instructions are issued to the SCSBs (in case of RIBs using UPI Mechanism, instruction issued through the Sponsor Bank) for the transfer of amounts blocked by the SCSBs in the ASBA Accounts to the Public Offer Account or the Refund Account, as the case may be, in terms of the Red

Term	Description
	Herring Prospectus and the Prospectus following which Equity Shares will be Allotted in the Offer
Designated Intermediary(ies)	In relation to ASBA Forms submitted by RIBs by authorising an SCSB to block the Bid Amount in the ASBA Account, Designated Intermediaries shall mean SCSBs. In relation to ASBA Forms submitted by RIBs where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by such RIB using the UPI Mechanism, Designated Intermediaries shall mean Syndicate, sub-syndicate/agents, Registered Brokers, CDPs, SCSBs and RTAs. In relation to ASBA Forms submitted by QIBs, Eligible Employees and Non-Institutional Bidders, Designated Intermediaries shall mean Syndicate, Sub-Syndicate/ agents, SCSBs, Registered Brokers, the CDPs and RTAs
Designated RTA Locations	Such centres of the RTAs where Bidders (except Anchor Investors) can submit the Bid cum Application Forms. The details of such Designated RTA Locations, along with the names and contact details of the RTAs are available on the respective websites of the Stock Exchanges (www.nseindia.com and www.bseindia.com) and updated from time to time
Designated Stock Exchange	[•]
Draft Red Herring Prospectus or DRHP	This draft red herring prospectus dated March 4, 2021 issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares will be Allotted and the size of the Offer, including any addenda or corrigenda thereto
Eligible Employee(s)	Permanent employees of our Bank or our Promoter or a Director of our Bank, whether whole-time or not, as on the date of the filing of the Red Herring Prospectus with the RoC, but not including (i) our Promoter; (ii) persons belonging to the Promoter Group; or (iii) Directors who either themselves or through their relatives or through any body corporate, directly or indirectly, hold more than 10% of the outstanding equity shares of our Bank. The initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000, however, an Eligible Employee may submit a Bid for a maximum Bid Amount of ₹500,000 under the Employee Reservation Portion. Only in the event of an under-subscription in the Employee Reservation Portion, the unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000.
Eligible NRI(s)	NRI(s) from jurisdictions outside India where it is not unlawful to make an Offer or invitation under the Offer and in relation to whom the ASBA Form and the Red Herring Prospectus will constitute an invitation to subscribe to or to purchase the Equity Shares
Employee Reservation Portion	The portion of the Offer being up to [•] Equity Shares aggregating to ₹ [•] million, available for subscription by Eligible Employees, on a proportionate basis.
Escrow Account	Accounts to be opened with the Escrow Collection Bank(s) and in whose favour the Anchor Investors will transfer money through NACH/direct credit/NEFT/RTGS in respect of the Bid Amount when submitting a Bid
Escrow and Sponsor Bank Agreement	Agreement to be entered amongst our Bank, the Promoter Selling Shareholder, the BRLMs, Syndicate Members, the Bankers to the Offer and Registrar to the Offer, <i>inter alia</i> , for collection of the Bid Amounts from Anchor Investors, transfer of funds to the Public Offer Account, transfer of funds from the Public Offer Account and where applicable, refunds of the amounts collected from Bidders, on the terms and conditions thereof
Escrow Collection Bank(s)	Bank(s) which are clearing members and registered with SEBI as banker(s) to an issue under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and with whom the Escrow Account will be opened, in this case being [•]
First or sole Bidder	Bidder whose name shall be mentioned in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name shall also appear as the first holder of the beneficiary account held in joint names
Floor Price	Lower end of the Price Band, subject to any revision(s) thereto, not being less than the face value of Equity Shares, at or above which the Offer Price and the Anchor Investor Offer Price will be finalised and below which no Bids will be accepted
Fresh Issue	Fresh issue of up to [•] Equity Shares aggregating up to ₹7,500 million by our Bank. Our Bank in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹2,500 million. The Pre-IPO Placement will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement, if any, will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Offer size constituting at least [•] % of the post-Offer paid-up Equity Share capital of our Bank
I-Sec	ICICI Securities Limited

Term	Description
IIFL	IIFL Securities Limited
Kotak	Kotak Mahindra Capital Company Limited
Mutual Fund Portion	5% of the Net QIB Portion, or [•] Equity Shares which shall be available for allocation to Mutual Funds only, subject to valid Bids being received at or above the Offer Price
NBFC	Non-banking financial company
Net Offer	The Offer less the Employee Reservation Portion
Net Proceeds	Proceeds of the Fresh Issue less our Bank's share of the Offer expenses. For further details regarding the use of the Net Proceeds and the Offer expenses, see " <i>Objects of the Offer</i> " beginning on page 85
Net QIB Portion	The QIB Portion less the number of Equity Shares allocated to the Anchor Investors
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount of more than ₹200,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	Portion of the Offer being not more than 15% of the Net Offer consisting of [•] Equity Shares which shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Offer Price
Non-Resident Offer	Person resident outside India, as defined under FEMA The initial public offer of Equity Shares comprising the Fresh Issue and the Offer for Sale.
Offer Agreement	Our Bank in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹2,500 million. The Pre-IPO Placement will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement, if any, will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Offer size constituting at least [•] % of the post-Offer paid-up Equity Share capital of our Bank Agreement dated March 4, 2021 entered amongst our Bank, our Promoter Selling Shareholder and the BRLMs, pursuant to which certain arrangements have been agreed to in relation to the Offer
Offer for Sale	The offer for sale of up to [•] Equity Shares by Utkarsh CoreInvest Limited aggregating up to ₹6,000 million.
Offer Price	The final price at which Equity Shares will be Allotted to ASBA Bidders in terms of the Red Herring Prospectus and the Prospectus. Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Offer Price, which will be decided by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs in terms of the Red Herring Prospectus and the Prospectus. The Offer Price will be decided by our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs, on the Pricing Date in accordance with the Book Building Process and the Red Herring Prospectus
Offer Proceeds	The proceeds of the Fresh Issue which shall be available to our Bank and the proceeds of the Offer for Sale which shall be available to our Promoter Selling Shareholder. For further information about use of the Offer Proceeds, see " <i>Objects of the Offer</i> " beginning on page 85
Offered Shares	Up to [•] Equity Shares aggregating up to ₹6,000 million being offered by our Promoter Selling Shareholder in the Offer for Sale
Pre-IPO Placement	A pre-Offer issuance of Equity Shares by our Bank in consultation with the BRLMs, aggregating up to ₹2,500 million. The Pre-IPO Placement will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement, if any, will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Offer size constituting at least [•] % of the post-Offer paid-up Equity Share capital of our Bank
Price Band	Price band of a minimum price of ₹[•] per Equity Share (Floor Price) and the maximum price of ₹[•] per Equity Share (Cap Price) including any revisions thereof. The Price Band and the minimum Bid Lot size for the Offer will be decided by our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs, and will be advertised in [•] editions of [•], a widely circulated English national daily newspaper and [•] editions of [•], a widely circulated Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh where our Registered and Corporate Office is located), and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites
Pricing Date	Date on which our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs, will finalise the Offer Price
Prospectus	Prospectus to be filed with the RoC on or after the Pricing Date in accordance with Section 26 of the Companies Act, 2013, and the SEBI ICDR Regulations containing, <i>inter alia</i> , the Offer Price, the size of the Offer and certain other information, including any addenda or corrigenda thereto

Term	Description
Public Offer Account	Bank account to be opened with the Public Offer Account Bank, under Section 40(3) of the Companies Act, 2013 to receive monies from the Escrow Account and ASBA Accounts on the Designated Date
Public Offer Account Bank(s)	A bank which is a clearing member and registered with SEBI as a banker to an issue and with which the Public Offer Account will be opened, in this case being [•]
QIB Portion	The portion of the Offer (including the Anchor Investor Portion) being not less than 75% of the Net Offer consisting of [•] Equity Shares which shall be available for allocation to QIBs (including Anchor Investors), subject to valid Bids being received at or above the Offer Price or Anchor Investor Offer Price (for Anchor Investors)
Qualified Institutional Buyers or QIBs or QIB Bidders	Qualified institutional buyers as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
Red Herring Prospectus or RHP	Red Herring Prospectus to be issued in accordance with Section 32 of the Companies Act, 2013 and the provisions of the SEBI ICDR Regulations, which will not have complete particulars of the Offer Price and the size of the Offer, including any addenda or corrigenda thereto. The Red Herring Prospectus will be filed with the RoC at least three Working Days before the Bid/Offer Opening Date and will become the Prospectus upon filing with the RoC after the Pricing Date
Refund Account(s)	Account to be opened with the Refund Bank(s), from which refunds, if any, of the whole or part of the Bid Amount to the Bidders shall be made
Refund Bank(s)	Banker(s) to the Offer and with whom the Refund Account will be opened, in this case being [•]
Registered Brokers	Stock brokers registered under SEBI (Stock Brokers) Regulations, 1992, as amended with the Stock Exchanges having nationwide terminals, other than the BRLMs and the Syndicate Members and eligible to procure Bids in terms of Circular No. CIR/ CFD/ 14/ 2012 dated October 4, 2012 issued by SEBI
Registrar Agreement	Agreement dated March 3, 2021 entered by and amongst our Bank, our Promoter Selling Shareholder and the Registrar to the Offer, in relation to the responsibilities and obligations of the Registrar to the Offer pertaining to the Offer
“Registrar and Share Transfer Agents” or “RTAs”	Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations as per the list available on the websites of BSE and NSE, and the UPI Circulars
“Registrar to the Offer” or “Registrar”	KFin Technologies Private Limited (formerly known as Karvy Fintech Private Limited)
“Retail Individual Bidder(s)” or “RIB(s)”	Individual Bidders, who have Bid for the Equity Shares for an amount not more than ₹200,000 in any of the bidding options in the Offer (including HUFs applying through their Karta and Eligible NRIs)
Retail Portion	Portion of the Offer being not more than 10% of the Net Offer consisting of [•] Equity Shares which shall be available for allocation to Retail Individual Bidders (subject to valid Bids being received at or above the Offer Price)
Revision Form	Form used by the Bidders to modify the quantity of the Equity Shares or the Bid Amount in any of their ASBA Form(s) or any previous Revision Form(s), as applicable. QIB Bidders and Non-Institutional Bidders are not allowed to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders can revise their Bids during the Bid/Offer Period and withdraw their Bids until Bid/Offer Closing Date
Self-Certified Syndicate Bank(s) or SCSB(s)	The banks registered with SEBI, offering services (i) in relation to ASBA (other than through UPI Mechanism), a list of which is available on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 or https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35 , as applicable, or such other website as updated from time to time, and (ii) in relation to ASBA (through UPI Mechanism), a list of which is available on the website of SEBI at https://sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40 or such other website as may be prescribed by SEBI and updated from time to time
Share Escrow Agent	Escrow agent to be appointed pursuant to the Share Escrow Agreement, namely, [•]
Share Escrow Agreement	Agreement to be entered amongst our Bank, our Promoter Selling Shareholder and the Share Escrow Agent in connection with the transfer of the Offered Shares by the Promoter Selling Shareholder and credit of such Equity Shares to the demat account of the Allottees
Specified Locations	Bidding Centres where the Syndicate shall accept ASBA Forms from Bidders
Sponsor Bank	[•], being a Banker to the Offer, appointed by our Bank to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the RIBs using the UPI and carry out other responsibilities, in terms of the UPI Circulars
Syndicate or Members of the Syndicate	Together, the BRLMs and the Syndicate Members

Term	Description
Syndicate Agreement	Agreement to be entered amongst our Bank, our Promoter Selling Shareholder, the BRLMs, the Registrar and the Syndicate Members, in relation to collection of Bids by the Syndicate
Syndicate Members	Intermediaries registered with SEBI who are permitted to carry out activities as an underwriter, namely, [•]
Systemically Important NBFC	Systemically important non-banking financial company as defined under Regulation 2(1)(iii) of the SEBI ICDR Regulations
Underwriters	[•]
Underwriting Agreement	Agreement to be entered amongst our Bank, our Promoter Selling Shareholder, the Underwriters and Registrar to the Offer to be entered into on or after the Pricing Date but prior to filing of the Prospectus with the RoC
UPI	Unified payments interface which is an instant payment mechanism, developed by NPCI
UPI Circulars	SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, SEBI circular no. (SEBI/HO/CFD/DIL2/CIR/P/2019/85) dated July 26, 2019, circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019, circular no. (SEBI/HO/CFD/DIL2/CIR/P/2020/50) dated March 30, 2020 and any subsequent circulars or notifications issued by SEBI in this regard
UPI ID	ID created on the UPI for single-window mobile payment system developed by the NPCI
UPI Mandate Request	A request (intimating the RIB by way of a notification on the UPI application and by way of a SMS for directing the RIB to such UPI mobile application) to the RIB initiated by the Sponsor Bank to authorise blocking of funds on the UPI application equivalent to Bid Amount and subsequent debit of funds in case of Allotment
UPI Mechanism	Process for applications by RIBs submitted with intermediaries with UPI as mode of payment, in terms of the UPI Circulars
Working Day	All days on which commercial banks in Mumbai, India are open for business, provided however, for the purpose of announcement of the Price Band and the Bid/Offer Period, “Working Day” shall mean all days, excluding all Saturdays, Sundays and public holidays on which commercial banks in Mumbai, India are open for business and the time period between the Bid/Offer Closing Date and listing of the Equity Shares on the Stock Exchanges, “Working Days” shall mean all trading days excluding Sundays and bank holidays in India, as per the circulars issued by SEBI

Technical/Industry Related Terms

Term	Description
ALCO	Asset Liability Management Committee
AMFI	Association of Mutual Funds in India
AML	Anti- Money Laundering
ANBC	Adjusted Net Bank Credit
ATM	Automated Teller Machine
AUM	Asset under management
Banking Outlet	As defined in RBI’s revised guidelines on rationalisation of branch authorisation policy issued on May 18, 2017, a banking outlet is a fixed point service delivery unit, manned by either bank’s staff or its business correspondent where services of acceptance of deposits, encashment of cheques/ cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least five days a week.
BC	Business Correspondent
BCP	Business Continuity Plan
BIO	Société belge d’investissement pour les Pays en Développement – BIO SA
CASA	Current Account and Savings Account
CBS	Core Banking Solution
CFT	Combating Financing of Terrorism
Cost of Funds	Cost of funds is interest expended divided by total average interest bearing liabilities calculated on the basis of quarterly average.
CRAR	Capital-to-Risk Weighted Asset Ratio
CRISIL Report	The report titled “Report on Small Finance Banks and various loan products” dated January 2021
CRR	Cash Reserve Ratio
CV	Commercial Vehicle
DRP	Disaster Recovery Plan
Exim Bank	Export-Import Bank of India
FATCA	Foreign Account Tax Compliance Act, 2010
FI	Financial Institutions

Term	Description
FIMMDA	Fixed Income Money Market & Derivatives Association of India
GNPA	Gross Non-Performing Asset
Gross Advances	Gross advances includes on-book advances (net off advance collections and interest due)
Gross Loan Portfolio	Gross loan portfolio includes on-book and off-book advances
HTM	Held to Maturity
IFSC	Indian Financial System Code
IRS	Internal Revenue Service
JLG	Joint Liability Group
LAP	Loan against property
MCLR	Marginal Cost of Funds based Lending Rate
MFI	Microfinance Institutions
NABARD	National Bank for Agriculture and Rural Development
Net Interest Income	Net Interest Income is difference of interest earned and interest expended.
Net Interest Margin	Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of quarterly average balances.
NNPA	Net Non-Performing Asset
NPA	Non-Performing Asset
NPS	National Pension Scheme
Ombudsman Scheme	The Banking Ombudsman Scheme, 2006, as amended up to July 1, 2017
PMLA	Prevention of Money Laundering Act, 2002
PSL	Priority Sector Lending
RDDBI Act	The Recovery of Debts Due to Banks and Financial Institutions Act, 1993
SIDBI	Small Industries Development Bank of India
SLR	Statutory Liquidity Ratio
Spread	Spread is difference between yield on advances and Cost of Funds.
URC	As defined in RBI's revised guidelines on rationalisation of branch authorisation policy issued on May 18, 2017, an 'Unbanked Rural Centre' is a rural (Tier 5 and Tier 6) centre that does not have a CBS-enabled 'Banking Outlet' of a scheduled commercial bank, a small finance bank, a payment bank or a regional rural bank nor a branch of local area bank or licensed co-operative bank for carrying out customer based banking transactions.

Conventional and General Terms or Abbreviations

Term	Description
₹/Rs./Rupees/INR	Indian Rupees
AIFs	Alternative Investments Funds
Banking Regulation Act	Banking Regulation Act, 1949
Basel Master Circular	Master Circular – Basel III Capital Regulations, RBI/2015-16/58, DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015
BFSI	Banking, Financial Services And Insurance
BSE	BSE Limited
CAGR	Compound annual growth rate (as a %): $(\text{End Year Value}/\text{Base Year Value})^{(1/\text{No. of years between Base year and end year})} - 1$ (^ denotes 'raised to')
Category I AIF	AIFs who are registered as "Category I Alternative Investment Funds" under the SEBI AIF Regulations
Category II AIF	AIFs who are registered as "Category II Alternative Investment Funds" under the SEBI AIF Regulations
Category II FPIs	FPIs who are registered as "Category II Foreign Portfolio Investors" under the SEBI FPI Regulations
Category III AIF	AIFs who are registered as "Category III Alternative Investment Funds" under the SEBI AIF Regulations
CDSL	Central Depository Services (India) Limited
CFO	Chief Financial Officer
CIN	Corporate Identity Number
Companies Act or Companies Act, 2013	Companies Act, 2013, to the extent in force pursuant to the notification of the Notified Sections along with the relevant rules, clarifications and modifications made therein
Companies Act, 1956	Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon the notification of the Notified Sections) along with the relevant rules made thereunder
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DIN	Director Identification Number
Domestic OSP	Domestic Other Service Provider

Term	Description
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (<i>earlier known as the Department of Industrial Policy and Promotion</i>)
DP ID	Depository Participant Identification
DP/ Depository Participant	Depository participant as defined under the Depositories Act
EBITDA	Earnings before interest (net), taxes, depreciation and amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign Direct Investment
FDI Policy	Consolidated FDI Policy issued by the DPIIT (FDI Division), effective from October 15, 2020
FEMA	Foreign Exchange Management Act, 1999, read with rules and regulations there under
FEMA Non-debt Instruments Rules	Foreign Exchange Management (Non-debt Instruments) Rules, 2019
FEMA Regulations	The FEMA Non-debt Instruments Rules, the Foreign Exchange Management (Mode of Payment and Reporting of Non Debt Instruments) Regulations, 2019 and the Foreign Exchange Management (Debt Instruments) Regulations, 2019, as applicable
FMCG	Fast-Moving Consumer Goods
Financial Year/ Fiscal/ FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FIR	First Information Report
FPI(s)	Foreign portfolio investors as defined under the SEBI FPI Regulations
FVCI(s)	Foreign venture capital investors as defined and registered under the SEBI FVCI Regulations
GAAR	General Anti-Avoidance Rules
Gazette	Gazette of India
GoI or Government or Central Government	Government of India
GST	Goods and services tax
HUF	Hindu undivided family
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
Ind AS/ Indian Accounting Standards India	Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015
Indian GAAP/ IGAAP	Accounting standards notified under section 133 of the Companies Act, 2013 read with Companies (Accounting Standards) Rules 2006 (as amended) and the Companies (Accounts) Rules, 2014 in so far as they apply to our Bank, applicable requirements of the Banking Regulation Act and guidelines and directions issued by the RBI from time to time
IPC	Indian Penal Code, 1860
IPO	Initial public offering
IST	Indian Standard Time
IT	Information Technology
IT Act	The Income Tax Act, 1961
KYC	Know your customer
Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
MCA	Ministry of Corporate Affairs
MICR	Magnetic Ink Character Recognition
Mutual Fund (s)	Mutual Fund(s) means mutual funds registered under the SEBI (Mutual Funds) Regulations, 1996
N/A or N.A.	Not applicable
NACH	National Automated Clearing House
NAV	Net Asset Value
NCD	Non-convertible debentures
NEFT	National Electronic Funds Transfer
Notified Sections	The sections of the Companies Act, 2013 that were notified by the Ministry of Corporate Affairs
NPCI	National Payments Corporation of India
NRI	Person resident outside India, who is a citizen of India or a person of Indian origin, and shall have the meaning ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2016 or an overseas citizen of India cardholder within the meaning of section 7(A) of the Citizenship Act, 1955
NRE Account	Non-resident external rupee account
NRO Account	Non-resident ordinary account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited

Term	Description
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA. OCBs are not allowed to invest in the Offer.
p.a.	Per annum
P/E	Price/earnings
P/E Ratio	Price/earnings ratio
PAN	Permanent account number
PAT	Profit after tax
PFRDA	Pension Fund Regulatory and Development Authority
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
Regulation S	Regulation S under the U.S. Securities Act
RoNW	Return on Net Worth
RTGS	Real Time Gross Settlement
Rule 144A	Rule 144A under the U.S. Securities Act
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investments Funds) Regulations, 2012
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI Merchant Bankers Regulations	SEBI (Merchant Bankers) Regulations, 1992
SEBI SBEB Regulations	Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 as repealed pursuant to the SEBI AIF Regulations
SFB Licensing Guidelines	Reserve Bank of India's Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014
SFB	Small finance bank within the meaning of the SFB Licensing Guidelines
State Government	The government of a state in India
Stock Exchanges	BSE and NSE
STT	Securities transaction tax
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
U.S. GAAP	Generally Accepted Accounting Principles (as adopted by the U.S. Securities and Exchange Commission)
U.S. Holder	A beneficial owner of Equity Shares that is for United States federal income tax purposes: (a) an individual who is a citizen or resident of the United States; (b) a corporation organised under the laws of the United States, any state thereof or the District of Columbia; (c) an estate whose income is subject to United States federal income taxation regardless of its source; or (d) a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust, or (2) has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a U.S. person
U.S. Securities Act	U.S. Securities Act of 1933, as amended
U.S./USA/United States	United States of America
U.S. QIBs	Qualified institutional buyers, as defined in Rule 144A under the U.S. Securities Act
USD/US\$	United States Dollars
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations
Wilful Defaulter	Wilful defaulter as defined under Regulation 2(1)(iii) of SEBI ICDR Regulations

OFFER DOCUMENT SUMMARY

The following is a general summary of the terms of the Offer and is not exhaustive, nor does it purport to contain a summary of all the disclosures in this Draft Red Herring Prospectus or all details relevant to prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Draft Red Herring Prospectus, including “Risk Factors”, “The Offer”, “Capital Structure”, “Objects of the Offer”, “Industry Overview”, “Our Business”, “Offer Procedure”, “Outstanding Litigation and Material Developments” and “Description of Equity Shares and Terms of Articles of Association” beginning on pages 23, 62, 76, 85, 96, 125, 378, 344 and 397, respectively.

Summary of our primary business and the industry in which we operate

We are among the most profitable SFBs in India and among the leading SFBs in terms of return on assets and had the highest return on equity among SFBs in India in Fiscal 2020 (Source: CRISIL Report). We are headquartered in Varanasi, Uttar Pradesh. Our operations are spread across India and are present in 18 States and Union Territories with 528 Banking Outlets and 8,729 employees, as of September 30, 2020. As of September 30, 2020, 27.08% of our Banking Outlets were located in Unbanked Rural Centres (“URCs”) as against the regulatory requirement of 25% of banking outlets of SFBs to be located in URCs. Our operations are focused in rural and semi-urban areas and as of September 30, 2020, we had 2.74 million customers (both deposit and credit). Small finance banks’ AUM registered a growth rate at a CAGR of 30% during Fiscal 2017 and Fiscal 2020. The top three SFB’s accounted for approximately 61% of the aggregate AUM as of March 31, 2020, which increased from 55% as of March 31, 2017.

Our Promoter

Our promoter is Utkarsh CoreInvest Limited.

Offer Size

Offer [^]	Up to [•] Equity Shares aggregating up to ₹13,500 million
<i>The Offer consists of:</i>	
Fresh Issue ⁽¹⁾	Up to [•] Equity Shares aggregating up to ₹7,500 million
Offer for Sale ⁽²⁾ comprises:	Up to [•] Equity Shares aggregating up to ₹6,000 million
<i>of which</i>	
Employee Reservation Portion	Up to [•] Equity Shares aggregating up to ₹[•] million
Net Offer	Up to [•] Equity Shares aggregating up to ₹[•] million

[^]Our Bank, in consultation with the BRLMs, may consider a Pre-IPO Placement. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Offer size constituting at least [•]% of the post-Offer paid up equity share capital of our Bank.

⁽¹⁾ The Offer has been authorized by our Board pursuant to its resolution dated February 16, 2021 and by our Shareholders pursuant to a special resolution dated March 3, 2021.

⁽²⁾ The Promoter Selling Shareholder has authorised the sale of the Offered Shares by way of its board resolutions dated February 15, 2021 and February 22, 2021 and consent letter dated March 3, 2021. The Promoter Selling Shareholder confirms that the Offered Shares have been held by it for a period of at least one year prior to filing of this Draft Red Herring Prospectus in accordance with Regulation 8 of the SEBI ICDR Regulations and accordingly, are eligible for the Offer for Sale in accordance with the provisions of the SEBI ICDR Regulations. For details of authorizations received for the Offer for Sale, see “Other Regulatory and Statutory Disclosures” beginning on page 353.

Objects of the Offer

Particular	Amount* (in ₹ million)
Augmenting our Bank’s Tier – 1 capital base to meet its future capital requirements	[•]

*Includes the proceeds, if any, received pursuant to the Pre-IPO Placement. Upon allotment of Equity Shares issued pursuant to the Pre-IPO Placement, we may utilise the proceeds from such Pre-IPO Placement towards the objects of the Offer prior to completion of the Offer.

For details, see “Objects of the Offer” beginning on page 85.

Pre-Offer Shareholding of the Promoter Selling Shareholder

The equity shareholding of our Promoter Selling Shareholder as on the date of this Draft Red Herring Prospectus is set forth below:

S. No.	Promoter Selling Shareholder	Number of Equity Shares	% of total paid up Equity Share capital
1.	UCL	759,272,222*	100

*Includes one Equity Share each held by Mr. Govind Singh, Ms. Revati Govind Singh, Mr. Trilok Nath Shukla, Mr. Ashwani Kumar, Mr. Rahul Dey and Mr. Raghvendra Singh, as nominees on behalf of our Promoter, who is the beneficial owner of such Equity Shares.

The Promoter Group of our Bank does not hold any Equity Shares in our Bank.

Summary of Restated Financial Statements

The following details of our capital, net worth, the net asset value per Equity Share and total borrowings as at September 30, 2020 and financial year ended March 31, 2020, 2019, 2018, are derived from the Restated Financial Statements:

Particulars	(₹ in million, except per share data)			
	As of September 30, 2020	2020	As at March 31, 2019	2018
Capital	7,592.72	7,592.72	7,370.50	4,700.50
Net worth*	10,973.67	10,194.99	7,727.56	3,948.89
Net asset value per Equity Share**	14.45	13.43	10.48	8.40
Total borrowings	28,092.17	26,750.37	14,297.67	17,888.47

*Capital + Reserves

** Net worth at the end of the period / Total number of equity shares outstanding at the end of period

The following details of our total income, net profit and earnings per Equity Share (basic and diluted) for the six-month period ended September 30, 2020 and financial year ended March 31, 2020, 2019, 2018 are as per the Restated Financial Statements:

Particulars	(₹ in million, except per share data)			
	As of September 30, 2020	2020	As at March 31, 2019	2018
Total Income	8,351.89	14,062.42	9,582.49	5,447.54
Net Profit / (Loss)	778.69	1,867.43	1,108.67	(774.23)
Earnings per Equity Share				
- Basic	1.03*	2.49	1.62	(2.13)
- Diluted	1.03*	2.49	1.62	(2.13)

* Not annualized

Qualifications of the Statutory Auditors which have not been given effect to in the Restated Financial Statements

There are no auditor qualifications which have not been given effect to in the Restated Financial Statements.

Summary of Outstanding Litigation

A summary of outstanding litigation or legal proceedings involving our Bank and our Promoter as of the date of this Draft Red Herring Prospectus is provided below:

	No. of cases outstanding	Amount involved (₹ million)
Legal proceedings involving our Bank		
Actions by regulatory and statutory authorities	4	0.38
Criminal proceedings against our Bank	1	Nil
Criminal proceedings by our Bank	1,985	177.58
Tax matters	2	17.07
Other matters	1	0.30
Legal proceedings involving our Promoter		
Actions by regulatory and statutory authorities	2	0.04
Tax matters	1	116.80
Total	1,996	312.17

For details, see “Outstanding Litigation and Material Developments” beginning on page 344.

Risk Factors

For details in relation to certain risks applicable to us, see “Risk Factors” beginning on page 23.

Summary of Contingent Liabilities of our Bank

As of September 30, 2020, our contingent liabilities, as provided for in our Restated Financial Statements, are as follows:

		(in ₹ million)
Sr. No.	Particulars	Contingent liabilities as at September 30, 2020
1.	Guarantees given on behalf of constituents	
	a. In India	122.05
	b. Outside India	-
2.	Other items for which the bank is contingently liable	291.93
	Total	413.98

For details on the contingent liabilities of our Bank as reported in the Restated Financial Statements, see “Financial Statements” beginning on page 225.

Summary of Related Party Transactions

(in ₹ million)				
Particulars	For the six month ended	Financial Year		
	September 30, 2020	March 31, 2020	March 31, 2019	March 31, 2018
Utkarsh CoreInvest Limited				
Deposits Outstanding	266.20	237.30	756.28	695.19
Amount deposited during the period (excluding CASA deposit)	45.00	2,085.90	1,414.40	3,426.99
Amount repaid during the period	25.00	2,621.20	658.12	2,807.92
Maximum deposit outstanding during the period	115.00	740.00	758.74	695.19
Interest paid	9.90	36.60	51.92	20.23
Equity shares issued**	-	599.90	2,670.00	1,699.94
ESOP cost cross charged	9.60	17.40	1.40	4.08
Service charge for collections	-	0.30	-	-
Rent for office space	0.40	0.80	-	-
Transactions (collection and payment) carried out on behalf of Bank	11.50	23.50	36.52	141.64
Refund of excess purchase consideration by Holding Company	-	-	-	385.82
Amount Payable/(Recoverable)	10.00	7.00	28.33	(17.10)
Utkarsh Welfare Foundation				
Deposits Outstanding	5.70	11.50	1.03	0.12
Maximum deposit outstanding during the period	7.50	10.00	6.46	0.66
Interest paid	0.20	0.50	0.00*	-
Contribution towards CSR	19.50	10.00	4.05	4.00
Amount Payable/(Recoverable)	-	-	0.31	0.31
Utkarsh Small Finance Bank Employees’ Gratuity Trust				
Deposits Outstanding	0.20	0.60	-	-
Maximum deposit outstanding during the period	5.20	23.40	-	-
Interest paid	-	0.50	-	-
Key Managerial Employees				
Govind Singh (MD & CEO)				
Deposits Outstanding	2.10	0.24	1.54	0.72
Amount deposited during the period (excluding CASA deposit)	-	0.01	0.00*	-

Particulars	For the six month ended	Financial Year		
	September 30, 2020	March 31, 2020	March 31, 2019	March 31, 2018
Amount repaid during the period	-	0.01	0.00*	1.15
Maximum deposit outstanding during the period	5.20	1.54	7.13	3.62
Interest paid	-	0.02	0.12	-
Remuneration to KMP	9.10	21.60	9.18	1.20
Amount Payable/(Recoverable)	-	-	(0.53)	-
Mukund Barsagade (CFO)				
Deposits Outstanding	2.80	0.60	1.58	-
Maximum deposit outstanding during the period	2.80	1.70	1.90	-
Interest paid	0.10	0.10	0.06	-
Remuneration to KMP	6.00	10.10	6.81	-
Fair value of ESOP granted	-	7.30	-	-
Abhisheka Kumar (CFO)				
Amount deposited during the period (excluding CASA deposit)	-	-	-	0.88
Amount repaid during the period	-	-	-	1.88
Maximum deposit outstanding during the period	-	-	-	4.80
Interest paid	-	-	-	0.18
Remuneration to KMP	-	-	-	3.62
Fair value of ESOP granted	-	-	-	1.97
Anang Shandilya (CS)				
Deposits Outstanding	-	-	1.59	1.05
Amount deposited during the period (excluding CASA deposit)	-	-	0.70	0.70
Amount repaid during the period	-	-	1.40	-
Maximum deposit outstanding during the period	-	-	3.12	1.05
Interest paid	-	-	0.15	-
Remuneration to KMP	-	-	1.75	1.53
Fair value of ESOP granted	-	-	-	0.62
Amount Payable/(Recoverable)	-	-	0.05	-
Nutan Rane (CS)				
Deposits Outstanding	-	0.00*	-	-
Maximum deposit outstanding during the period	0.30	0.40	-	-
Interest paid	-	0.00*	-	-
Remuneration to KMP	1.90	1.40	-	-
Vinay Prakash Tripathi (CS)				
Remuneration to KMP	-	1.50	-	-
Enterprise where KMP exercise significant influence: RAAG Family Private Trust				
Deposits Outstanding	0.02	0.00*	0.01	-
Maximum deposit outstanding during the period	0.03	0.02	0.01	-
Interest paid	0.00*	0.00*	0.00*	-
Service charges collected	-	0.00*	-	-

* Amount less than ₹ 10,000 is shown as 0.00

**during the year ended 31 March 2020: 22,222,222 upon conversion of CCD into common equity, equity shares of ₹10 each on 18 September 2019.

Notes:

1.As the provisions for gratuity and leave benefits are made for the Bank as a whole, the amounts pertaining to the Key Management Personnel are not specifically identified and included above.

2.Refer Annexure 23.10 on ESOP grant to MD & CEO.

For details on the related party transactions of our Bank as reported in the Restated Financial Statements, see “Financial Statements” beginning on page 225.

Issuances of Equity Shares made in the last one year for consideration other than cash

Our Bank has not issued any Equity Shares through bonus issue or for consideration other than cash in the one year preceding the date of this Draft Red Herring Prospectus.

Financing Arrangements

There have been no financing arrangements whereby the Promoter, directors of our Promoter or members of our Promoter Group or our Directors and any of their relatives have financed the purchase by any other person of securities of our Bank (other than in the normal course of the business of the relevant financing entity) during a period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus.

Weighted average price at which the Equity Shares were acquired by the Promoter Selling Shareholder in the one year preceding the date of this Draft Red Herring Prospectus

Except for the transfer of the legal ownership of 999 Equity Shares (*the beneficial ownership of which was transferred to UCL in Fiscal 2020*), no Equity Shares were acquired by our Promoter Selling Shareholder in the last one year. The weighted average price of the Equity Shares is Nil. For details of the built up of our Promoter shareholding in our Bank, please see “*Capital Structure – History of the Equity Share Capital held by our Promoter*” on page 78.

Average Cost of Acquisition for the Promoter Selling Shareholder

The average cost of acquisition of Equity Shares of the Promoter Selling Shareholder is ₹ 10.50 per Equity Share.

Details of pre-IPO Placement

Our Bank in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹2,500 million. The Pre-IPO Placement will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement, if any, will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Offer size constituting at least [•] % of the post-Offer paid-up Equity Share capital of our Bank.

Split or Consolidation of Equity Shares in the last one year

Our Bank has not undertaken a split or consolidation of the Equity Shares in the one year preceding the date of this Draft Red Herring Prospectus.

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

All references in this Draft Red Herring Prospectus to “**India**” are to the Republic of India. All references in this Draft Red Herring Prospectus to the “**U.S.**”, “**USA**” or “**United States**” are to the United States of America.

Unless indicated otherwise, all references to page numbers in this Draft Red Herring Prospectus are to the page numbers of this Draft Red Herring Prospectus.

Financial Data

Unless stated otherwise or the context otherwise requires, the financial data in this Draft Red Herring Prospectus is derived from the Restated Financial Statements. The Restated Financial Statements included in this DRHP are as at and for the six months ended September 30, 2020 and for the Fiscals 2020, 2019 and 2018 and have been prepared in terms of the requirements of Section 26 of Part I of Chapter III of the Companies Act, the SEBI ICDR Regulations, the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the ICAI and the circular no. SEBI/HO/CFD/DIL/CIR/P/2016/47 dated March 31, 2016 issued by SEBI, as amended from time to time. For further details, see “*Financial Statements*” beginning on page 25.

Our Bank’s Financial Year commences on April 1 of the immediately preceding calendar year and ends on March 31 of that particular calendar year. Accordingly, all references to a particular fiscal or financial year are to the 12 month period commencing on April 1 of the immediately preceding calendar year and ending on March 31 of that particular calendar year.

There are significant differences between the Ind AS, the International Financial Reporting Standards (the “**IFRS**”), the Generally Accepted Accounting Principles in the United States of America (the “**U.S. GAAP**”) and the Indian GAAP. The Restated Financial Statement included in this Draft Red Herring Prospectus have been compiled by the management of our Bank from the audited interim financial statements as at and for the six-month periods ended September 30, 2020 and the audited financial statements as at and for the years ended March 31, 2020, March 31, 2019 and March 31, 2018 prepared by our Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, accounting principles generally accepted in India including the Companies (Indian Accounting Standards) Rules, 2015 in so far as they apply to our Bank and circulars, guidelines and directions issued by the RBI from time to time. Our Bank has not attempted to explain those differences or quantify their impact on the financial data included in this Draft Red Herring Prospectus and it is urged that you consult your own advisors regarding such differences and their impact on our Bank’s financial data. Further, UCL, our Promoter, prepares its financial statements in accordance with Ind AS and such statements include our financial statements prepared in accordance with Ind AS for the limited purpose of inclusion in UCL’s consolidated financial statements. Since Ind AS differs from Indian GAAP, our Ind AS financial statements prepared for the limited purpose of inclusion in UCL’s consolidated financial statements are not comparable to our Restated Financial Statements. For risks in this regard, see “*Risk Factors - Banking companies in India, including us, will be required to report financial statements as per Ind AS in the future. However, our Promoter, UCL, currently reports its financial statements under Ind AS and as a result, we are required to prepare select Ind AS financial information for the limited purposes of consolidation by UCL. Differences exist between Ind AS and Indian GAAP, which may be material to the investors’ assessment of our financial condition.*” on page 32.

Accordingly, the degree to which the financial information included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by persons not familiar with accounting standards in India, the Companies Act and the SEBI ICDR Regulations, on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. We have not attempted to quantify the differences between the financial data prepared under IFRS and U.S. GAAP, nor have we provided a reconciliation thereof. We urge you to consult your own advisors regarding such differences and their impact on our financial data.

Non-GAAP Financial Measures

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and

financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere. These non-GAAP financial measures have been reconciled to their nearest GAAP measure in “*Our Business*”, “*Selected Statistical Information*”, “*Other Financial Information*” and “*Capitalisation Statement*” beginning on pages 125, 199, 304 and 341, respectively.

Unless the context otherwise indicates, any percentage amounts, as set forth in “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” beginning on pages 23, 125 and 307, respectively, and elsewhere in this Draft Red Herring Prospectus have been calculated on the basis of our Restated Financial Statements.

Certain figures contained in this Draft Red Herring Prospectus, including our financial statements, have been subject to rounding-off adjustments. All decimals have been rounded off to two decimal points. In this Draft Red Herring Prospectus, any discrepancies in any table between the sums of the amounts listed in the table and totals are due to rounding off. However, where any figures that may have been sourced from third-party industry sources are rounded off to other than two decimal points in their respective sources, such figures appear in this Draft Red Herring Prospectus as rounded-off to such number of decimal points as provided in such respective sources.

Industry and Market Data

Unless otherwise indicated, industry and market data used throughout this Draft Red Herring Prospectus has been obtained or derived from various industry publications and sources, including the report titled Report on Small Finance Banks and various loan products dated January, 2021, issued by CRISIL which has been commissioned by our Bank, and which is subject to the following disclaimer:

CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this report (Report) based on the Information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any entity covered in the Report and no part of this Report should be construed as an expert advice or investment advice or any form of investment banking within the meaning of any law or regulation. CRISIL especially states that it has no liability whatsoever to the subscribers / users / transmitters/ distributors of this Report. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. Utkarsh Small Finance Bank will be responsible for ensuring compliances and consequences of non-compliances for use of the Report or part thereof outside India. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL’s Ratings Division / CRISIL Risk and Infrastructure Solutions Ltd (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL’s Ratings Division / CRIS. No part of this Report may be published/reproduced in any form without CRISIL’s prior written approval.

The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which the business of our Bank is conducted, and methodologies and assumptions may vary widely among different industry sources. Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe the industry and market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified by us, our Promoter Selling Shareholder, the BRLMs or any of their affiliates or advisors. The data used in these sources may have been reclassified by us for the purpose of presentation. Data from these sources may also not be comparable.

Accordingly, no investment decision should be made solely on the basis of such information. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those

disclosed in “Risk Factors - Industry information included in this Draft Red Herring Prospectus has been derived from an industry report commissioned by us for such purpose. There can be no assurance that such third-party statistical, financial and other industry information is either complete or accurate.” on page 54.

In accordance with SEBI ICDR Regulations, “Basis for the Offer Price” beginning on page 89 includes information relating to our peer group companies. Such information has been derived from publicly available sources, and neither we, nor the BRLMs or any of their affiliates have independently verified such information. Accordingly, no investment decision should be made solely on the basis of such information.

Currency and Units of Presentation

All references to “**Rupees**” or “**₹**” or “**INR**” or “**Rs.**” are to Indian Rupees, the official currency of the Republic of India; and “**U.S. Dollar**” or “**USD**” or “**US\$**” or “**\$**” are to United States Dollar, the official currency of the United States of America.

In this Draft Red Herring Prospectus, our Bank has presented certain numerical information. All figures have been expressed in millions, except where specifically indicated. One million represents 10 lakhs or 1,000,000 and ten million represents 1 crore or 10,000,000. However, where any figures that may have been sourced from third party industry sources are expressed in denominations other than millions in their respective sources, such figures appear in this Draft Red Herring Prospectus expressed in such denominations as provided in such respective sources.

Exchange Rates

This Draft Red Herring Prospectus contains translations of U.S. Dollar into Indian Rupees. These convenience translations should not be construed as a representation that those U.S. Dollars could have been, or can be converted into Indian Rupees, at any particular rate or at all.

The following table sets forth as of the dates indicated, information with respect to the exchange rate between the Indian Rupee and the U.S. Dollar:

(in ₹)				
Currency	Exchange Rate as on September 30, 2020	Exchange Rate as on March 31, 2020	Exchange Rate as on, March 31, 2019*	Exchange Rate as on March 31, 2018**
1 US\$	75.80	75.39	69.17	65.04

Source: www.rbi.org.in and www.fbil.org.in

*Exchange rate as on March 29, 2019, as FBIL reference rate is not available for March 31, 2019 and March 30, 2019 being a Sunday and Saturday, respectively.

** Exchange rate as on March 28, 2018, as FBIL reference rate is not available for March 31, 2018, March 30, 2018 and March 29, 2018 being a Saturday and public holiday, respectively.

Notice to Prospective Investors in the United States

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Draft Red Herring Prospectus or approved or disapproved the Equity Shares. Any representation to the contrary is a criminal offence in the United States. In making an investment decision, investors must rely on their own examination of our Bank and the terms of the Offer, including the merits and risks involved. The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as “**U.S. QIBs**”) in transactions exempt from the registration requirements of the U.S. Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made. For the avoidance of doubt, the term “**U.S. QIBs**” does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as “**QIBs**”.

Notice to Prospective Investors in the European Economic Area

This Draft Red Herring Prospectus has been prepared on the basis that all offers of Equity shares in Member States of the European Economic Area (“**EEA**”) (each a “**Member State**”) or the United Kingdom (“**UK**”) will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of Equity Shares. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129 of the European Parliament and Council EC (and amendments thereto). Accordingly, any person making or intending to make an offer within the EEA or the UK of Equity Shares which are the subject of the placement contemplated in this Draft Red Herring Prospectus should only do so in circumstances in which no obligation arises for our Bank, our Promoter Selling Shareholder or any of the members of the BRLMs to produce a prospectus for such offer. None of our Bank, our Promoter Selling Shareholder and the BRLMs have authorized, nor do they authorize, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the members of the Syndicate which constitute the final placement of Equity Shares contemplated in this Draft Red Herring Prospectus.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Equity Shares have been subject to a product approval process, which has determined that such Equity Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, “distributors” (for the purposes of the MiFID II Product Governance Requirements) (“**Distributors**”) should note that: the price of the Equity Shares may decline and investors could lose all or part of their investment; the Equity Shares offer no guaranteed income and no capital protection; and an investment in the Equity Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Equity Shares. Each Distributor is responsible for undertaking its own target market assessment in respect of the Equity Shares and determining appropriate distribution channels.

FORWARD LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain “forward-looking statements”. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward looking statements, which include statements with respect to our business strategy, our revenue and profitability, our goals and other matters discussed in this Draft Red Herring Prospectus regarding matters that are not historical facts. These forward looking statements include statements with respect to our business strategy, our expected revenue and profitability, our goals and other matters discussed in this Draft Red Herring Prospectus regarding matters that are not historical facts. These forward looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “likely to”, “objective”, “plan”, “propose”, “project”, “will continue”, “seek to”, “will pursue” or other words or phrases of similar import. Similarly, statements which describe our strategies, objectives, plans or goals are also forward-looking statements.

These forward-looking statements, whether made by us or any third parties in this Draft Red Herring Prospectus, are based on our current plans, estimates and expectations and actual results may differ materially from those suggested by such forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. This could be due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes in the banking industry in which we operate in and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India that may have an impact on our business or investments, monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates and prices, the general performance of Indian and global financial markets, changes in the competitive landscape and incidence of any natural calamities and/or violence. Significant factors that could cause our actual results to differ materially from our expectations include, but are not limited to:

- Uncertainty in relation to the continuing effects of the COVID-19 pandemic and associated responses on our business;
- Inability to comply with stringent regulatory requirements and prudential norms, regulations and norms may have an adverse effect on our business, results of operations, financial condition and cash flows.
- Significant dependence on the microbanking segment, particularly joint liability group loans, and any adverse developments in this segment could adversely affect our business, results of operations, financial condition and cash flows
- Vulnerability to interest rate risk, and any volatility in interest rates or inability to manage interest rate risk could adversely affect our Net Interest Margins, income from treasury operations, business, financial condition, results of operations and cash flows;
- Inability to access sources of funds in an acceptable and timely manner or any disruption in the access to funds would adversely impact our results of operations, financial condition and cash flows.
- Decrease in the value of the collateral or delay in enforcing collateral when borrowers default on their obligations, may result in failure to recover the expected value of collateral security exposing us to potential loss.

For a further discussion of factors that could cause our actual results to differ, see “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 23, 125 and 307, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward-looking statements reflect our current views as of the date of this Draft Red Herring Prospectus and are not a guarantee of future performance. Although we believe that the assumptions on which such statements are based are reasonable, any such assumptions as well as the statements based on them could prove to be inaccurate.

We cannot assure investors that the expectations reflected in these forward-looking statements will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements as a guarantee of future performance.

Neither our Bank, our Promoter Selling Shareholder, nor the BRLMs, or any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the requirements of SEBI, our Bank will ensure that investors in India are informed of material developments until the receipt of final listing and trading approvals for the Equity Shares pursuant to the Offer. Our Promoter Selling Shareholder will ensure that investors in India are informed of material developments in relation to the statements relating to and undertakings confirmed or undertaken by our Promoter Selling Shareholder and the Offered Shares in the Red Herring Prospectus, from the date thereof, until the receipt of final listing and trading approvals from the Stock Exchanges.

SECTION II: RISK FACTORS

An investment in equity shares involves a high degree of risk. Potential investors should carefully consider all the information in the Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares pursuant to the Offer. The risks described below are not the only ones relevant to us or our Equity Shares, the industry in which we operate or to India. Additional risks and uncertainties, not currently known to us or that we currently do not deem material may also adversely affect our business, results of operations, cash flows and financial condition. If any or some combination of the following risks, or other risks that are not currently known or believed to be adverse, actually occur, our business, results of operations and financial condition could suffer, the trading price of, and the value of your investment in, our Equity Shares could decline and you may lose all or part of your investment. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this section. In order to obtain a complete understanding of our Bank and our business, prospective investors should read this section in conjunction with “Our Business”, “Industry Overview”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Financial Statements” on pages 125, 96, 307 and 225, respectively, as well as the other financial and statistical information contained in this Draft Red Herring Prospectus. In making an investment decision, prospective investors must rely on their own examination of us and our business and the terms of the Offer, including the merits and risks involved.

Potential investors should consult their tax, financial and legal advisors about the particular consequences of investing in the Offer. Unless specified or quantified in the relevant risk factors below, we are unable to quantify the financial or other impact of any of the risks described in this section. Prospective investors should pay particular attention to the fact that our Bank is incorporated under the laws of India and is subject to a legal and regulatory environment which may differ in certain respects from that of other countries.

This Draft Red Herring Prospectus also contains certain forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus. For further information, see “Forward-Looking Statements” on page 21.

Unless otherwise indicated, the financial information included herein is based on our Restated Financial Statements included in this Draft Red Herring Prospectus. For further information, see “Financial Statements” on page 225. Unless the context otherwise requires, in this section, references to “we”, “us”, “our”, “the Bank” or “our Bank” refers to Utkarsh Small Finance Bank Limited.

Unless otherwise indicated, industry and market data used in this section has been derived from the report “Report on Small Finance Banks and various loan products” dated January 2021 (the “CRISIL Report”) prepared and released by CRISIL Limited and commissioned by us in connection with the Offer. Neither we, nor the BRLMs, any of their affiliates or advisors, nor any other person connected with the Offer has independently verified such information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. For further information, see “Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data” on page 18.

RISKS RELATING TO OUR BUSINESS

- 1. The extent to which the recent coronavirus (COVID-19) pandemic impacts our Bank’s business, cash flows, results of the operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.**

The World Health Organization declared the 2019 novel coronavirus (“COVID-19”) outbreak a Public Health Emergency of International Concern on January 30, 2020, and a pandemic on March 11, 2020. The rapid and diffused spread of COVID-19 and global health concerns relating to this outbreak have had a severe negative impact on, among other things, financial markets, liquidity, economic conditions and trade and could continue to do so or could worsen for an unknown period of time, that could in turn have a material adverse impact on our business, cash flows, results of operations and financial condition, including liquidity, asset quality and growth. The extent to which the COVID-19 pandemic outbreak impacts our business, cash flows, results of operations and financial condition will depend on future developments, including the timeliness and effectiveness of actions taken to contain and mitigate the effects of COVID-19 both in India and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and

cannot be predicted. There is currently substantial medical uncertainty regarding COVID-19 and the effectiveness of available vaccines. The scope, duration and frequency of such measures and the adverse effects of COVID-19 remain uncertain.

On March 14, 2020, India declared COVID-19 as a “notified disaster” and imposed a nationwide lockdown as announced on March 24, 2020. While progressive relaxations have been granted for movement of goods and people within the country, and for cautious re-opening of businesses and offices, nation-wide or regional lockdowns may be re-introduced in the future. Further, while the Government has initiated vaccination drives for COVID-19 in a phased manner across various States, any delay or unfavourable outcome associated with such vaccines may have an adverse impact on the relaxations granted by the Government. However, during the lockdown, banking services were determined to be operating in an essential industry, which allowed us to continue our operations at majority of our Banking Outlets with a limited workforce and other safety measures. A few of our Banking Outlets were temporarily closed or were operating for reduced working hours with a limited workforce during the nationwide lockdown on account of specific instructions received from the local authorities. We were also required to implement additional safety measures, such as, regular temperature checks, regular sanitization, and compulsory use of masks and hand sanitization. We continue to closely monitor the impact that COVID-19 may have on our business and results of operations. Adverse effects of the COVID-19 pandemic may also significantly increase the effect of the below-mentioned factors affecting our results of operations.

As a result of the COVID-19 pandemic, while our financial results for Fiscal 2020 reflect historical trends for the most part, we experienced decline in collections and disbursements, and increased provisioning in the last week of March 2020 and the six months ended September 30, 2020. We have also undertaken various steps to implement regulatory measures notified in response to COVID-19, including moratoriums availed by customers in line with the guidelines issued by the RBI.

The impact of the pandemic on our business, operations and future financial performance include, but are not limited to, the following:

- Significant decline in collection efficiencies as most of our collections are cash-based and involve physical presence of our employees and collection agents, which has not been possible due to the nationwide lockdown and travel restrictions that have been imposed. This decline in collections could persist through and beyond a recessionary period. For information in relation to collection efficiency for the months of March 2020 through September 2020, see “*Our Business – Recent Development – Impact of COVID – 19 – Collection Efficiencies and Moratorium Information*” on page 134.
- Decline in disbursements on account of our target customers’ (amongst others, daily wage earners, self-employed individuals and street vendors) operations being disrupted due to the nationwide lockdown resulting in reduced economic activity and profitability of our Bank. Due to the pandemic, our target customers also face unemployment, and certain businesses for which loan disbursements have been made are at risk, as the revenues and profitability of such businesses decline precipitously. Further, as our employees on the ground are primarily responsible for sourcing borrowers for our microbanking loans, the nation-wide lockdown and other pandemic-related restrictions have also adversely impacted our ability to source new customers. For information in relation to disbursements for the months March 2020 through September 2020, see “*Our Business – Recent Development – Impact of COVID – 19 – Collection Efficiencies and Moratorium Information*” on page 134.
- Potential significant increase in our NPA levels due to possible deterioration in the credit quality of our customers, as our target borrower segment primarily comprises unserved and underserved customers belonging to the unorganized sector, who are most impacted due to the economic downturn caused by COVID-19 related measures such as closure of non-essential services. In the event our borrowers’ enterprises are unable to withstand the economic pressures caused by the COVID-19 pandemic, we may experience higher NPAs than anticipated driven by deterioration in asset quality due to our borrower’s reduced ability to make timely repayments. Our NPA levels may therefore continue to increase even once the lockdown and associated restrictions have been lifted.

As a result, we may be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19, which may adversely impact our asset quality and profitability in future periods.

- Adverse impacts to our interest income, EPS and growth rates – particularly if operating expenses do not decrease at the same pace as revenue declines. Many of our expenses are less variable in nature and may

not correlate to changes in revenues, such as depreciation, employee benefit expenses and other costs associated with operating and maintaining our Banking Outlets. As such, we may not be able to decrease them significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on long-term growth and investment opportunities.

- The restrictions placed by the Government have been changing based on the dynamic situation and it is not clear when a return to office locations with full workforce or unrestrained travel will be permitted or what restrictions will be in place in those environments. The extent and/ or duration of ongoing workforce restrictions and limitations could impact our ability to successfully introduce and grow our new products and services, comply with various reporting requirements to the regulators in a timely manner, among others. Further, governmental lockdowns, restrictions or new regulations could significantly impact the ability of our employees and service providers to work productively. This rapid shift in the working environment creates inherent productivity, connectivity, and oversight challenges. In addition, the changed environment under which we are operating could have an impact on our internal controls over financial reporting as well as our ability to meet a number of our compliance requirements in a timely or quality manner.
- The spread of the COVID-19 amongst our Bank's employees, or any quarantine or lockdown measures affecting our Bank's employees or Banking Outlets, may reduce our Bank employees' ability to carry out their work as usual. In the event a member or members of our Bank's management team contract(s) COVID-19, it may potentially affect our operations.
- Our Bank's stress testing, changes in loan disbursement, and other measures to address the effects of the COVID-19 pandemic may fail.
- An overall deterioration in the economy may also lead to a reduction in the value of collateral provided for our Bank's loans, leading to higher than anticipated losses on default. Further, as our Bank's unsecured loan portfolio is not supported by any collateral, in the event of non-payment by borrowers under these loans, our Bank may be unable to collect the unpaid balance.
- Our Bank believes that during periods of uncertainty, people generally tend to avoid higher risk assets and shift to safer ones such as bank deposits. Further, our Bank believes that depositors also shift to larger banks that are considered safer, better capitalized and better able to withstand economic shock. This tends to result in a tightening of liquidity in smaller Indian banks during periods of uncertainty. The RBI has undertaken measures to support liquidity (such as the reduction of the repo rate, cash reserve ratio and liquidity ratio). There is no guarantee that our Bank and the Indian banking industry in general, notwithstanding measures taken by the RBI, will be able to maintain sufficient liquidity given the uncertain scope and duration of the COVID-19 outbreak. The banking system presently has significant excess liquidity which is placed with the RBI through the reverse repo window. Any decision by the RBI to either reduce the reverse repo rates further or curtail reverse repo amounts can cause a loss of return to banks;
- Reduction in policy rates may be passed on to customers, however, there may not be a corresponding reduction in borrowing costs in-line with the reduction in policy rates.

In addition, the RBI has issued guidelines on March 27, 2020, April 17, 2020 and May 23, 2020 in an effort to contain the impact of the COVID-19 pandemic on the financial services sector. Under these guidelines, all term loans are eligible for moratoriums on instalments and working capital facilities on interest due during a period of three months, *i.e.*, from March 1, 2020 to May 31, 2020. This was subsequently extended by another period of three months, *i.e.*, until August 31, 2020 by the RBI, contingent on the lending institutions satisfying themselves that the same was necessitated on account of the economic fallout from COVID-19. Such moratorium period shall be excluded by the lending institutions (including SFBs) for calculating the number of days past-due for the purpose of asset classification under the income recognition and asset classification norms prescribed by the RBI, in respect of all accounts classified as standard as on February 29, 2020.

In line with these guidelines, we have provided a moratorium to eligible borrowers, even if overdue, as on February 29, 2020, on the payment of all principal amounts and/ or interest, as applicable, falling due between March 1, 2020 to August 31, 2020, resulting in a decline in our collections during such period. As per the RBI's directions, interest accrues during the moratorium period on the outstanding portion of term loans. Litigation challenging the accrual of interest during the moratorium period on principal repayments and interest payments is pending before the Supreme Court. The Supreme Court, vide an interim order dated September 3, 2020, has

also directed banks that accounts that were not declared as NPAs as of August 31, 2020 shall not be declared as NPAs until further orders, pending disposal of the case by the Supreme Court. The Supreme Court, through its order dated December 17, 2020 has reserved its judgment on these matters. In the event the moratorium is extended further or if there are adverse directions on the question of declaration of accounts as NPAs or accrual of interest, it may adversely impact our financial performance. For further information relating to the moratorium option exercised by our customers for the months of June 2020, July 2020, August 2020 and September 2020, see “*Our Business – Recent Development – Impact of COVID-19 – Collection Efficiencies and Moratorium Information*” on page 134.

The RBI guidelines also require us to make provisions of up to 10% in respect of loan accounts that were offered moratorium and were overdue but standard as of February 29, 2020 and received the asset classification benefit. In order to address the impact of the COVID-19 pandemic on our Bank’s business and in line with the RBI guidelines on COVID-19 regulatory package, our Bank made COVID-19 related provisions amounting to ₹ 499.57 million and ₹ 950.00 million, in Fiscal 2020 and the six months ended September 30, 2020, respectively. Amongst other changes/ impact, this provision impacted the net profit of our Bank which was ₹ 1,867.43 million in Fiscal 2020 and was ₹ 788.69 million in the six months ended September 30, 2020. In view of the evolving COVID-19 situation, there is no assurance that the provisions created by our Bank will be sufficient and our Bank may be required to make additional provisions in the future. Further, any unexpected or onerous requirements or regulations resulting from the pandemic or any changes in laws, or the promulgation of new laws, rules and regulations relating to our operations as a response to the pandemic may have a material adverse effect on our business, financial condition and results of operations.

Any resulting long-term financial impact due to the above cannot be reasonably estimated at this time. In addition, we cannot predict the impact that the COVID-19 pandemic will have on our customers, business correspondents, direct selling agents, service providers and other business partners, and each of their financial conditions; however, any material effect on these parties could adversely impact us. As a result of these uncertainties, the impact may vary significantly from that estimated by our management from time to time, and any action to contain or mitigate such impact, whether government-mandated or opted by us, may not have the anticipated effect or may fail to achieve its intended purpose altogether. Existing insurance coverage may not provide protection for all costs that may arise from all such possible events. Further, we generate all of our revenue in India. CRISIL estimates the Indian economy will shrink by 9% in Fiscal 2021 on account of the pandemic (*Source: CRISIL Report*). As India is a developing country with limited medical resources and certain places with dense populations, the effects of COVID-19 in India may be of a greater magnitude, scope and duration than those experienced to date in other countries.

As of the date of this Draft Red Herring Prospectus, there is significant uncertainty relating to the severity of long-term adverse impact of the COVID-19 pandemic on the global economy, global financial markets and the Indian economy, and we are unable to accurately predict the long-term impact of the COVID-19 pandemic on our business. To the extent that the COVID-19 pandemic adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this section.

2. *Our Bank is subject to stringent regulatory requirements and prudential norms and our inability to comply with such laws, regulations and norms may have an adverse effect on our business, results of operations, financial condition and cash flows.*

Banks in India, including our Bank, are subject to compliance with various circulars, guidelines and regulations prescribed by the RBI and the Banking Regulation Act. In particular, we are required to comply with prudential norms specified in respect of market discipline, classification, valuation and operation of our investment portfolio, stressed assets, income recognition, asset classification and provisioning pertaining to advances (including restructuring of credit facilities), RBI directives on permissible loans and advances, maintenance of regulatory ratios (such as CRR, SLR, and LCR), authorization of banking outlets, permissible exposures, requisite disclosures in financial statements, fraud classification and reporting, periodic disclosure requirements (including in presentation of financial information and financial statements), and cyber security compliance. For further details on the regulatory requirements, see “*Key Regulations and Policies*” on page 156.

The Banking Regulation Act also limits the flexibility of shareholders and management of an SFB in many ways, including by way of specifying certain matters for which a banking company would require RBI approval. We are also restricted from exposure in terms of loans and advances to our Directors and the companies in which our Directors are interested (as defined under applicable banking regulations). Additionally, we are precluded from having any exposure to our Promoter, major shareholders (holding 10% or more of our paid-up equity share capital), relatives of the promoter, and entities in which our Promoter or major shareholders have significant

influence or control (as defined under applicable accounting standards). In addition, at least 25% of our total banking outlets have to be located in unbanked rural centres at all times within one year from the date of commencement as an SFB. As of September 30, 2020, 27.08% of our total Banking Outlets were in unbanked rural areas.

The RBI may also impose additional conditions on us, and may terminate our banking license, if there is a material breach in compliance with applicable requirements. In addition, we are also subject to periodic inspections by the RBI under the Banking Regulation Act and the RBI Act, pursuant to which the RBI issues observations, directions and monitorable action plans, on issues related to various operational risks and regulatory non-compliances. For further information, see *“Risk Factors - 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.”* on page 36.

Further, under the Banking Regulation Act, our Directors and certain key personnel, prior to their appointment, are required to meet the requisite eligibility criteria and additionally we have to obtain a prior approval from the RBI for various corporate actions, including appointment / re-appointment / removal of the chairman, director, chief executive officer and auditors. Any procedural or regulatory delay or failure in obtaining or procuring such prior approval from the RBI may have an adverse impact on the operations of our Bank. For instance, in FY 2019, our Managing Director and chief executive officer, Mr. Govind Singh, had to resign from our Board on account of him holding substantial interest in our Promoter. For further details, see *“Risk Factors - The RBI may remove any employee, managerial personnel or may supersede our Bank’s Board of Directors in certain circumstances, which may materially affect our Bank’s business, results of operations, and financial conditions”* on page 47 below. Further, in FY 2020, there was a change in the auditors of our Bank, due to the absence of RBI approval for a re-appointment of our previous auditor post completion of the three year period by them.

In addition, as an SFB, the RBI In-Principle Approval, RBI Licence, SFB Licensing Guidelines and SFB Operating Guidelines require us to comply with certain conditions in order to operate our business, including but not limited to the following:

I. Restrictions relating to our Equity Shares

- i. our Equity Shares are required to be mandatorily listed on the stock exchanges within three years from the date of reaching a net worth of ₹ 5,000 million, (which in our case was June 18, 2018), i.e., on or prior to June 17, 2021;
- ii. we are required to be controlled by Indian residents in accordance with FEMA, and at least 26% of our paid up capital is required to be held by Indian residents in accordance with FEMA at all times from the date of commencement of our operations. As per the current FDI Policy, foreign direct investment is permitted up to 49% under the automatic route and up to 74% under Government approval route in a private sector Indian bank;
- iii. our Promoter is required to reduce its shareholding in our Bank to 40% of our paid-up equity share capital within a period of five years from the date of commencement of our business operations as an SFB, which was January 23, 2017, and thereafter required to reduce its shareholding in our Bank to 30% and 26% of our paid-up equity share capital within a period of 10 years and 12 years, respectively, from the date of commencement of our business operations. Also see *“Risk Factors - We are required to reduce Promoter shareholding in our Bank to 40% of our paid-up equity share capital on or prior to January 22, 2022. Except for the Offer, as of the date of this DRHP, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable the Promoter to reduce its shareholding as required.”* on page 41.
- iv. our Promoter is required to be owned and controlled by Indian residents from the date of making the application for the RBI Licence, i.e. October 8, 2016, and at all times thereafter;
- v. we are required to maintain a minimum paid-up equity share capital and a minimum net worth of ₹1,000 million at all times from the date of making the application for the RBI Licence;
- vi. no Shareholder will be entitled to exercise voting rights in excess of 26% of the total voting rights of all Shareholders;

- vii. any change of shareholding by way of fresh issue/ transfer of our shares whereby the resultant shareholding of any individual/ entity is 5% or more of our paid-up share capital requires prior RBI approval;
- viii. any change in the shareholding of the promoter entity by way of fresh issue or transfer of equity shares, from the date of RBI In-Principle Approval, to the extent of 5% or more of the paid-up share capital of the promoter entity requires prior RBI approval; and
- ix. an investor proposing to acquire shares in our Bank (directly or indirectly) where the aggregate holding of such investor, their relatives, associate enterprise or PAC, entitles the investor to hold 5% or more of the paid-up share capital of our Bank or 5% or more of the voting rights in our Bank will need to apply for the RBI's approval.

II. Restrictions relating to advances

- i. at least 50% of our loan portfolio is required to constitute loans and advances of up to ₹ 2.50 million.
- ii. the maximum loan size and investment limit exposure to a single and group obligor would be restricted to 10% and 15% of our capital funds, respectively.

III. Maintenance of priority sector lending ("PSL") requirements

we are required to extend 75% of our adjusted net bank credit ("ANBC") as on corresponding date of the preceding year to sectors eligible for classification as PSL by RBI, such as agriculture, MSMEs, export credit, education, housing, social infrastructure and renewable energy. In addition, 40% of our ANBC is required to be allocated to different sub-sectors under PSL as per the PSL requirements, however, we can allocate the remaining 35% to any one or more sub-sectors under the PSL requirements where we may have competitive advantage. The PSL requirements applicable to SFBs are higher than the PSL limits applicable to universal banks, and any shortfall in meeting the PSL targets at the end of a financial year based on the average of priority sector target / sub-target achievement as at the end of each quarter, would statutorily require us to place the shortfall amount in Rural Infrastructure Development Fund or in other funds with NABARD/ NHB/ SIDBI/ MUDRA, as decided by the RBI from time to time, which would typically generate a lower rate of interest compared to PSL advances.

IV. Maintenance of capital risk weighted assets ("CRWAs") ratio

- i. we are required to maintain a minimum capital adequacy ratio ("CAR") of 15% of the CRWAs on a continuous basis subject to any higher percentage as may be prescribed by the RBI from time to time, with Tier I capital maintained at at least 7.5% of the CRWAs and Tier II capital maintained at not more than 100% of the Tier I capital. As of September 30, 2020 and March 31, 2020, 2019 and 2018, our CRAR was 24.87% (Tier 1 Capital of 19.02%), 22.19% (Tier 1 Capital of 19.41%), 24.14% (Tier 1 Capital of 20.34%), and 16.96% (Tier 1 Capital of 12.46%), respectively. The CAR thresholds for SFBs are higher than the limits applicable to scheduled commercial banks.
- ii. Currently, the RBI does not require SFBs to provide any capital charge for operational risk or market risk weighted assets. However, there can be no assurance that the RBI will not require SFBs, including us, to provide capital charge for such risk in future and to migrate to Basel III approach for credit risk. Further, there can be no assurance that we will be able to raise adequate capital, in order to continue to meet applicable CRARs, in the future on terms favourable to us, or at all, which may adversely affect the growth of our business.

With respect to the obligation to mandatorily list our Equity Shares on stock exchanges by June 17, 2021, we may not be able to complete our initial public offering, due to several factors including the prevailing domestic and global economic and market conditions and unprecedented spread and impact of COVID-19, within the timelines prescribed under the SFB Licensing Guidelines and contained in the terms and conditions included as part of the licence issued by RBI thereunder. Further, the Internal Working Group of RBI has vide its report namely, the 'Report of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks' dated October 2020 recommended, among other things, extension of time period for undertaking the listing by existing SFBs to the earlier of six years from the date of reaching a net worth of ₹5,000 million or 10 years from the date of commencement of operations.

In case of any failure to comply with the conditions mentioned above and applicable directives and reporting requirements or to meet the prescribed prudential norms, the RBI may charge penalties, penalize our management, restrict our banking activities or otherwise enforce increased scrutiny and control over our banking operations, including by way of withholding approvals, or issuing conditional approvals in respect of any proposed actions for which we may seek approval in the future, or even cancel our banking license.

3. *We are currently significantly dependent on our microbanking segment, particularly joint liability group (“JLG”) loans, and any adverse developments in this segment could adversely affect our business, results of operations, financial condition and cash flows.*

Our loan portfolio contains significant advances towards our microbanking segment, particularly through microbanking loans. As of March 31, 2018, 2019, 2020, and September 30, 2020, advances in our microbanking segment accounted for 88.55%, 85.98%, 87.92% and 85.44%, respectively, of our total Gross Loan Portfolio. Consequently, our financial performance significantly depends on our microbanking segment, which in turn depends on various factors, including the ability of our borrowers to repay their loan, the results of operations of the businesses of such borrowers, changes in regulations and policies by the governments including demonetization, natural disasters, calamities, political and social risks, including any adverse publicity or litigation relating to the microfinance sector, public criticism of the microfinance sector and religious beliefs relating to loans and interest payments. These and other factors could lead to an increase in impairment losses and adversely affect our business and results of operations. Additionally, any decline in sales of, or in demand for our microbanking products could adversely affect our business, results of operations, financial condition and cash flows.

Further, in our microbanking segment, we rely primarily on non-traditional guarantee mechanisms such as the JLG model, rather than any tangible assets such as collateral. There can be no assurance that joint liability arrangements will ensure repayment by the other members of a JLG in the event of default by any one of them. These arrangements are likely to fail (a) if there is no meaningful personal relationship among members of such group, (b) if inadequate risk management procedures have been employed to verify the group members and their ability to repay such loans, or (c) as a result of adverse external factors such as natural calamities or forced migration. For instance, in the month of September 2019, there was a sudden spurt in the number of loans in overdraft due to certain natural calamities and field related issues in Bihar and Uttar Pradesh.

In particular, our target borrower segment for microbanking loans, including JLG loans, primarily comprises small traders, individuals with micro-enterprises and others belonging to the unorganized sector, who were most impacted due to the economic downturn caused by the COVID-19 pandemic related measures such as closure of non-essential services. For information in relation moratorium and impact of the COVID-19 pandemic, see “*Risk factors - The extent to which the recent coronavirus (COVID-19) pandemic impacts our Bank’s business, cash flows, results of the operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.*” on page 23. In the event our borrowers’ enterprises are unable to endure the economic pressures caused by the COVID-19 pandemic, we may experience higher NPAs than anticipated in this segment driven by deterioration in asset quality due to our borrower’s reduced ability to make timely repayments. Therefore, we may be required to recognize higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to the COVID-19 pandemic, which may adversely impact our asset quality and profitability in future periods. Any such developments in the microfinance segment could adversely affect our business, results of operations, financial condition and cash flows.

4. *Our Bank’s business is vulnerable to interest rate risk, and any volatility in interest rates or inability to manage interest rate risk could adversely affect our Net Interest Margins, income from treasury operations, business, financial condition, results of operations and cash flows.*

Our results of operations are substantially dependent on our Net Interest Income, which is the difference between our interest earned and interest expended. In the six months ended September 30, 2020, and Fiscals 2020, 2019 and 2018, our Net Interest Income was ₹ 4194.05 million, ₹ 7,282.24 million, ₹ 5,170.85 million and ₹ 2,511.58 million, respectively amounting to 50.22%, 51.79%, 53.96%, and 46.10%, of our total income, respectively. In Fiscal 2018, 2019 and 2020 and in the six months ended September 30, 2020, the total interest expended represented 40.17%, 45.21%, 47.52% and 48.50%, respectively, of our total expenditure. In Fiscals 2018, 2019 and 2020 and in the six months ended September 30, 2020, our Net Interest Margins were 8.21%, 10.78%, 10.13% and 8.64% (annualized) / 4.32% (unannualized), respectively. For further information, see “*Selected Statistical Information*” on page 199.

Interest rate risk depends on the nature and extent of gaps in rate sensitive assets and rate sensitive liabilities. Our interest earning assets are our advances and investments, while our interest bearing liabilities are our deposits and our borrowings. As of September 30, 2020, 96.91% of our advances and 100% of our investments were on fixed interest rates and 3.09% of our advances and 0% of our investments were on floating interest rates. As of September 30, 2020, 100% of our deposits and 89.32% of our borrowings were on fixed interest rates and 0% of our deposits and 10.68% of our borrowings were on floating interest rates.

Any change or volatility in interest rates would affect our interest expense on our interest-bearing liabilities and interest income from interest-bearing assets, and therefore affect our Net Interest Income and Net Interest Margins. Any surplus liquidity if not deployed in high yielding assets may also affect our Net Interest Income and Net Interest Margins. Further, any increase in our cost of funds may lead to a reduction in our Net Interest Margins, or require us to increase interest rates on loans disbursed to customers in the future to maintain our Net Interest Margins. In addition, a portion of the loans we advance are linked to external benchmark rates and the yield on such loans may vary depending on market factors. In the event the interest rates at which we advance these loans declines due to a decrease in external benchmark rates and there is no corresponding decrease in the interest rates payable by us, we may experience reduced Net Interest Margins.

Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, various directives issued by the RBI in response to macroeconomic events such as the COVID-19, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. In the event rates for interest payable by us increase, we seek to pass the increased cost of funds to our customers, however, we cannot assure you that such increased costs can be fully passed-on owing to various factors including mismatch in timing of asset and liability repricing and competition. Our inability to effectively manage interest rate risk may cause our Net Interest Income and Net Interest Margins to decline, which may affect our business, results of operations, financial condition and cash flows. Further, competitive pressure may also require us to reduce the interest rates at which we lend to our customers without a proportionate reduction in interest rates at which we raise funds. Our customers may also prepay their loans to take advantage of a declining interest rate environment. An increase in the interest rates charged by us on our advances could result in our customers, particularly those with variable interest rate loans, prepaying their loans if less expensive loans are available from other sources.

The requirement that we maintain a portion of our assets in fixed income government securities could also negatively impact us, if interest on this portion of our investments is lower than the cost of funds. For instance, under the RBI regulations, our liabilities are subject to the SLR requirement such that a minimum specified percentage, currently 18.00%, of a bank's net demand and time liabilities must be invested in Government securities and other approved securities. These securities generally carry fixed coupons and, in an environment of rising interest rates, the value of Government securities and other fixed income securities decline. Fixed rate bonds represented 100.00% of our SLR portfolio, as of September 30, 2020. Any increase in this portion will lower our Net Interest Income and Net Interest Margin as the interest is less favorable than those typically received on our other interest-earning assets. We are also exposed to interest rate risk through our treasury operations and any rise in interest rates or any greater interest rate volatility could adversely affect our income from treasury operations.

5. *A significant portion of our advances in the microbanking 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 our business, financial condition, results of operations and cash flows.*

A large number of our Banking Outlets are located in the states of Bihar and Uttar Pradesh. As of September 30, 2020, 264 out of our 528 Banking Outlets were located in these two States. Consequently, a majority of our advances are towards customers in Bihar and Uttar Pradesh. As of March 31, 2020 and September 30, 2020, advances towards customers in Bihar represented 43.45% and 41.91%, respectively, of our Gross Loan Portfolio, while advances towards customers in Uttar Pradesh represented 27.85% and 27.32%, respectively, of our Gross Loan Portfolio. For further information in relation to our geographical presence, see "Our Business" and "Selected Statistical Information" on pages 125 and 199, respectively.

In the event of a regional slowdown in the economic activity in Bihar and/ or Uttar Pradesh, or any other developments including change in regulatory framework, political unrest, disruption or sustained economic downturn or natural calamities in the region affecting the ability of our borrowers to repay our loans, or that make our products in the region less beneficial, we may experience an adverse impact on our financial condition, results of operations and cash flows, which are largely dependent on the performance, geo-political and other prevailing conditions affecting the economy of the state. For instance, our microbanking customers in several districts in Bihar and parts of eastern Uttar Pradesh were adversely impacted by floods in July 2020 that impacted their ability

to repay their loans. In addition, the market for our products in Bihar and Uttar Pradesh may perform differently from, and be subject to, market and regulatory developments that are different from the requirements in other states of India. There can be no assurance that the demand for our products will grow, or will not decrease, in the future, in the region.

6. *We have a limited operating history as an SFB and our future financial and operational performance cannot be evaluated on account of our evolving and growing scale of operations. Accordingly, our future results may not be reflective of our past performance.*

Our Promoter was granted an in-principle approval by the RBI to set up an SFB on October 7, 2015. Our Bank was incorporated on April 30, 2016 and thereafter granted the RBI Licence to carry on business as an SFB on November 25, 2016. Subsequently, pursuant to the Business Transfer Agreement, our Promoter, Utkarsh CoreInvest Limited (“UCL”) (erstwhile Utkarsh Micro Finance Limited (“UMFL”)) transferred its business of providing microfinance as a going concern, including all its assets, liabilities, contracts, receivables, licenses, employees, books and records, tax benefits, etc., and excluding certain statutory assets and liabilities, through a slump sale to our Bank in line with requirement of the RBI Licence. For further details on the Business Transfer Agreement, see “History and Certain Corporate Matters” on page 164. We commenced operations as an SFB on January 23, 2017.

Prior to commencement of our operations as an SFB, our Promoter operated separately as a NBFC – MFI carrying out micro-finance operations. As a result of which, we have limited operating history as an SFB, and hence there is limited historical financial and operational information available about our Bank to help prospective investors evaluate our past performance as a commercial banking entity. Accordingly, investors should evaluate our business and prospects in light of the risks, uncertainties and difficulties frequently encountered by NBFCs and banks that are in the early stages of development. Our failure to mitigate these risks and uncertainties successfully could materially affect our business and operating results, and consequently result in a decline in the trading price of our Equity Shares.

7. *We have a continuous requirement of funds and our inability to access sources of funds in an acceptable and timely manner or any disruption in the access to funds would adversely impact our results of operations, financial condition and cash flows.*

Historically, as an NBFC-MFI, UCL raised a majority of its funding requirements through a combination of term loans from banks and financial institutions, issuance of non-convertible debentures, refinancing arrangements, securitization/ assignment of receivables, and issuance of commercial paper. However, post transitioning into an SFB, our borrowings are subject to inter-bank borrowing limits, at par with scheduled commercial banks prescribed by RBI and thus our primary sources of funding have been deposits and refinancing. As of March 31, 2020 and September 30, 2020, majority of our funding consists of retail deposits accounting for 34.66% and 43.81%, respectively, of our total deposits, with a CASA ratio of 13.50% and 14.46%, respectively. Considering the growth of our business, we will have a continuous requirement of funds for expanding our outreach and enhancing our loan portfolio. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds through deposits and refinancing on suitable interest rates and terms, and in a timely manner. Our ability to raise such funds on competitive terms in the future will depend on various factors including our credit ratings, macroeconomic factors, the regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy, outbreak of an infectious disease, such as the COVID-19 pandemic, investors’ and/ or lenders’ perception of demand for debt and equity securities of SFBs, and our current and future results of operations, financial condition and cash flows.

Our cost of borrowings are partly determined by the credit ratings that we have obtained from credit agencies such as CARE and ICRA. Any downgrade in our debt ratings may adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis, which may adversely affect our business, financial condition, results of operations and cash flows. In addition, while banks in India are precluded from creating floating charges on its assets, any existing floating charge created on our assets pursuant to the Business Transfer Agreement have to be grandfathered till their maturity, in accordance with guidelines issued by the RBI. We may also be unable to attract sufficient deposits from customers, due to various factors beyond our control, such as the market acceptance of the ‘Utkarsh’ brand and its associated reputation. We have to also compete with other banks by offering attractive interest rates, and may be unable to raise sufficient funds, including funds through deposits at existing or higher interest cost. Consequently, our inability to raise sufficient funds in a timely manner, or at all, may have an adverse effect on our business, results of operations, financial condition and cash flows.

8. ***Banking companies in India, including us, will be required to report financial statements as per Ind AS in the future. However, our Promoter, UCL, currently reports its financial statements under Ind AS and as a result, we are required to prepare select Ind AS financial information for the limited purposes of consolidation by UCL. Differences exist between Ind AS and Indian GAAP, which may be material to the investors' assessment of our financial condition.***

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to our Bank. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial statements for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks (except regional rural banks) to comply with Ind AS for financial statements commencing April 1, 2018 and also required such entities to prepare and submit proforma Ind AS financial statements to the RBI since the six months ended September 30, 2016. In compliance of such regulatory requirements, we have submitted proforma Ind AS financial statements and since June 2018, we have continued to submit such proforma Ind AS financial statements every quarter to the RBI. However, the RBI, through its notification dated March 22, 2019, decided to defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including our Bank, are not permitted to undertake early adoption of Ind AS. Accordingly, we continue to prepare and present our financial statements under Indian GAAP.

However, as a subsidiary of UCL, our Promoter, which was required to prepare its financial statements in accordance with Ind AS with effect from April 1, 2018, we were also required to prepare financial statements in accordance with Ind AS for the limited purpose of inclusion in UCL's consolidated financial statements. Further, in the absence of guidance on Ind-AS implementation and accounting policies applicable to an SFB, we may be unable to ascertain the material impact of such reconciliation on our Restated Financial Statements. Our Ind AS financial statements have not been made publicly available by us, as these were only prepared for the limited purpose of inclusion in UCL's consolidated financial statements. However, in accordance with the RBI Circular DoR (NBFC) (PD) CC. No. 117/03.10.001/2020-21 dated August 13, 2020, since our Promoter, UCL, is a 'Core Investment Company' ("CIC"), it is required to upload its annual report on its website which includes UCL's annual consolidated Ind AS financial statements. Consequently, our Bank's Ind AS financial information is to an extent indirectly publicly available, as may be derived from or reflected in the publicly available consolidated Ind AS financial information of UCL.

The Restated Financial Statements included in this DRHP are based on our Indian GAAP audited financial statements for Fiscals 2018, 2019 and 2020 and the six months ended September 30, 2020 which have been restated in accordance with the SEBI ICDR Regulations. Since Ind AS differs in many respects from Indian GAAP, our Ind AS financial statements prepared for the limited purpose of inclusion in UCL's consolidated financial statements are therefore also not comparable to our Restated Financial Statements included herein. The key areas of difference between Indian GAAP and Ind AS, as it applies to our Bank include fair value accounting of financial assets, consolidation accounting, accounting of fee income, fair value of ESOP calculation, leasing and calculation of credit cost. Further, our Ind AS financial statements prepared for the limited purpose of inclusion in UCL's consolidated financial statements may also not be comparable to our future Ind AS financial statements when Ind AS is made applicable to scheduled commercial banks and the RBI has issued relevant interpretative guidance with respect thereto. In addition, given the relatively recent introduction of Ind AS in India, and in particular since under applicable regulations Ind AS is still not applicable to scheduled commercial banks, there is limited established practice available for drawing informed judgments regarding the implementation and application of Ind AS to the financial statements of scheduled commercial banks, and consequently our Bank.

To the extent that the Ind AS financial information relating to our Bank can be indirectly derived from the consolidated Ind AS financial statements of UCL as well as related investor presentations and investor interaction information made available publicly in the ordinary course by UCL as a CIC entity, investors are cautioned against placing reliance on such Ind AS financial information relating to our Bank. Investors should rely solely on our Restated Financial Statements included in this DRHP and to be included in the RHP for an assessment of our financial position and any investment decision.

9. ***Our deposits depend on a limited number of customers and a loss of such customers could materially and adversely affect our deposit portfolio, funding sources, financial condition, results of operations and cash flows. Further, a significant portion of our deposits from such customers are from the states of Haryana, Maharashtra and Uttar Pradesh, and any adverse change in the economy of such states could have an adverse effect on our financial condition, results of operations and cash flows.***

We are dependent on a limited number of customers for a substantial portion of our deposits. The following table sets forth certain information in relation to the percentage share of our total deposits by our top five, 10 and 20 depositors as on the respective dates indicated below:

Particulars	As of March 31,			As of September 30,
	2018	2019	2020	2020
	Percentage of Total Deposits (%)			
Top 5 depositors	21.99%	21.54%	17.39%	13.93%
Top 10 depositors	37.24%	32.47%	26.10%	19.48%
Top 20 depositors	56.08%	45.81%	36.26%	27.57%

Our customers may reduce or remove their deposits from our Bank, with or without cause or notice, at any time. Reduction or loss of such deposits expose us to an increasing funding risk, which could in turn adversely affect our financial performance and results of operations. A reduction in the services we perform for such customers or the loss of such major customers could result in a significant reduction of our deposits portfolio. Factors that may result in a loss of a customer include our inability to offer competitive interest rates, service performance, loss of our reputation, reduction in budgets due to macroeconomic factors or otherwise and shift in policies and political or economic factors. There is significant competition for the services we provide and we are typically not an exclusive service provider to our large customers. These factors may not be under our control or predicted with any degree of certainty. Significant pricing or margin pressure exerted by our customers could also adversely affect our business, financial condition, results of operations and cash flows. If any of our customers reduce or remove their deposit accounts from our Bank, our deposits portfolio, funding sources, financial condition, results of operations, and cash flows could be materially and adversely affected.

Further, a significant portion of our deposits from such customers are from the states of Haryana, Maharashtra and Uttar Pradesh. As of March 31, 2020 and September 30, 2020, deposits from Haryana represented 22.64% and 19.11%, respectively, of our total deposits, deposits from Maharashtra represented 14.67% and 16.82%, respectively, of our total deposits, while deposits from Uttar Pradesh represented 18.30% and 16.45%, respectively, of our total deposits. For further information in relation to our geographical presence, see “Our Business” and “Selected Statistical Information” on pages 125 and 199, respectively. Any disruption, disturbance or sustained downturn in the economy of, or any adverse geological, ecological or political circumstances in such states could adversely affect our business, financial condition, results of operations and cash flows.

10. *The value of our collateral may decrease or we may experience delays in enforcing collateral when borrowers default on their obligations, which may result in failure to recover the expected value of collateral security exposing us to potential loss.*

We disburse certain loans that are secured by assets and follow certain procedures to evaluate the credit profiles of our customers. However, the value of the collateral obtained by us may fluctuate or decline due to factors beyond our control, including deterioration in regional economic conditions or of asset values or as a result of adverse changes in the credit quality of our borrowers and counterparties or delays in foreclosure proceedings or defects or deficiencies in the perfection of collateral. In the event of a decline in any of these, some of our loans may exceed the value of their underlying collateral. Changes in asset prices may cause the value of our collateral to decline. Our secured advances have grown from ₹ 2,933.24 million as of March 31, 2018 to ₹ 4,396.27 million as of March 31, 2019, to ₹ 5,236.40 million as of March 31, 2020 and were ₹ 6,779.91 million as of September 30, 2020. Our secured advances represented 9.46%, 9.42%, 8.34% and 10.26% of our total advances as of March 31, 2018, 2019 and 2020 and as of September 30, 2020, respectively.

While we factor in any reduction in the collateral value to an extent, it may not be sufficient if the value of the collateral reduces substantially. As a result, if our customers default, we may receive less money from liquidating the collateral than is owed under the relevant financing facility, and incur losses, even in cases where we are able to successfully seize and liquidate the collateral. Further, individual loans, which are not based on the joint liability group model, impose a higher risk on us in terms of our ability to recover the loan amount. In addition, the collateral for our secured retail loans and housing loans primarily includes mortgage over our customers’ residential or commercial property and we are therefore exposed to adverse movements in the price of such immovable property and the real estate market in general.

We are also exposed to the risk arising out of forged title deeds and property documents given as collateral for our secured loans as well as the fact that there is no centralized land title registry in India. We cannot assure you that we will be able to successfully seize the collateral in the event of customer default and may face delays and incur legal and administrative costs in the repossession and sale of the collateral. Legal proceedings for such

purposes in India are often time consuming and if we are unable to seize and recover the full value of collateral in a timely manner, or at all, our business, results of operations, financial condition and cash flows may be adversely affected. In the event our borrowers default on the repayment of loans, we may not be able to realize the full value of the collateral due to various reasons, including a possible decline in the realizable value of the collateral, defective title or pledge of damaged items as security, prolonged legal proceedings and fraudulent actions by borrowers, or we may not be able to foreclose on collateral at all. Further, we may be required to increase our provision for loan losses in case of any decline in the value of the security, which could impair our ability to realize the secured assets upon any foreclosure.

11. *A majority of our advances, including our microbanking loan portfolio, are unsecured and are not supported by any collateral that could help ensure repayment of the loan. If we are unable to recover such advances in a timely manner or at all, our financial condition, results of operations and cash flows may be adversely affected.*

Our microbanking loans and certain of our retail loans are at higher credit risk than our secured loan portfolios since they may not be supported by collateral that could help ensure an adequate source of repayment for the loan. As of March 31, 2018, 2019 and 2020 and September 30, 2020, such unsecured loans represented 90.54%, 90.58%, 91.66% and 89.74%, respectively, of our total advances. While we have certain practices based on an understanding of the market, and stipulate certain parameters that customers need to satisfy in order to obtain advances from us, there can be no assurance that such loans will not become non-performing. Our customers may default on their obligations as a result of various factors including bankruptcy, lack of liquidity and/ or failure of the business or commercial venture in relation to which such borrowings were sanctioned. Since these advances are unsecured, in the event of defaults by such customers, our ability to realise the amounts due to us would be restricted to initiating legal proceedings for recovery. There can be no guarantee as to the amount of our resources that would be utilised and the length of time it could take to conclude such legal proceedings or for the legal proceedings to result in a favourable decision to us. Any failure to recover the amount, whether full or partial, of principal and interest on unsecured advances given to our customers could adversely affect our financial condition, results of operations and cash flows

In particular, for our microbanking business, we rely primarily on the peer-guarantee loan model, wherein borrowers form a JLG and provide guarantees for loans obtained by each member of such group without such members having to provide collateral or security on an individual basis. There can be no assurance that such joint liability arrangements will ensure full or partial repayment by the other members of a JLG in the event of default by any one of them. For further information on the JLG model, see “Our Business” on page 125. Also, see “Risk Factors - We are currently significantly dependent on our microbanking segment, particularly joint liability group (“JLG”) loans, and any adverse developments in this segment could adversely affect our business, results of operations, financial condition and cash flows.” on page 29.

Further, in the past, certain state governments have waived loan repayments to be made by certain customer segments, including with respect to farm loans. Such waivers may have an adverse impact on the overall loan recovery climate. If such loan waivers become more widespread in the future, this could result in a loss of short-term liquidity for affected banks, including our Bank, while such banks wait for the reimbursement of such waived loans from the relevant state government. In addition to a loss of short-term liquidity for affected banks, such loan waivers may also have a negative impact on borrower behaviour such as resistance by borrowers’ to make repayments in anticipation of further loan waivers. The loan waiver programs may have an adverse impact on the banking sector as a whole as well as our Bank’s business, future financial performance and the trading price of the Equity Shares.

12. *Our business relies extensively on our information technology systems and any weakness, disruptions or failures in such systems, or breach of data, could adversely affect our operations and reputation.*

We substantially rely on our IT systems for certain critical functions including customer onboarding, financial controls, risk management and transaction processing. Our information technology systems enable us to manage various back-end operations supported by a core banking system and customer relationship management system. See “Our Business – Information Technology” on page 152. Any failure in performing any of these functions could adversely affect our business, financial condition and results of operations. Our business is also dependent on maintenance and timely upgradation of our information technology systems and any delay in upgrading our systems or any disruption, breach or failure in our technology infrastructure may have significant consequences on our business operations, including: (i) disabling or malfunctioning of financial, accounting or data processing systems; (ii) inability to service our customers on a timely basis or at all; (iii) non-availability of certain information for our management in order to enable them to plan for or respond to contingencies and changes in

market conditions in a timely manner or at all; and (iv) loss of confidential or material data in relation to our financial products or customers.

Our hardware and software systems are subject to potential internal and external disruptions such as damage or incapacitation by human error, natural disasters, power loss, nation/ region-wide interruptions in the infrastructure, sabotage, computer viruses and similar events or the loss of support services from third-parties such as internet backbone providers. Our systems are also potentially vulnerable to data security breaches, whether by employees, who may lack experience with our newer information technology systems, or others, that may expose sensitive data to unauthorized persons. We undertake a high volume of transactions, including through internet and mobile banking, and cannot assure you that we will be able to prevent occurrence of any disruption or successfully contain the consequences of any failures. Data security breaches could lead to the loss of customer data, trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive financial and personal information) of our customers and employees. Although we intend to continue to implement security measures and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that instances of IT infringements and security breaches will not take place in the future or that our security measures will be adequate or successful. Failed security measures could have a material adverse effect on our business, results of operations and our future financial performance.

Further, we have also entered into agreements with several IT vendors to set up IT infrastructure. If our IT vendors are unable to fulfil their contractual obligations or if we encounter any failure in the timely implementation, performance or integration of such systems, we may experience interruptions in our operations, loss of customers, damaged reputation and weakening of our competitive position. We also maintain a data centre and a comprehensive disaster recovery centre as part of our business continuity measures. However, if there is a failure in switching to the back-up system in a timely manner, our data may be compromised which would have an adverse effect on our financial condition, results of operations and cash flows.

On September 14, 2020, RBI released guidelines on automation of income recognition, asset classification and provisioning processes in banks pursuant to which banks have been advised to put in place and upgrade their systems by June 30, 2021 to, *inter alia*, recognize and derecognize income in case of impaired assets, configure the NPAs and NPIs in the system without any manual intervention. Certain exceptions have been granted from system driven classification in cases which are expected to be minimum and temporary subject to certain conditions. In such cases, the banks are required to maintain system generated logs for all exceptions for a minimum period of three years. Any failure to comply with such guidelines, or any other information technology related guidelines, circulars or notifications issued by the RBI from time to time, may expose us to potential regulatory action and penalties, thereby adversely affecting our financial condition, reputation and cash flow.

13. *Our inability to renew or maintain our statutory and regulatory permits and approvals required to operate our business may adversely impact our business, financial condition and results of operation.*

We are required to obtain various statutory and regulatory permits and approvals to operate our business. These include approvals from the RBI for various aspects of our banking operations, and registrations from other regulatory authorities, such as the IRDAI for acting as a category Corporate Agent (Composite) and PFRDA to transact in pension schemes. We may not, at all points of time, have all approvals required for our business. We may also need to apply for new licenses and approvals, which may expire from time to time. In the event that we are unable to obtain, renew or maintain other statutory permits and approvals or comply with regulatory requirements, it may result in the interruption of all or some of our operations, imposition of penalties and could materially and adversely affect our business, financial performance and reputation.

Further, our approvals and licenses are subject to numerous conditions, some of which are onerous and may require us to incur substantial expenditure in order to comply with such conditions, and failure to comply with which could adversely affect the validity of such approvals or licenses and result in the interruption of all or some of our operations, which in turn may have a material adverse effect on our business, financial condition, results and cash flow. Additionally, our RBI In-Principle Approval and RBI Licence requires us to comply with certain terms and conditions. In the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke our license or may place stringent restrictions on our operations. For instance, we have, *vide* our email dated April 24, 2020, applied to the RBI for an extension of the timeline for mandatory listing of our Equity Shares by one year. There can be no assurance that the extension will be granted without onerous conditions being imposed on us, or at all.

In addition, we are required to obtain certain approvals and renew them periodically, as applicable, including shops and establishment licenses, trade licenses, employee state insurance, employee provident fund and tax registrations. We may not, at all points of time, have all approvals required for our business. Further, in relation to our Banking Outlets, certain approvals may have lapsed in their normal course and our Bank has either made an application to the appropriate authorities for renewal of such registration or is in the process of making such application. Additionally, our Bank has approached the RBI for seeking final approval to operate a Bharat Bill Payment Operating Unit. See “*Government and Other Approvals*” on page 349. We cannot assure you that the approvals, licenses, registrations or permits issued to us will not be suspended or revoked, or that applicable penalties will not be imposed on us in the event of non-compliance with any terms and conditions. We may also incur substantial costs related to litigation if we are subject to significant regulatory action, which may adversely affect our business, future financial performance and results of operations.

14. *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.*

We are subject to regulation and supervision by the RBI. The RBI as a part of its supervisory processes, conducts periodic inspections under the Banking Regulation Act, pursuant to which the RBI issues observations, directions and monitorable action plans, on issues related to, amongst other things, our operations, risk management systems, internal controls and regulatory compliance and credit monitoring systems. During the course of finalizing inspections, the RBI inspection team shares its findings and recommendations with us and provides us an opportunity to provide clarifications, additional information and, where necessary, justification for a different position, if any, than that observed by the RBI. The RBI incorporates such findings in its final inspection report and, upon final determination by the RBI of the inspection results, we are required to take actions specified therein by the RBI to its satisfaction, including, without limitation, requiring us to make provisions, implement credit rating and scoring models for loans, and tighten controls and compliance measures. During the recent inspection conducted in January 2020, for Fiscal 2019, pursuant to Section 35 of the Banking Regulation Act, RBI has made certain observations regarding our business and operations including, amongst others, reduce our concentration in our JLG loan portfolio and submit a quarterly monitorable plan from the quarter ended September 30, 2020 onwards, ensuring 100% coverage of PAN as part of customer information forms for our retail and MSME borrowers and that our core banking solutions has inbuilt cross referencing with the NSDL database, implement two-factor authentication for our critical applications like core banking solution and treasury, reduction of concentration in our wholesale lending portfolio to 25 NBFC borrowers, inability of treasury module to support trades in TREPS and over the counter trades were not executed over recorded lines, valuations were not carried out correctly for the HTM portfolio and the valuations and portfolio holdings were prepared by the front office dealer and the back-office was not aware of the valuation process or how to arrive at the total portfolio holdings and information technology risk was not considered in the scope of risk committee charter.

While we have taken actions and responded to such observations, findings, directions, monitorable action plans and regulatory non-compliances and in certain instances are in the process of taking actions, we cannot assure you that the RBI will not make similar or other observations in the future or such actions have been or will be addressed to the satisfaction of RBI. In the event we are unable to resolve such deficiencies and other matters to the RBI's satisfaction, or are otherwise in non-compliance with the RBI's directions, the RBI may charge penalties, penalize our management, restrict our banking activities or otherwise enforce increased scrutiny and control over our banking operations, including by way of withholding approvals, or issuing conditional approvals, or even cancel our banking license. Imposition of any penalty or adverse findings by the RBI during ongoing or any future inspections may therefore have an adverse effect on our business, results of operations, financial condition and reputation.

15. *We are exposed to operational and credit risks which may result in NPAs. If we are unable to control the level of NPAs in our portfolio or if we are unable to improve our provisioning coverage as a percentage of Gross NPAs, our business, financial conditions, results of operations and cash flows could be adversely affected.*

As of March 31, 2020 and September 30, 2020, our gross NPAs were ₹ 446.56 million and ₹ 426.61 million, respectively, representing 0.71% and 0.64%, respectively, of our Gross Advances, while our net NPAs were ₹ 110.94 million and ₹ (8.53) million, respectively, representing 0.18% and (0.01)%, respectively, of our net Advances as of such dates. Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. Our NPAs may increase in the future, due to several factors, including increased competition, adverse effects on the business and results of operations of our borrowers, a rise

in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behaviour and demographic patterns, political influences and central and state government decisions and changes in regulations (including agricultural loan waivers that may affect our agricultural portfolio in the short-term). In particular, we could experience a significant increase in our NPA levels due to deterioration in the credit quality of our customers, as our target borrower segment primarily comprises small traders, individuals with micro-enterprises and others belonging to the unorganized sector, who are most impacted due to the economic downturn caused by the COVID-19 pandemic related measures such as closure of non-essential services. While we believe that we have appropriate internal controls, our credit monitoring and risk management policies and procedures may not be accurate, properly designed, or appropriately implemented or complied with by our customers, and we could suffer material credit losses. In addition, even if our policies and procedures are accurate and appropriate, we may be unable to anticipate future economic or financial developments or downturns, which could lead to an increase in our NPAs. Further, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. Any significant increase in NPAs may have an adverse effect on our financial condition, results of operations and cash flows

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. In addition to the relevant regulatory minimum provisioning, we also consider our Board approved policy, which sets out certain estimates to determine the appropriate level of provisions. The determination of a suitable level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any inaccurate determination of risk may result in our provisions not being adequate to cover expected losses on NPAs. Our provision coverage ratio (excluding technical write off) was 43.99%, 91.32%, 75.16% and 101.99%, respectively, in Fiscals 2018, 2019 and 2020 and the six months ended September 30, 2020, and there can be no assurance that our provision coverage ratio will continue to increase or that it will not decline in the future. We may need to make further provisions if there is dilution/ deterioration in the quality of our security, or down-grading of the account, or if recoveries with respect to such NPAs do not materialize in time or at all. Any increase in provisions may adversely impact our financial performance. Further, there can be no assurance that the transition to Ind AS will not further increase our provisioning requirements in the future. For instance, on transitioning to Ind AS, we may need to compute provisions on the basis of the expected credit loss method as against the current method for incurred credit loss, which may further increase our provisioning requirements in the future. Accordingly, any significant increase in our NPAs may have a material adverse effect on our financial condition, results of operations and cash flows, and as a result, our return ratios may not be consistent with our previous performance.

16. *We are dependent on our Key Managerial Personnel, and the loss of, or our inability to attract or retain, such persons could adversely affect our business, financial condition, results of operations and cash flows.*

Our performance and success depends largely on the efforts and abilities of our Key Managerial Personnel. We believe that the inputs and experience of our Key Managerial Personnel is valuable for the development of our business and operations and the strategic directions taken by our Bank. For further information on our Key Managerial Personnel, see “*Our Management – Key Managerial Personnel*” on page 188. Our ability to sustain our growth depends upon our ability to attract and retain such personnel, developing managerial experience to address emerging business and operating challenges and ensuring a high standard of customer service. We cannot assure you that these individuals or any other member of our management team will not leave us or join a competitor or that we will be able to retain such personnel or find adequate replacements in a timely manner, or at all. We may require a long period of time to hire and train replacement personnel when qualified personnel terminate their employment with our Bank. We may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that our business requires. The loss of the services of such persons may have an adverse effect on our business, results of operations and financial condition. Additionally, the RBI reserves the right under the Banking Regulation Act to remove managerial persons from office and/ or supersede the Board in order to protect interests of depositors of our Bank.

Attracting and retaining talented professionals is a key element to our growth strategy. We may also face attrition of our existing workforce as a result of increased competition or other factors relating to our businesses. For instance, our attrition rate in Fiscals 2018, 2019 and 2020, and the six months ended September 30, 2020, was 21.21%, 28.78%, 26.11% and 21.13% (annualized) / 10.56% (unannualized), respectively, respectively, calculated for each period by dividing the number of resignations during such period by the average of number of employees as of the first day and last day of such period. In addition, if the banking industry increasingly moves toward incentive-based pay schemes, attrition rates could increase and we could be forced to alter our remuneration scheme. The resultant pressures may result in diminished profitability, especially if rates of return

do not experience a commensurate rise. An inability to attract and retain such talented professionals or the resignation or loss of such professionals may have an adverse impact on our business and future financial performance. In addition, we may could experience difficulties in managing our expanding workforce.

If we cannot hire additional qualified personnel or retain them, our ability to expand our business will be impaired and our revenue could decline. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

- 17. *We have recently introduced new products and services and we cannot assure you that such products and services will be profitable in the future. Further, we may not be able to successfully diversify our product portfolio or enter into new lines of business, which may materially and adversely affect our business prospects and impact our future financial performance.***

We have introduced new products and services, such as commercial vehicle loans and *Utkarsh Sambal*. For further information, see “Our Business – Description of our Business – Product Portfolio” on page 134. We have incurred substantial costs to expand our range of products and services and we cannot assure you that such products and services will be successful, whether due to factors within or outside of our control, such as general economic conditions, a failure to understand customer demand and market requirements or management focus on these new products. We have limited experience in offering such products. Further, these operations may be accompanied by operating and marketing challenges that may be different from those we currently encounter. In addition, if we fail to successfully offer our new products and services in an increasingly competitive market, we may not be able to capture the growth opportunities associated with them or recover the development and marketing costs, and our future results of operations and growth strategies could be adversely affected. Further, we may require approval from regulatory authorities before we commence offering certain services. If we fail to obtain such approvals, or to develop and launch such products and services successfully, we may lose a part or all of the costs incurred in the development of such offerings, or discontinue these offerings, which could in turn adversely affect our business and results of operations.

As part of our growth strategy, we intend to diversify our product portfolio and in doing so, we may encounter certain additional risks including management and market-related risks. We cannot assure you that such diversification or expansion of operations will yield favourable or expected results, as our overall profitability and success will be subject to various factors, including, among others, our ability to effectively recruit, retain and motivate appropriate and experienced managerial talent, and ability to compete with other scheduled commercial banks and other NBFCs and SFBs that are already well established in these market segments. Further, new businesses will require significant capital investment and commitment of time from our senior management. There can be no assurance that our management will be able to develop the skills necessary to successfully manage these new business areas. Our inability to effectively manage any of these issues could materially and adversely affect our business and impact our future financial performance and/ or cash flows.

- 18. *Our non-convertible debentures are listed on BSE, and we are subject to strict regulatory requirements with respect to such listed non-convertible debentures. Also, in the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to BSE and our inability in the future to comply with or any delay in compliance with such laws and regulations may have an adverse effect on our business, results of operations, financial condition and cash flows. Additionally, the trading in our non-convertible debentures may be infrequent, limited or sporadic, which may affect our ability to raise debt financing in future.***

Our non-convertible debentures are listed on the debt segment of BSE. We are therefore required to comply with various applicable rules and regulations with respect to listed debentures, including the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the Listing Regulations. In the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to BSE under the Listing Regulations with respect to our non-convertible debentures listed on BSE. In this regard, we have *suo moto* filed a settlement application dated February 25, 2021 with SEBI under Regulation 3(1) of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018, as amended. For further details, see “Outstanding Litigation and Material Developments” on page 344. In the event of non-compliance with such rules and regulations by us in the future, we may be subject to certain penal actions, *inter alia*, including restrictions on further issuance of securities and freezing of transfer of securities. Our inability to comply with or any delay in

compliance with such rules and regulations in the future may have an adverse effect on our business, results of operations and financial condition.

Further, trading in our debt securities has been limited and we cannot assure you that the debt securities will be frequently traded on BSE or that there would be any market for our debt securities. We cannot predict if and to what extent a secondary market may develop for the debt securities or at what price such debt securities will trade in the secondary market or whether such market will be liquid or illiquid.

19. *The Indian banking industry is very competitive and if we are unable to compete effectively it would adversely affect our business, financial condition, results of operations and cash flows.*

The success of our banking operations depends on a number of factors, including the demand for our services and our ability to compete with other banks and financial institutions effectively. The banking and financing sector in India is highly competitive and we face competition in all our principal areas of business. We face our most significant organized competition from other SFBs, NBFCs, microfinance institutions and cooperative banks which have significant presence in rural areas, public sector banks, private sector banks, housing finance companies and other financial services companies in India. There are multiple players in the microfinance sector with varied organisational structures. Loans in the microfinance sector are provided by banks, small finance banks, non-banking finance company-microfinance institutions (“NBFC-MFIs”), other non-banking finance companies, and non-profit organisations. Banks provide loans under the self-help group model. However, they also give microfinance loans directly or through business correspondents to meet their priority-sector lending targets. In addition, many of our potential customers in economically weaker segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at higher interest rates.

Our competitors in the organized sector may have a better brand recognition, greater business experience, more diversified operations, a greater customer and depositor base, a larger branch network and better access to funding and at lower costs than we do. Further, certain requirements that are applicable to small finance banks in terms of the SFB Operating Guidelines and other banking laws and regulations are significantly more stringent in comparison to universal banks and NBFCs. Ensuring compliance with these laws and regulations has and will continue to limit our revenue, thereby making it more difficult to compete with other players in the organized sector. In addition, we compete with informal sources of lending for microfinance loans, including moneylenders, landlords, local shopkeepers and traders.

The RBI has also issued Guidelines for On-Tap Licensing of SFBs in the Private Sector on December 5, 2019, which permits applicants to apply for SFB license to the RBI at any time, subject to fulfilment of certain eligibility criteria and other conditions. We expect this to increase competition for us. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows. Further, consolidation in the industry driven by the merger of other banks is likely to further increase competition by creating larger, more homogeneous and potentially stronger competitors in the market. Increases in operations of existing competitors or the entry of additional banks offering similar or a wider range of products and services could also increase competition. Further, with the advent of technology based initiatives and alternative modes of banking, we may face increased competition in this sector, which may in turn impact our results of operations. We also face competition from specialized fintech companies who could disrupt our origination, sales and distribution process. In addition, we face competition from payment banks. Payment banks can accept deposits, subject to a cap of ₹ 100,000 per customer, and provide payment and remittance services through internet, branches, BCs and mobile banking. However, payment banks cannot offer credit facilities directly, but can choose to act as a BC of another bank for credit and other services (*Source: CRISIL Report*). If we are unable to compete effectively, it would adversely affect our business, financial condition, results of operations and cash flows.

20. *An inability to effectively manage our growth and expansion may have a material adverse effect on our business prospects and future financial performance.*

We have experienced stable growth over the past three years. Our Gross Loan Portfolio was ₹ 32,100.49 million, ₹ 47,415.50 million, ₹ 66,599.99 million and ₹ 66,432.68 million as of March 31, 2018, 2019 and 2020, and September 30, 2020, respectively. Our total deposits were ₹ 21,938.67 million, ₹ 37,913.87 million, ₹ 52,352.12 million and ₹ 59,692.98 million as of March 31, 2018, 2019 and 2020, and September 30, 2020, respectively. Our Banking Outlets have increased from 164 Banking Outlets spread across 10 States and 1 Union Territories in India, as of March 31, 2018 to 528 Banking Outlets spread across 18 States and Union Territories in India, as of September 30, 2020. We intend to continue to diversify our retail asset portfolio, grow our retail deposit mix across geographies and customer segments, increase our share of fee income and increase the use of technology

and digital offerings for last mile delivery to customers. Our newly opened Banking Outlets may not be profitable immediately upon their opening or may take time to break even. However, we cannot assure you that we will succeed in implementing such strategies, as their successful implementation is subject to many factors beyond our control. Factors, such as competition and customer requirements, in these new markets may differ from those in our existing markets. We will need to enhance and improve our financial, accounting, information technology, administrative and operational infrastructure and internal capabilities in order to manage the future growth of our business.

As we plan to expand our geographic footprint in India, our business may be exposed to additional challenges, including obtaining additional governmental or regulatory approvals, identifying and collaborating with local business partners with whom we may have no existing relationship, successfully marketing our products in markets in which we have no familiarity, attracting customers in a market in which we do not have significant experience or visibility, maintaining standardized systems and procedures, adapting our marketing strategy and operations to new markets in India in which different languages are spoken, higher technology costs, upgrading, expanding and securing our technology platform in such Banking Outlets, operational risks including integration of internal controls and procedures, compliance with KYC, AML and other regulatory norms, ensuring customer satisfaction, recruiting, training and retaining skilled personnel, failure to manage third-party service providers in relation to any outsourced services and difficulties in the integration of new Banking Outlets with our existing Banking Outlets network. To address these challenges, we may have to make significant investments that may not yield desired results or incur costs that we may not be able to recover. If we are unable to implement such growth strategies, our business, results of operations, financial condition and cash flows will be adversely affected.

21. Our Bank and our Promoter are involved in certain legal proceedings, any adverse developments related to which could materially and adversely affect our business, reputation and cash flows.

There are outstanding legal proceedings involving our Bank and our Promoter pending at different levels of adjudication before various courts, tribunals and appellate tribunals in India. We cannot assure you that these proceedings will be decided in favour of the respective persons/ entities. Brief details of material outstanding litigation that have been initiated by and against our Bank and our Promoter are set forth below.

	No. of cases outstanding	Amount involved (₹ million)
Legal proceedings involving our Bank		
Actions by regulatory and statutory authorities	4	0.38
Criminal proceedings against our Bank	1	Nil
Criminal proceedings by our Bank	1,985	177.58
Tax matters	2	17.07
Other matters	1	0.30
Legal proceedings involving our Promoter		
Actions by regulatory and statutory authorities	2	0.04
Tax matters	1	116.80
Total	1,996	312.17

The amounts claimed in these proceedings have been disclosed to the extent ascertainable and include amounts claimed jointly and severally. If any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase our expenses and current liabilities. Any adverse decision in any of these proceedings may have an adverse effect on our business, results of operations, financial condition and cash flows.

For further information, see “Outstanding Litigation and Material Developments” on page 344.

22. We depend on our brand recognition. Negative publicity, failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers.

We have invested in promoting the “Utkarsh” brand, and we expect to continue to invest in increasing our brand awareness. We believe that any damage to the brand “Utkarsh” or to our reputation could substantially impair our ability to maintain or grow our business, or could have a material adverse effect on our overall business, financial condition, results of operations and cash flows. With the market becoming increasingly competitive, we believe that maintaining and enhancing our brand will become more important for our business. If we fail to maintain this brand recognition with our existing and target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brands under which our services are provided declines, market perception and customer acceptance of our brands may also decline. Reputational risk, or the risk to our business, earnings and capital from negative publicity, is inherent

in our business. If we experience any negative publicity, it could adversely affect our brand and ability to attract and retain customers. We also distribute third-party products through partnerships with external organizations over whom we have limited control. We have no control over the actions of such third parties. Any regulatory action taken against such third parties or any adverse publicity relating to such party could, in turn, result in negative publicity about us and adversely impact our reputation.

- 23. *We are required to reduce Promoter shareholding in our Bank to 40% of our paid-up equity share capital on or prior to January 22, 2022. Except for the Offer, as of the date of this DRHP, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable our Promoter to reduce its shareholding as required.***

Our Promoter will hold [•]% of our equity share capital upon the completion of the Offer. In order to comply with the RBI Licence and the SFB Licensing Guidelines (“**Licensing Conditions**”), our Promoter needs to reduce its shareholding in our Bank to 40% on or prior to January 22, 2022 (“**RBI Dilution Requirement**”). Thereafter, its shareholding needs to reduce to 30% and 26% on or prior to January 22, 2027 and January 22, 2029, respectively.

Our Bank has, vide its letter dated March 29, 2019, submitted to the RBI a roadmap for dilution of our Promoter’s shareholding in our Bank including by way of a capital reorganisation through a scheme of arrangement; private placement/ rights/ bonus issuance at our Bank; IPO of our Bank; or a reverse merger of the Promoter with our Bank. Except for the Offer, as of the date of this DRHP, our Promoter has not approved any specific method to achieve such compliance. Further, under the SEBI ICDR Regulations, upon Allotment in the Offer, (i) the entire pre-Offer shareholding of our Promoter in the Bank (other than the Promoter’s contribution) will be subject to a one year lock-in; and (ii) 20% of the post-Offer equity share capital, forming part of the Promoter’s minimum contribution, will be locked in for three years. Further, pursuant to the SFB Licensing Guidelines, our Promoter’s minimum initial contribution to the paid-up equity share capital of our Bank, being 40%, is required to be locked in for a period of five years from the date of commencement of business (being, January 23, 2017). Therefore, our Promoter’s ability to sell any of its Equity Shares in our Bank will be restricted on account of the limited period available post the completion of the minimum one year lock-in period after the Offer is completed. This may adversely impact the ability of our Promoter to comply with the shareholding requirements under the Licensing Conditions. Further, in order to ensure compliance with the applicable regulations within prescribed timelines, we may be compelled to pursue alternatives on terms that may be onerous to us, which may adversely impact our business and prospects.

In the past, we were unable to successfully undertake a scheme of arrangement between our Bank and Holding Company to reduce our Promoter’s shareholding in our Bank. There can be no assurance that our Promoter or our Bank will be able to obtain, in a timely manner or at all, consents, approvals, waivers or clarifications, if required, from regulatory authorities, tribunals, shareholders, lenders or third parties and achieve compliance with the Licensing Conditions. Our Bank and our Promoter may be subject to penalties for non-compliance which may have a material adverse effect on our business and operations and the trading price of our Equity Shares.

To achieve compliance with the shareholding requirement, if our Promoter is required to sell its Equity Shares or our Bank has to issue fresh Equity Shares, or our Promoter and our Bank consider other options such as a merger or an acquisition, such actions, or the perception that such actions may occur, may materially and adversely affect our business and operations and the trading price of our Equity Shares.

- 24. *All our Banking Outlets along with our Registered and Corporate Office are on leased premises and we may enter into new lease arrangements for additional Banking Outlets. Any inability on our part to identify suitable premises or enter into or renew lease agreements on terms acceptable to us, may have an adverse effect on our operations.***

As of September 30, 2020, all our Banking Outlets were located on leased premises. Further, our Registered and Corporate Office is also located on leased premises. In addition, we intend to strategically open additional Banking Outlets on leased premises in the future. Consequently, any inability on our part to identify suitable premises for our Banking Outlets, or enter into or renew lease agreements on terms acceptable to us, may have an adverse effect on our operations.

Further, in case of non-renewal of our leases or if such agreements are renewed on unfavorable terms and conditions, we may be forced to procure alternative space for our existing Banking Outlets, Registered and Corporate Office and incur additional costs for such relocation. In addition, certain of our Banking Outlets are

located on premises that have been mortgaged by landlords to secure credit facilities obtained from lenders. If the lenders enforce the mortgage on account of any default by the landlords and subsequently, cancel our leasehold arrangements, or refuse to renew them on terms that are commercially acceptable to us, we may be compelled to relocate from such premises. This may cause a disruption in our operations or result in increased costs, or both, which may materially and adversely affect our business, financial condition, results of operations and cash flows, in respect of such defaulting premises.

Further, some of our lease agreements may not be adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, shall not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law for admission, which could adversely affect the continuance of our operations and business. We cannot assure you that we will be able to identify space that satisfies the operational, safety and other criteria for our Banking Outlets at terms that are commercially viable or at all.

25. *Weakness or failures of our internal control system may cause significant operational errors, which may in turn materially and adversely affect our business.*

Banks and financial institutions are generally exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. In Fiscal 2018, 2019 and 2020 and in the six months ended September 30, 2020, there were 25, 29, 19 and one instance of fraud involving employees, respectively. Amounts involved in such instances were ₹ 8.46 million, ₹ 5.15 million, ₹ 3.85 million and ₹ 0.06 million, respectively. Given the high volume of transactions that we handle on a day to day basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

We also outsource certain functions/ activities to other agencies. We are also, as a result exposed to the risk that such external agencies may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as we are), and to the risk that our (or such agencies) business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures may prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. While we periodically test and update, as necessary, our internal control systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. For instance, during the first quarter of Fiscal 2019 we had faced certain issues in the reconciliation of the general ledgers and had therefore undertaken an investigation through an external independent agency. Subsequently, we implemented steps including (a) setting up of specialised teams for monitoring the micro-banking activities, accounting and reconciliation at our Bank, (b) undertaking daily reconciliation of certain control accounts, (c) monitoring the access of employees to such control accounts, and (d) review and streamlining the roles and responsibilities of employees with financial duties in our Bank in order to avoid recurrence of such an incident at our Bank.

Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness.

26. *Our business correspondents are responsible for, among other things, sourcing and servicing of customers for our loans on a non-exclusive basis. If these business correspondents prefer to promote our competitors' microfinance loans or our agreements with them are terminated or not renewed it would adversely affect our business, financial condition, results of operations and cash flows.*

We started the BC model in Fiscal 2018 with a primary focus on reaching out in geographies where we did not have presence. As of September 30, 2020, we had partnered with seven BCs and the portfolio under the BC segment amounted to ₹ 1,232.29 million, being 1.85% of our Gross Loan Portfolio. Under the terms of the agreements with our business correspondents, our business correspondents act for us on a non-exclusive basis, however, specific outlets of our business correspondents are on an exclusive basis for our operations. For further details on our business correspondents, see “Our Business – Network of Business Correspondents” on page 142.

In the event that our business correspondents prefer to promote our competitors' microfinance loans over our microbanking loans or our agreements with them are terminated or not renewed, it would have an adverse effect on our business, financial condition, results of operations and cash flows.

- 27. *We have in this Draft Red Herring Prospectus included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial performance. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies.***

Certain non-GAAP financial measures and certain other statistical information, such as Gross Loan Portfolio, Gross Advances, Yield, Spread and Net Interest Margin, relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. For further information, see "Selected Statistical Information" on page 199. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other financial services companies.

- 28. *If our risk management policies are ineffective, it could adversely affect our business, financial condition, results of operations and cash flows.***

We have devoted significant resources to develop our risk management policies and procedures and plan to continue to do so in the future. Our risk management functions are divided on the basis of key risks typically faced by banks i.e., credit risk, market risk and asset liability mismatches, operational risk, cyber security, fraud risk management and technology risk. Our risk management governance framework comprises a Risk Management Committee of our Board and management sub committees for management of credit risk, cyber security, technology risks, asset liability management, fraud risk management and operational risk, however, we may not be able to effectively mitigate all our risk exposures. For details on our risk management policies, see "Our Business – Risk Management" on page 149. While we have risk management policies and procedures, our policies and procedures to identify, assess, monitor and manage risks may not be fully effective. Some of our risk management systems are not automated and are subject to human error. Some of our methods of managing risks are based upon the use of observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures, which could be significantly greater than those indicated by the historical measures.

To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may be unable to mitigate effectively our risk exposures in particular market environments or against particular types of risk. Further, some of our risk management strategies may not be effective in a difficult or less liquid market environment, where other market participants may be attempting to use the same or similar strategies to deal with the difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Our investment and interest rate risk is also determined by our ability to properly identify, and mark-to-market changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of changes in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our provision for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses.

Management of operations, legal and regulatory risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective. As we seek to expand the scope of our operations, we also face the risk that we may not be able to develop risk management policies and procedures that are properly designed for new business areas or to

manage the risks associated with the growth of our existing businesses effectively. Implementation and monitoring may prove particularly challenging with respect to businesses that we plan on developing. An inability to develop and implement effective risk management policies may materially and adversely affect our business, financial condition and results of operations.

29. *Any adverse developments in the segments we operate in, such as retail, wholesale, and housing, could adversely affect our business and results of operations.*

Other than microbanking, we are also engaged in lending to retail, wholesale and housing segments, to unserved and underserved customer segments. As of September 30, 2020, retail, wholesale and housing segments represented 4.88%, 5.63% and 1.90%, respectively, of our Gross Loan Portfolio.

The success of our business therefore depends on various factors that affect demand for these loan products. Our retail, wholesale and housing segments in particular, depend on various factors, including the funding requirements of our target customers, ability of our borrowers to repay their loan, housing market in India, manufacturing activity in India, changes in regulations and policies, natural disasters, calamities, political and social risks, including any adverse publicity or litigation relating to these loan products relating to loans and interest payments. As a substantial portion of the loans offered are for borrowers who are likely to be impacted by these conditions, occurrence of these events may adversely affect our ability to recover loans advanced and consequently affect our results of operations, financial condition and cash flows.

30. *We have, in the past, failed to make timely regulatory filings and there have been irregularities in certain regulatory filings made with the RoC under applicable law. Further, certain of our regulatory records are not traceable.*

We have in the past delayed in making certain regulatory filings required under the Companies Act, beyond the prescribed timelines, resulting in non-compliance. These comprise delays in filing necessary forms with the RoC, in connection with resolutions passed by the Board approving, *inter alia*, the board report and appointment of the chief financial officer. Subsequent to these delays, we sought and obtained condonation of delay from the RoC upon payment of the fees along with additional fees under the Companies Act.

Further, in the past, certain forms filed by our Bank with the RoC had factual inaccuracies, which related to, amongst others, incorrect reference to the date of transfer of Equity Shares and number of Equity Shares held by a nominee shareholder. Additionally, in the past, we have inadvertently filed an incorrect attachment (in place of the private placement letter of offer) in the return of allotment filed with the RoC which we subsequently addressed by filing the attachment along with payment of the requisite late form filing fee. However, there can be no assurance that this late filing of the attachment will be accepted by the RoC, and we will not be subject to any penalties under the Companies Act, 2013 in this respect.

Additionally, in the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to BSE under the Listing Regulations with respect to our non-convertible debentures listed on BSE. In this regard, we have *suo moto* filed a settlement application dated February 25, 2021 with SEBI under Regulation 3(1) of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018, as amended. For further details, see “*Outstanding Litigation and Material Developments*” on page 344.

Also, we are unable to trace the NOC received by us from the RBI in relation to the amendment to its MOA on December 28, 2016 arising as a result of an increase in its authorised share capital.

With the expansion of our operations there can be no assurance that such non-compliances will not arise, or that we will be able to implement, and continue to maintain, adequate measures to rectify or mitigate any such non-compliances, in a timely manner or at all. Any penalty or regulatory action taken against us may adversely impact our cash flows and results of operations.

31. *Any non-compliance with mandatory AML, KYC and CFT laws and regulations could expose us to liability and harm our business and reputation.*

In accordance with the requirements applicable to banks in India, we are mandated to comply with applicable anti-money laundering (“**AML**”), know your client (“**KYC**”) and combatting financing of terrorism (“**CFT**”) regulations. These laws and regulations require us, among other things, to adopt and enforce AML, KYC and CFT policies and procedures. We are also required to undertake constant review and assessment of existing control processes and programs to meet the increased regulatory expectation. We face significant challenges with system upgradation to meet the requirements of such regulatory developments. Our reputation and business could suffer

if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements.

Although we believe that we have adequate internal policies, processes and controls in place to prevent and detect AML and CFT activity and ensure KYC compliance, there may be significant inconsistencies in the manner in which specific operational and KYC, AML, CFT policies are actually interpreted and implemented at an operational level in each of our Banking Outlets. If we fail to comply with such laws and regulations, we may be subject to regulatory actions, including imposition of fines and other penalties by the relevant government agencies to whom we report.

32. *Our operations involve handling significant amounts of cash, making us susceptible to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position.*

While we seek to increasingly transform our operations to a cashless model, a significant portion of our business, particularly collection of JLG loans, continues to be cash based. Our employees at our Banking Outlets are responsible for the collection and deposit of cash, thereby exposing us to the risks of loss, fraud, misappropriation, theft, and unauthorized transactions by our employees. While we seek to prevent fraud or misappropriation by our employees through internal control measures, we may be unable to adequately prevent or deter such activities in all cases. Operational risks can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions. In the past, we have experienced acts of fraud (as defined under the applicable RBI guidelines), theft, forgery and misappropriation committed by or involving our customers/ employees. Net losses we incurred on account of internal and external fraud, robbery and other operational issues were ₹ 12.51 million and ₹ 1.70 million in Fiscal 2020 and in the six months ended September 30, 2020. Such acts could also bind us to transactions that exceed authorized limits or present unacceptable risks or hide unauthorized or unlawful activities from us. For further information, see “*Outstanding Litigation and Material Developments*” on page 344.

While we have been able to identify frauds relating to misappropriation of funds in the past, there could be instances of fraud and misconduct by our employees which may go unnoticed for certain periods of time before corrective action is taken. In addition, we may be subject to regulatory or other proceedings in connection with any such unauthorized transaction, fraud or misappropriation by our employees, which could adversely affect our goodwill, business prospects and future financial performance. Even when we identify instances of fraud and other misconduct and pursue legal recourse or file claims with our insurance carriers, we cannot assure you that we will recover any amounts lost through such fraud or other misconduct. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

33. *We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and suspension of further drawdowns, which may adversely affect our business, results of operations, financial condition and cash flows.*

Some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders’ consent prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business and operations. These covenants vary depending on the requirements of the financial institution extending such loan and the conditions negotiated under each financing agreement. Some of the corporate actions that require prior consents from certain lenders include, amongst others, changes to the (a) capital structure of our Bank, (b) memorandum and/or articles of association of our Bank, (c) composition of its board of directors / management set-up and lock-in of or dilution or changes in shareholding of our Promoter in our Bank. Further, under certain financing agreements, we are required to maintain specific credit ratings, certain financial ratios and ensure compliance with regulatory requirements such as the prudential norms prescribed by the RBI. Failure to comply with such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time. One of our lender’s is also entitled to appoint a director on the Board of our Bank.

In addition, we also have unsecured loans which, subject to trigger of certain conditions mentioned in the respective loan documentation, may be recalled at any time at the option of such lenders. Such recalls on borrowed amounts may be contingent upon happening of an event beyond our control and there can be no assurance that we

will be able to persuade our lenders to give us extensions or to refrain from exercising such recalls which may adversely affect our operations and cash flows.

A failure to observe the covenants under our financing arrangements or to obtain necessary consents/ waivers may lead to the termination of our credit facilities, acceleration of amounts due under such facilities, cancel undrawn portion of the facility and suspension of further access/ withdrawals, either in whole or in part, for the use of the facility. Pursuant to clauses in certain financing agreements, any defaults under such facilities may also trigger cross default or cross acceleration provisions under our other financing agreements. If the obligations under any of our financing documents are accelerated, we may have to dedicate a portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes. In addition, during any period in which we are in default, we may be unable to raise, or face difficulties raising, further financing.

34. *You will not, without prior RBI approval, be able to acquire Equity Shares if such acquisition would result in an individual or group holding 5% or more of our share capital or voting rights; you may not be able to exercise voting rights in excess of 26% of the total voting rights of our Bank.*

The Banking Regulation Act, read with the SFB Licensing Guidelines and RBI (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, requires any person to obtain prior approval of the RBI, to acquire or agree to acquire shares or voting rights of a bank, either directly or indirectly, beneficial or otherwise, by himself or acting in concert with other persons, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in the aggregate shareholding of such persons to be 5% or more of the paid-up share capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, as per the Banking Regulation Act read with gazette notification no. DBR.PSBD.No.1084/16.13.100/2016-17 dated July 21, 2016, no shareholder in a bank can exercise voting rights on poll in excess of 26% of the total voting rights of all the shareholders of the bank.

An approval may be granted by the RBI if it is satisfied that the applicant meets the fit and proper criteria laid down by the RBI. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions in accordance with the provisions of applicable law. Further, the RBI may restrict any person holding more than 5% of our total voting rights from exercising voting rights in excess of 5%, if such person is deemed to be not fit and proper by the RBI. For details, see “Key Regulations and Policies” on page 156.

35. *Our intellectual property rights may be subject to infringement or we may breach third party intellectual property rights. If we fail to successfully enforce our intellectual property rights, our business, results of operations and cash flows would be adversely affected.*

We have obtained various trademark registrations in India, including for our logo  and name ‘Utkarsh Small Finance Bank Limited’ with the trademark registry under classes 16 and 36. We have also applied for registration

of our tag line “” and “”. For further information, see “Government and Other Approvals” on page 349. We have entered into trademark license agreements with our Promoter and Group

Company, respectively, for usage of the ‘’ trademark and logo. We are accordingly subject to the risk of brand dilution and consequently, loss of revenue in case of any misuse of our brand name by our Promoter, our Group Company or agents or any third party.

Our inability to renew or maintain these registrations may adversely affect our competitive business position. There can be no assurance that any application for renewal, when filed, shall result in renewal of the trademark in a timely manner or at all or that third parties would not infringe upon our trademark or any order restraining or prohibiting us from using the trademark, shall not adversely affect the business prospects, reputation and goodwill of our Bank. We may not be able to successfully protect our intellectual property rights against third party infringement and unauthorized use of our intellectual property, including by our competitors and protection of the trademark in India may be difficult and we may be a party to litigation for infringement. This may affect our brand value and consequently our business.

We may also be subject to claims by third parties, for breach of their intellectual property rights by using slogans, names, logos or other such subjects, which are of a similar nature to the intellectual property these third parties may have registered. Any legal proceedings that result in a finding that we have breached third parties’ intellectual

property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or make changes to our marketing strategies or to the brand names of our products, which may have a materially adverse effect on our brand, business, prospects, financial condition and results of operations.

36. *Our inability to grow our CASA deposits and CASA ratio may result in higher cost of deposits and impact our financial condition and cash flows.*

As of March 31, 2020 and September 30, 2020, our CASA ratio was at 13.50% and 14.46%, respectively. We may not be able to grow our CASA deposits and CASA ratio owing to the increased competition from other banks and lending institutions. In order to attract retail customers and increase our CASA deposits, we intend to introduce new products and promote our products through marketing campaigns. The interest rates that we must pay to attract customer deposits are determined by numerous factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. However, there is no assurance that we will be successful in growing our CASA base which may result in higher cost of deposits and impact our financial condition and cash flows.

37. *We undertake certain fee and commission-based activities and our financial performance may be adversely affected by an inability to generate income from such activities.*

We have expanded our operations from undertaking banking activities to providing certain fee and commission-based services. Revenue from commission, exchange and brokerage was ₹ 136.15 million, ₹ 165.00 million, ₹ 284.49 million and ₹ 147.99 million in Fiscals 2018, 2019 and 2020, and the six months ended September 30, 2020, respectively and represented 2.50%, 1.72%, 2.02% and 1.77%, respectively, of our total income, in the same periods. Our miscellaneous income was ₹ 316.58 million, ₹ 431.97 million, ₹ 693.56 million and ₹ 316.39 million in in Fiscals 2018, 2019 and 2020, and the six months ended September 30, 2020, respectively. Our miscellaneous income included fee and commission based activities include distribution of third party insurance, mutual fund products, safe deposit/ locker facilities and money transfer services and income from sale of PSLC. If we are unable to attract customers and continue to make competitive offerings of these services to our customers, fee generated by these products and services may be less than anticipated, which may materially and adversely affect our business, financial condition, results of operations and cash flows.

38. *Our insurance coverage may be inadequate to cover claims. If we incur substantial uninsured loss or loss that exceeds our insurance coverage, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.*

We have obtained insurance to cover certain risks associated with our business. These include banker's indemnity insurance policy, money insurance, public liability (non-industrial) insurance policy, directors and officers liability insurance policy, group health (floater) insurance policy, standard fire and special perils policy, burglary insurance policy, credit card package insurance policy, group micro insurance policy and group term insurance policy. While we are covered by a range of insurance that we believe is consistent with industry practice in India to cover risks associated with our business, we cannot assure you that the existing coverage will insure our Bank completely against all risks and losses that may arise in the future. We may not have insurance to cover all of the risks associated with our business, as insurance coverage is either unavailable for certain risks or is prohibitively expensive. In addition, even if such losses are insured, we may be compelled to contribute a substantial deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are generally subject to annual renewal, and our ability to renew these policies on similar or otherwise acceptable terms, cannot be assured. If we incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.

39. *The RBI may remove any employee, managerial personnel or may supersede our Bank's Board of Directors in certain circumstances, which may materially affect our Bank's business, results of operations, and financial conditions.*

The Banking Regulation Act confers powers on the RBI to remove from office any director, chairman, chief executive officer or other officers or employees of a bank in certain circumstances such as, the RBI being satisfied that such act is in public interest or required to prevent the affairs of our Bank from being conducted in a manner detrimental to the interests of the depositors. For instance, in the past, the RBI has directed Mr. Govind Singh, our Managing Director and chief executive officer, to resign from our Board on account of him holding substantial interest in our Promoter and not being able to divest his shareholding in our Promoter in accordance with the Banking Regulation Act. As a result, Mr. Govind Singh resigned from his position of Managing Director and

chief executive officer on May 24, 2018, and subsequently re-joined our Bank as our Managing Director and chief executive officer on September 21, 2018 post receipt of approval of the RBI dated September 21, 2018 and successful divestiture of his shareholding in our Promoter in compliance with the directions of the RBI.

Further, the RBI, in consultation with the central government, also has the powers to supersede the board of directors of a bank and appoint an administrator to manage the bank for a period of up to 12 months in certain circumstances. Should any of the steps as explained herein be taken by RBI, our reputation, business, results of operations, financial conditions and cash flows would be materially and adversely affected.

40. *The SFB model is relatively new to India, and such operations pose various business and financial challenges.*

As the SFB model is relatively new to India, such operations pose various business and financial challenges, including (i) sourcing deposits from customers and public at large at competitive rates to support the loan portfolio build up, (ii) operationalization of banking outlets, (iii) diversification of loan portfolio, (iv) setting up of and running treasury operations, (v) adopting a robust asset liability management system, (vi) migration to new technology platforms, (vii) digitization of banking service delivery and other operations in order to source and deliver cost effective financial services to customers, (viii) designing and developing a robust system for prevention of fraud committed by our personnel or customers, (ix) designing and developing a comprehensive enterprise wide risk management framework, and (x) gaining market share with limited brand recognition. These challenges have and will continue to entail substantial senior level management time and financial resources and place significant demands on our management team and other resources. Further, uncertainty in the applicability, interpretation or implementation of the governing law, specifically due to the absence of administrative or judicial precedent may be time consuming as well as costly for us to resolve. To ensure compliance with the regulatory framework applicable to SFBs, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention. Our inability to comply with laws and regulations applicable to an SFB may have an adverse effect on our business, results of operations, financial condition and cash flows.

41. *We may face cyber threats attempting to exploit our network to disrupt services to customers and/ or theft of sensitive internal data or customer information, which may cause damage to our reputation and adversely affect our business and financial performance.*

We offer banking services to our customers through a range of alternate channels, including phone banking, mobile banking, internet banking and tab banking. Our alternate banking channels include multiple services such as electronic funds transfer, bill payment services, requesting account statements, use of debit cards at ATMs, and requesting cheque books. Therefore, by providing such services, we are exposed to various cyber threats including (i) phishing and trojans targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt exfiltration of account sensitive information; (ii) vishing and skimming at ATMs, wherein a skimming device or a card reader is fraudulently inserted in the machine allowing the fraudster to obtain card details including pin codes of the user, to replicate into a counterfeit copy; (iii) hacking, wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; and (iv) data theft, wherein cyber criminals may attempt to enter our network with the intention of stealing our data or information. In addition, we also face the risk of our customers incorrectly attributing deficiency in service to us and terminating their accounts with us for any cyber security breaches that may have occurred on their own system or with that of an unrelated third party. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability. While we have implemented operational controls to prevent and detect such threats, there can be no assurance that cyber threats will not impact our operations in the future.

Further, while we have established a geographically remote disaster recovery site to support critical applications, our disaster recovery site may also fail or may take considerable time and resources to ensure that the system is fully operational and achieve complete business resumption using an alternate site. In situations where the primary site is completely unavailable, there may be significant disruption to our operations, which would materially adversely affect our business, financial condition, reputation and results of operation.

42. *We have certain contingent liabilities that have not been provided for in our financial statements, which, if they materialize, may adversely affect our results of operations, financial condition and cash flows.*

As of September 30, 2020, we had the following contingent liabilities which have not been provided for:

Particulars	As of September 30, 2020 (₹ million)
Claims against the bank not acknowledged as debts – taxation	-
Claims against the bank not acknowledged as debts – others	-
Liability on account of outstanding forward exchange contracts	-
Liability on account of outstanding derivative contracts	-
Guarantees given on behalf of constituents:	-
- In India	122.05
- Outside India	-
Acceptances, endorsements and other obligations	-
Other items for which the Bank is contingently liable (refer to the notes below)	291.93
Total	413.98

Note 1: The Supreme Court of India in its judgement in the case of *The Regional Provident Fund Commissioner (II) West Bengal v. Vivekananda Vidyamandir and others* on February 28, 2019 has clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board is to be considered as basic wage and accordingly needs to be considered for calculation of provident fund contribution. Our Bank would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject, if necessary and the effect of this order has been taken into effect from April 1, 2019.

Note 2: Includes capital commitment of ₹ 277.03 million, as of September 30, 2020.

For further information on our contingent liabilities, see “Financial Statements – Annexure 17 – Restated Statement of Contingent Liabilities” on page 237. If the aforementioned contingent liabilities materialize, our profitability and cash flows may be adversely affected.

43. Our operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.

As of September 30, 2020 we had 8,729 employees. Although we have not experienced any material labour unrest until the date of this Draft Red Herring Prospectus and none of our employees are a part of a trade union, we cannot assure you that we will not experience disruptions in work due to disputes or other problems with our work force in the future. These actions are impossible for us to predict or control and could adversely affect our business, results of operations, financial condition and cash flows. Further, recently, the Supreme Court changed the method of calculating the contribution towards provident fund of an employee which is expected to result in greater provident fund deductions and lower take home salary for employees as well as an increase in employer’s share of contributions towards provident fund to the employees’ account. In addition, with the introduction of the Code on Wages, 2019 with effect from April 1, 2021, our statutory payments towards provident fund may increase. This change in method of computation may expose us to greater scrutiny, inspections and potential penalties for non-payment of contributions on allowances. While we believe that the relationship with our employees has generally been good, there can be no assurance that we will continue to have such a relationship in the future, and that there will not be significant strikes or disputes with employees that could affect our operations in future.

44. Our failure to adapt to technological advancements that can potentially disrupt the banking industry could affect the performance and features of our products and services and reduce our attractiveness to customers. Further, our success depends on our ability to respond to new technological advances.

Any technological advancement in the way customers prefer to execute their banking services may change the way banking has been perceived and carried out. Technological innovation such as cashless innovation and tab banking, could disrupt the banking industry as a whole. There can be no assurance that we will be able to adapt our systems quickly and efficiently and in cost-effective and timely manner to such changing environment. Even if we are able to maintain, upgrade or replace our existing systems or innovate or customize and develop new technologies and systems, we may not be as quick or efficient as our competitors in upgrading or replacing our systems. The development and implementation of such technology entails significant technical and business risks. Our failure to adapt to such technological advancements quickly and effectively could affect the performance and features of our products and services and could reduce our attractiveness to existing and potential customers.

45. We may face asset liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability.

We may face asset and liability mismatches, which represents situations when the financial terms of an institution’s assets and liabilities do not match. We cannot assure you that we will be able to maintain a positive asset-liability gap. We may rely on funding options with a short-term maturity period for extending long-term loans, which may lead to negative asset-liability gap. Further, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers. Further, asset-liability mismatches may also result in liquidity crunch or liquidity surplus situations and depending upon the interest rate

movement, such situations may adversely affect our Net Interest Income. For further information, see “*Selected Statistical Information – Asset Liability Management*” on page 210. If we are unable to obtain additional borrowings or renew our existing credit facilities for matching tenures of our loan portfolio in a timely and cost-effective manner or at all, it may lead to mismatch in our assets and liabilities, leading to a liquidity risk which may have a material adverse effect on our operations and profitability.

46. *Increasing regulatory focus on personal information protection could impact our business and expose us to increased liability.*

Regulators in various jurisdictions are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in new interpretations of existing laws, thereby further impacting our business. Recent regulations, such as the General Data Protection Regulation, which came into effect in the European Union (“EU”) on May 25, 2018, applies to the collection, use, retention, security, processing, and transfer of personally identifiable information of residents of EU countries. In India, the Supreme Court, in a judgment delivered on 24 August 2017, has held that the right to privacy is a fundamental right. Following this judgment, the Government of India is considering enactment of Personal Data Protection Bill, 2019 (“**Data Protection Bill**”) for implementing organizational and technical measures in processing personal data and lays down norms for cross-border transfer of personal data and to ensure the accountability of entities processing personal data. The enactment of the Data Protection Bill may introduce stricter data protection norms for a company such as us and may impact our processes. The RBI has also issued a circular on the procedure of storage of payment systems data, to ensure that data, relating to payment systems operated by us is stored only in India. Any failure, or perceived failure, by us to comply with any applicable regulatory requirements, including but not limited to privacy, data protection, information security, or consumer protection-related privacy laws and regulations, could result in proceedings or actions against us by governmental entities or individuals, subject us to fines, penalties, and/or judgments, or otherwise adversely affect our business, as our reputation could be negatively impacted.

47. *Certain of our Directors and Key Managerial Personnel are interested in our Bank in addition to the remuneration and reimbursement of expenses. Further, our Promoter is also interested in our Bank in addition to its shareholding.*

Certain of our Directors and Key Managerial Personnel are interested in our Bank, in addition to regular remuneration or benefits and reimbursement of expenses, as applicable, including to the extent of bonuses distributed by our Bank, employee stock options granted/ approved to be granted pursuant to the ESOP Plan 2020 and the MD & CEO ESOP Plan, as applicable and their subsequent shareholding in our Bank as well as any dividends payable, if any. We cannot assure you that our Directors and Key Managerial Personnel will exercise their rights as shareholders to the benefit and best interest of our Bank. Our Directors and Key Managerial Personnel may take or block actions with respect to our business which may conflict with the best interests of our Bank or that of minority shareholders. Further, our Key Managerial Personnel (excluding Mr. Govind Singh) may also be interested to the extent of employee stock options granted to them under the UCL ESOP Scheme and their shareholding in our Promoter and any dividends payable thereof. For further information on the interest of our Directors and Key Managerial Personnel of our Bank, other than reimbursement of expenses incurred or normal remuneration or benefits, see “*Our Management*” on page 170. Further, our Promoter is also interested in our Bank, in addition to its shareholding, including to the extent of the trademark license agreement entered into with our Bank for use of our Bank’s trademark and logo and the service agreement under which our Promoter pays a service charge of 1% of the amount collected against the written-off amount to our Bank. For further details, see “*Our Promoter and Promoter Group*” on page 192.

48. *We have not paid dividend in the past on our Equity Shares. Our ability to pay dividends in the future will depend on our earnings, financial condition, working capital requirements, capital expenditures, regulatory guidelines and restrictive covenants of our financing arrangements.*

We have not paid any dividends on our Equity Shares since commencing our banking operations. For further information, see “*Dividend Policy*” on page 198. Our ability to pay dividends in the future will depend on our earnings, financial condition, cash flow, working capital requirements, capital expenditure, regulatory guidelines and restrictive covenants of our financing arrangements and in accordance with the formal dividend policy adopted by us. Accordingly, we did not recommend any dividend for Fiscal 2020. Any future determination as to the declaration and payment of dividends will be at the discretion of our Board and guidelines as may be prescribed by the RBI from time to time (including RBI circular DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005). For instance, in light of the COVID-19 pandemic in order to help banks conserve capital while creating room for fresh lending, the RBI has by its circular DOR.BP.BC.No.29/21.02.067/2020-21 dated December 4,

2020 instructed all commercial and cooperative banks not to make any dividend payment on equity shares from the profits pertaining to Fiscal 2020. We cannot assure you that we will be able to pay dividends in the future. Accordingly, realization of a gain on Shareholders' investments will depend on the appreciation of the price of the Equity Shares. There is no guarantee that our Equity Shares will appreciate in value.

49. *We experienced negative cash flow from operating activities in the past. If we do not maintain positive cash flow, we cannot assure you that we will be able to sustain our growth or achieve profitability in future periods.*

We have had negative cash flow from operating activities for the six-month period ended September 30, 2020, amounting to ₹ 3,865.57 million. We may incur negative cash flows in the future which may have a material adverse effect on our business, prospects, results of operations and financial condition. For further information, see “*Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash Flows*” on page 331.

50. *Any downgrade of our credit ratings could adversely affect our business.*

Our debt is rated by various agencies, including by CARE and ICRA. Our certificate of deposit programme has been rated ICRA A1+; and our Tier II instruments have been rated ICRA A and CARE A. Any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis, which may adversely affect our profitability and future growth. There can be no assurance that these ratings will not be further revised or changed by the above rating agencies which may materially and adversely affect our business, financial condition, results of operations and cash flows.

51. *We have incurred losses in recent financial years. In the event we continue to incur losses it may adversely affect our business and financial condition.*

We incurred a net loss of ₹ 774.23 million for Fiscal 2018, as per our Restated Financial Statements. We cannot assure you that we will not incur losses in future. For further information, see “*Financial Statements*” on page 225.

52. *We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest.*

We have entered into various transactions with related parties, including provision of staff loans, reimbursement of expenses and remuneration to key managerial personnel. While we believe that all such transactions have been conducted on an arm's length basis, we cannot assure you that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties. It is likely that we may enter into related party transactions in the future. Although going forward, all related party transactions that we may enter into, will be subject to board or shareholder approval, as necessary under the Companies Act, 2013 and the SEBI Listing Regulations and the policy on related party transactions adopted by our Board, we cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition, cash flows and results of operations or that we could not have achieved more favourable terms if such transactions had not been entered into with related parties. Such related party transactions may potentially involve conflicts of interest. For further information, see “*Related Party Transactions*” on page 306.

53. *Certain Directors of our Bank may be associated with companies engaged in similar lines of business as our Bank. Any conflict of interest which may occur between our business and the activities undertaken by such companies, could adversely affect our business, prospects, results of operations and financial condition.*

Certain of our Directors may be associated with companies engaged in similar lines of business as our Bank. For instance, Mr. Puranam Hayagreeva Ravikumar, our part time non – executive chairman and Independent Director, is a director on the board of IFFCO Kisan Finance Limited, Ms. Anita Ramachandran, our Nominee Director, is a director on the board of Aditya Birla Housing Finance Limited, and Mr. Nagesh Dinkar Pingre, our Independent Director, is a director on the board of Hero Housing Finance Limited. These entities are in similar lines of business as our Bank, including services which our Bank may consider offering in the future, and there can be no assurance that they will not expand their presence, solicit our employees or acquire interests in competing ventures in the locations or segments in which we operate.

54. *We utilize the services of certain third parties for our operations. Any deficiency or interruption in*

their services could adversely affect our business and reputation.

We enter into outsourcing arrangements with third party vendors and independent contractors, in compliance with the RBI guidelines on outsourcing. These vendors and contractors provide services that include, among others, ATM/ debit card related services, services provided by business correspondents and directed sales agents, field investigation, facility management services, information technology and software services. We are also dependent on various vendors for certain elements of our operations including implementing IT infrastructure and hardware, Banking Outlets roll-outs, networking, managing our data centre, and back-up support for disaster recovery. As a result of outsourcing such services, we are exposed to various risks including strategic, compliance, operational, fraud, theft, embezzlement, legal and contractual risks. Our ability to control the manner in which services are provided by third party service providers is limited and we may be held liable on account of any deficiency of services on the part of such service providers. We cannot assure you that we will be successful in continuing to receive uninterrupted and quality services from our third party service providers. Any disruption or inefficiency in the services provided by our third party service providers could affect our business and reputation.

The “Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank” issued by the RBI places obligations on banks, its directors and senior management for ultimate responsibility for the outsourced activity. Banks are required to ensure outsourced service providers obtain prior approval for the use of subcontractors. The RBI has also directed banks to review the subcontracting arrangements and ensure that such arrangements are compliant with aforementioned RBI guidelines. Legal risks, including actions being undertaken by the RBI, if our third-party service providers act unethically or unlawfully, could materially and adversely affect our business, financial condition, results of operations and cash flows.

55. *Our operations depend on the accuracy and completeness of information about customers and counterparties which if inaccurate or materially misleading could adversely affect our business and results of operations. Further, high levels of customer defaults could adversely affect our business, results of operations, financial condition and cash flows.*

Our business involves lending money to smaller, relatively low income entrepreneurs and individuals who may not have any credit history and, as a result, we are more vulnerable to customer default risks including default or delay in repayment of principal or interest on our loans. Some lines of business, such as microbanking loans, principally focus on users who have limited access to capital through formal banking channels. A significant majority of our customers belong to these segments and may not have any credit history supported by income statements, tax returns, credit card statements, and statements of previous loan exposures or other related documents. They may also have limited formal education, and generally are able to furnish very limited information for us to be able to assess their creditworthiness accurately. In addition, we may not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information. It is therefore, difficult to carry out a formal credit risk analyses on our customers based on financial information. To further verify the information provided by potential customers, we conduct searches through credit bureaus for creditworthiness of our customers who have a credit history. While we have certain practices based on an understanding of the market, and stipulate certain parameters that customers need to satisfy in order to obtain advances from us, there can be no assurance that such information being provided to us by prospective customers is true, complete and accurate. There can be no assurance that our risk management controls will be sufficient or that additional risk management strategies for our customers will not be required. Failure to maintain sufficient credit assessment policies, particularly for individual borrowers, could adversely affect our credit portfolio, which could have a material and adverse effect on our results of operations, financial condition and cash flows. Further, difficulties in assessing credit risks associated with our day-to-day lending operations may lead to an increase in the level of our NPAs, which could adversely affect our business, financial condition, results of operations and cash flows.

56. *After the completion of the Offer, our Promoter will continue to hold substantial shareholding in our Bank.*

As of the date of this Draft Red Herring Prospectus, our Promoter along with its nominees holds 100% of the issued, subscribed and paid-up equity share capital of our Bank. Upon completion of the Offer, our Promoter (by itself and along with its nominees) will hold [•]% of our equity share capital, and public shareholders will hold [•]% of our equity share capital. As per applicable law, our Promoter’s voting rights in our Bank will continue to be capped at 26.00% of the total voting rights of our Bank (i.e., the maximum voting rights permitted to be exercised by any shareholder in a banking company) and the public shareholders will in the aggregate be entitled to exercise [•]% of the voting rights in Bank subject to applicable law. For details of our Promoter’s shareholding pre and post the Issue, see “Capital Structure” on page 76. After the completion of the Offer, our Promoter will

continue to collectively hold substantial shareholding in our Bank and therefore, be able to control the outcome of matters submitted to our Board or Shareholders for approval. Our Promoter will continue to exercise significant influence over matters requiring Shareholders' approval, including the composition of our Board, the adoption of amendments to our charter documents, the approval of mergers, strategic acquisitions or joint ventures or the sales of substantially all of our assets, and the policies for dividends, lending, investments and capital expenditures. This concentration of ownership also may delay, defer or even prevent a change in control of our Bank and may make some transactions more difficult or impossible without the support of the Promoter. The interests of our Promoter as our controlling Shareholder could conflict with our interests or the interests of the other Shareholders of our Bank. We cannot assure you that our Promoter will act to resolve any conflicts of interest in our favour and any such conflict may adversely affect our ability to execute our business strategy or to operate our business.

57. *Our funding requirements and the proposed deployment of Net Proceeds have not been appraised and our management will have broad discretion over the use of the Net Proceeds.*

We propose to use the Net Proceeds to augment our Bank's Tier-I capital base to meet our Bank's future capital requirements which are expected to arise out of growth in our Bank's assets, primarily our Bank's loans/advances and investment portfolio and to ensure compliance with regulatory requirements on capital adequacy prescribed by the RBI from time to time. For further details, see "*Objects of the Offer - Requirement of Funds and Utilization of Net Proceeds*" on page 85. Our proposed deployment of Net Proceeds has not been appraised and it is based on management estimates. Further, as per Regulation 41 of the ICDR Regulations, we are not required to appoint a monitoring agency for the use of the Net Proceeds. Our management will have broad discretion to use the Net Proceeds.

Various risks and uncertainties, including those set forth in this section, may limit or delay our efforts to use the Net Proceeds to achieve profitable growth in our business. For example, our organic growth and expansion plans could be delayed due to failure to receive regulatory approvals, technical difficulties, human resource, technological or other resource constraints, or for other unforeseen reasons, events or circumstances including the COVID-19 pandemic. Accordingly, use of the Net Proceeds to meet our future capital requirements, fund our growth and for other purposes identified by our management may not result in actual growth of our business, increased profitability or an increase in the value of our business and your investment.

58. *Our business activities are subject to seasonality, which may contribute to fluctuations in our results of operations and financial condition.*

We experience significant seasonality in our business. Generally, the period from October to March is the peak period in India for retail economic activity. This increased, or seasonal, activity is the result of several holiday periods, improved weather conditions and crop harvests. We generally experience higher volumes of business during this period. Any significant event such as unforeseen floods, earthquakes, political instabilities, epidemics or economic slowdowns during this peak season would materially and adversely affect our results of operations and growth. During these periods, we may continue to incur operating expenses, but our income from operations may be delayed or reduced. Accordingly, our results of operations in one quarter may not accurately reflect the trends for the entire financial year and may not be comparable with our results of operations for other quarters.

59. *The Fresh Issue size may be reduced to the extent of the Pre-IPO Placement being considered by us.*

The Fresh Issue size may be reduced, prior to filing of the Red Herring Prospectus, to the extent of the Pre-IPO Placement for cash aggregating up to ₹2,500 million being considered by us. Further, we cannot assure you that the Offer will be completed after the conclusion of the Pre-IPO Placement in the manner contemplated in this Draft Red Herring Prospectus or at all.

60. *Our customers may engage in certain transactions in or with countries or persons that are subject to U.S. and other sanctions.*

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries that are the subject of comprehensive sanctions and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions. Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, there can be no assurance that we will be able to fully monitor all of our transactions for any potential violation. Although we do not believe that we are in violation of any applicable sanctions, if it were determined that the transactions in which our customers engage in violate U.S. or other sanctions, we could be subject to U.S. or other penalties, and our reputation and

future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected. We rely on our staff to be up-to-date and aware of the latest sanctions in place. Further, investors in the Equity Shares could incur reputational or other risks as the result of our customers' dealings in or with countries or with persons that are the subject of U.S. sanctions.

61. *Industry information included in this Draft Red Herring Prospectus has been derived from an industry report commissioned by us for such purpose. There can be no assurance that such third-party statistical, financial and other industry information is either complete or accurate.*

We have availed the services of an independent third party research agency, CRISIL, to prepare an industry report titled "Report on Small Finance Banks and various loan products" dated January, 2021, for purposes of inclusion of such information in this Draft Red Herring Prospectus. This report is subject to various limitations and based upon certain assumptions that are subjective in nature. We have not independently verified data from this industry report. Although we believe that the data may be considered to be reliable, the accuracy, completeness and underlying assumptions are not guaranteed and dependability cannot be assured. While we have taken reasonable care in the reproduction of the information, the information has not been prepared or independently verified by us, or the BRLMs or any of our or its respective affiliates or advisors and, therefore, we make no representation or warranty, express or implied, as to the accuracy or completeness of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Draft Red Herring Prospectus.

External Risk Factors

62. *Political, economic or other factors that are beyond our control may have an adverse effect on our business and results of operations.*

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located elsewhere, including India. Adverse economic developments, such as rising fiscal or trade deficit, in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general. Concerns related to a trade war between large economies may lead to increased risk aversion and volatility in global capital markets and consequently have an impact on the Indian economy. Following the United Kingdom's exit from the European Union ("Brexit"), there remains significant uncertainty around the terms of their future relationship with the European Union and, more generally, as to the impact of Brexit on the general economic conditions in the United Kingdom and the European Union and any consequential impact on global financial markets. For example, Brexit could give rise to increased volatility in foreign exchange rate movements and the value of equity and debt investments. Financial instability in other parts of the world could have a global influence and thereby negatively affect the Indian economy. Financial disruptions could materially and adversely affect our business, prospects, financial condition, results of operations and cash flows. Further, economic developments globally can have a significant impact on our principal markets. In addition, China is one of India's major trading partners and there are rising concerns of a possible slowdown in the Chinese economy as well as a strained relationship with India, which could have an adverse impact on the trade relations between the two countries. In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including India, implemented a number of policy measures designed to add stability to the financial markets. However, the overall long-term effect of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilizing effects. Any of these factors could depress economic activity and restrict our access to capital, which could have an adverse effect on our business, financial condition and results of operations and reduce the price of our Equity Shares. Any financial disruption could have an adverse effect on our business, future financial performance, shareholders' equity and the price of our Equity Shares.

We are dependent on domestic, regional and global economic and market conditions. Our performance, growth and market price of our Equity Shares are and will be dependent to a large extent on the health of the economy in which we operate. There have been periods of slowdown in the economic growth of India. Demand for our products may be adversely affected by an economic downturn in domestic, regional and global economies. Economic growth in the countries in which we operate is affected by various factors including domestic

consumption and savings, balance of trade movements, namely export demand and movements in key imports, global economic uncertainty and liquidity crisis, volatility in exchange currency rates, outbreak of an infectious disease, such as the COVID-19 pandemic, and annual rainfall which affects agricultural production. Consequently, any future slowdown in the Indian economy could harm our business, results of operations and financial condition. Also, a change in the government or a change in the economic and deregulation policies could adversely affect economic conditions prevalent in the areas in which we operate in general and our business in particular and high rates of inflation in India could increase our costs without proportionately increasing our revenues, and as such decrease our operating margins.

63. *Natural disasters, fires, epidemics, pandemics, acts of war, terrorist attacks, civil unrest and other events could materially and adversely affect our business.*

Natural disasters (such as typhoons, flooding and earthquakes), epidemics, pandemics such as COVID-19, acts of war, terrorist attacks and other events, many of which are beyond our control, may lead to economic instability, including in India or globally, which may in turn materially and adversely affect our business, financial condition and results of operations. Our operations may be adversely affected by fires, natural disasters and/or severe weather, which can result in damage to our property or inventory and generally reduce our productivity and may require us to evacuate personnel and suspend operations. In addition, any deterioration in international relations, especially between India and its neighbouring countries, for instance the recent border tensions between India and China, may result in investor concern regarding regional stability which could adversely affect the price of our Equity Shares.

A number of countries in Asia, including India, as well as countries in other parts of the world, are susceptible to contagious diseases and, for example, have had confirmed cases of diseases such as the highly pathogenic H7N9, H5N1 and H1N1 strains of influenza in birds and swine and more recently, the COVID-19 virus. A worsening of the current outbreak of COVID-19 pandemic or future outbreaks of COVID-19 virus or a similar contagious disease could adversely affect the Indian economy and economic activity in the region. As a result, any present or future outbreak of a contagious disease could have a material adverse effect on our business and the trading price of the Equity Shares. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse effect on our business and the price of our Equity Shares.

64. *If there is any change in laws or regulations, including taxation laws, or their interpretation, such changes may significantly affect our financial statements.*

Any change in Indian tax laws could have an effect on our operations. For instance, the Taxation Laws (Amendment) Ordinance, 2019, a new tax ordinance issued by India's Ministry of Finance on September 20, 2019, prescribes certain changes to the income tax rate applicable to companies in India. According to this new ordinance, companies can henceforth voluntarily opt in favour of a concessional tax regime (subject to no other special benefits/exemptions being claimed), which would ultimately reduce the effective tax rate for Indian companies from 34.94% to approximately 25.17%. We have opted for the concessional regime. Any future amendments may affect our other benefits such as exemption for income earned by way of dividend from investments in other domestic companies and units of mutual funds, exemption for interest received in respect of tax free bonds, and long-term capital gains on equity shares if withdrawn by the statute in the future, and the same may no longer be available to us. Any adverse order passed by the appellate authorities/ tribunals/ courts would have an effect on our profitability.

In addition, we are subject to tax related inquiries and claims. We may be particularly affected by claims from tax authorities on account of income tax assessment, service tax and GST that combines taxes and levies by the central and state governments into one unified rate of interest with effect from July 1, 2017.

For instance, the Finance Act, 2019 stipulates any sale, transfer and issue of securities through exchanges, depositories or otherwise to be charged with stamp duty. As such, there is no certainty on the impact that the Finance Act, 2019 may have on our Bank's business and operations. For further details, see "*Risk Factors - Investors may be subject to Indian taxes on the capital gains arising out of the sale of the Equity Shares, as well as stamp duty payable on such sales or transfers.*" on page 59 below.

Further, the Government of India has announced the union budget for Fiscal 2021, pursuant to which the Finance Act, 2020 ("**Finance Act**"), effective from July 1, 2020, has introduced various amendments including, without limitation, a simplified alternate direct tax regime and that DDT will not be payable in respect of dividends declared, distributed or paid by a domestic company after March 31, 2020, and accordingly, such dividends would

not be exempt in the hands of the shareholders, both resident as well as non-resident. Our Bank would be required to deduct tax at source from dividend credited, paid or distributed to its shareholders. As such, there is no certainty on the impact that the Finance Act may have on our business and operations or on the industry in which we operate.

In addition, unfavourable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations including foreign investment laws governing our business, operations and group structure could result in us being deemed to be in contravention of such laws or may require us to apply for additional approvals. We may incur increased costs relating to compliance with such new requirements, which may also require management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may affect the viability of our current business or restrict our ability to grow our business in the future.

We cannot predict whether any new tax laws or regulations impacting our services will be enacted, what the nature and impact of the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have an adverse effect on our business.

65. *The restructuring and insolvency laws of India may differ from other jurisdictions with which investors are familiar and investors may have limited recourse to the assets of our Bank in view of the overarching powers of the Government.*

As our Bank is incorporated under the laws of the India, any restructuring and insolvency proceedings relating to our Bank is likely to involve the laws of India, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which investors are familiar. For instance, in the ongoing restructuring exercise of an Indian bank, the RBI's draft revival plan for the bank does not protect the value of AT1 bondholders' investments. Accordingly, in the event of any such restructuring exercise of our Bank, there can be no assurance that our Shareholders will have the ability to wind up our Bank or protect the value of their investments, as the Government together with the regulatory authorities may have the sole ability to determine the ranking of claims of our Bank in liquidation.

66. *Financial difficulty and other problems in certain financial and other non-banking financial institutions in India could materially adversely affect our business and the price of our Equity Shares.*

We are exposed to the risks of the Indian financial system. The financial difficulties faced by certain Indian financial and non-banking financial institutions could materially adversely affect our business because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Such "systemic risk" may materially adversely affect financial intermediaries, such as clearing agencies, banks, NBFCs, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability in the Indian financial system, in general, could create an adverse market perception about Indian financial institutions and banks and materially adversely affect our business. Our transactions with these financial institutions and other non-banking financial institutions exposes us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

67. *Significant differences exist between Indian GAAP and other accounting principles, such as Ind AS, U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition.*

Our historical financial statements are prepared and presented in conformity with Indian GAAP. No attempt has been made to reconcile any of the information given in this document to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from Ind AS, IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar.

68. *India's existing credit information infrastructure may cause increased risks of loan defaults.*

All of our business is located in India. India's existing credit information infrastructure may pose problems and difficulties in running a robust credit check on our borrowers. We may also face difficulties in the due diligence process relating to our clients or to any security or collateral we take in relation to our loans. We may not be able to run comprehensive searches relating to the security and there are no assurances that any searches we undertake will be accurate or reliable. Hence, our overall credit analysis could be less robust as compared to similar transactions in more developed economies. Any inability to undertake a comprehensive due diligence or credit check might result in an increase in our NPAs and we may have to increase our provisions correspondingly. Any of the foregoing may have a material adverse effect on our business, financial condition, results of operations and cash flows.

69. *If inflation were to rise in India, we might not be able to increase the prices of our services at a proportional rate in order to pass costs on to our customers and our profits might decline.*

Inflation rates could be volatile and we may face high inflation in the future as India had witnessed in the past. Increased inflation can contribute to an increase in interest rates and increased costs to our business, including increased costs of salaries, transportation and other expenses relevant to our business. Further, high inflation leading to higher interest rates may also lead to a slowdown in the economy and adversely impact credit growth. Consequently, we may also be affected and fall short of business growth and profitability. High fluctuations in inflation rates may make it more difficult for us to accurately estimate or control our costs. Any increase in inflation in India can increase our operating expenses, which we may not be able to pass on to our customers, whether entirely or in part, and the same may adversely affect our business and financial condition. In such case, our business, results of operations, cash flows and financial condition may be adversely affected. While the Government of India has previously initiated economic measures to combat high inflation rates, it is unclear whether these measures will remain in effect, and there can be no assurance that Indian inflation levels will not rise in the future.

70. *Changing laws, rules and regulations and legal uncertainties may materially adversely affect our business and financial performance.*

Our business and financial performance could be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations. Banks in India are subject to detailed supervision and regulation by the RBI. In addition, banks are generally subject to changes in Indian law, as well as to changes in regulations, government policies and accounting principles. There can be no assurance that the Government of India may not implement new regulations and policies which will require us to obtain approvals and licenses from regulatory bodies or impose onerous requirements, conditions, costs and expenditures on our operations. Any such changes and the related uncertainties with respect to the implementation of the new regulations may have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we may have to incur capital expenditures to comply with the requirements of any new regulations, which may also materially harm our results of operations.

71. *A downgrade in ratings of India, may affect the trading price of the Equity Shares.*

Our borrowing costs and our access to the debt capital markets depend significantly on the credit ratings of India. India's sovereign rating decreased from Baa2 with a "negative" outlook to Baa3 with a "negative" outlook by Moody's and from BBB with a "stable" outlook to BBB with a "negative" outlook (Fitch) in June 2020; and from BBB "stable" to BBB "negative" by DBRS in May 2020. India's sovereign ratings from S&P is BBB-with a "stable" outlook. Any further adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such financing is available, including raising any overseas additional financing. A downgrading of India's credit ratings may occur, for example, upon a change of government tax or fiscal policy, which are outside our control. This could have an adverse effect on our ability to fund our growth on favourable terms or at all, and consequently adversely affect our business and financial performance and the price of the Equity Shares.

72. *A third party could be prevented from acquiring control over us because of the anti-takeover provisions under Indian law and the provisions of the Banking Regulation Act.*

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Bank. These provisions may discourage or prevent certain types of transactions involving actual or threatened change in our control. Under the Takeover Regulations, an acquirer has been defined as any person who, directly

or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Bank. Further, given that our Bank is governed by the RBI, any significant change in shareholding would require the prior approval of the RBI and there are limitations on voting rights in a banking company. Consequently, even if a potential takeover of our Bank would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to our Shareholders, such a takeover may not be attempted or consummated because of the regulatory framework applicable to us.

73. *Investors may not be able to enforce a judgment of a foreign court against us.*

Our Bank is incorporated under the laws of India. All the Directors and officers of our Bank are residents of India and a substantial portion of our assets and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon our Bank or such persons in jurisdictions outside India, or to enforce judgments obtained against such parties outside India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with public policy, or if judgments are in breach or contrary to Indian law. In addition, a party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to execute such a judgment to repatriate outside India any amounts recovered.

Further, India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under the Code of Civil Procedure, 1908, as amended (“**Civil Code**”) on a statutory basis. Only the United Kingdom, Singapore, Hong Kong and United Arab Emirates have been declared by the government to be reciprocating territories for the purposes of Section 44A of the Civil Code. A judgment of a court of a country which is not a reciprocating territory may be enforced in India only by a suit upon the judgment under Section 13 of the Civil Code, and not by proceedings in execution.

74. *Rights of shareholders under Indian laws may be more limited than under the laws of other jurisdictions.*

Indian legal principles related to corporate procedures, directors’ fiduciary duties and liabilities, and shareholders’ rights may differ from those that would apply to a bank in another jurisdiction. Shareholders’ rights including in relation to class actions, under Indian law may not be as extensive as shareholders’ rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder in an Indian bank than as shareholder of a corporation in another jurisdiction.

Risks Relating to the Equity Shares

75. *Holders of Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby may suffer future dilution of their ownership position.*

Under the Companies Act, a company having share capital and incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution. However, if the laws of the jurisdiction in which the investors are located in do not permit the investors to exercise their pre-emptive rights, without our filing an offering document or registration statement with the applicable authority in such jurisdiction, the investors will be unable to exercise their pre-emptive rights unless we make such a filing. If we elect not to file a registration statement, the new securities may be issued to a custodian, who may sell the securities for the investor's benefit. The value the custodian receives on the sale of such securities and the related transaction costs cannot be predicted. In addition, to the extent that the investors are unable to exercise pre-emptive rights granted in respect of the Equity Shares held by them, their proportional interest in us would be reduced.

76. *Any future issuance of Equity Shares or reverse merger with our Promoter may dilute your shareholding and sale of Equity Shares by our Promoter or other major shareholders and the reverse merger may adversely affect the trading price of the Equity Shares.*

We may be required to finance our growth, whether organic or inorganic, through future equity offerings. Any future equity issuances by us, including a primary offering, may lead to the dilution of investors' shareholdings in us. Additionally, subject to receipt of regulatory approvals, a reverse merger with our Promoter, in order to comply

with the requirements of the RBI Licence and the SFB Licensing Guidelines, may also result in the dilution of investors' shareholdings in us. Any future issuances of Equity Shares (including under an employee benefit scheme) or the disposal of Equity Shares by our Promoter or any of our other principal shareholders or a reverse merger with our Promoter or any other change in our shareholding structure to comply with the shareholding restrictions under the SFB Licensing Guidelines or the minimum public shareholding norms applicable to listed companies in India or any public perception regarding such issuance or sales may adversely affect the trading price of the Equity Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of the Equity Shares or incurring debt. There can be no assurance that we will not issue further Equity Shares or that our existing shareholders, including our Promoter, will not dispose off further Equity Shares after the completion of the Offer. Also see *“Risk Factors – We are required to reduce Promoter shareholding in our Bank to 40% of our paid-up equity share capital on or prior to January 22, 2022. Except for the Offer, as of the date of this DRHP, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable our Promoter to reduce its shareholding as required.”* on page 41.

77. *Investors may be subject to Indian taxes on the capital gains arising out of the sale of the Equity Shares, as well as stamp duty payable on such sales or transfers.*

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares held as investments in an Indian company are generally taxable in India. A securities transaction tax (“STT”) is levied both at the time of transfer and acquisition of the equity shares (unless exempted under a prescribed notification), and collected by an Indian stock exchange on which equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months, which are sold using any other platform other than on a Recognised Stock Exchange and on which no STT has been paid, are subject to long term capital gains tax in India. Such long term capital gains exceeding ₹ 100,000 arising from the sale of listed equity shares on or after April 1, 2018 on the stock exchange are subject to tax at the rate of 10% (plus applicable surcharge and cess). Unrealized capital gains earned on listed equity shares up to January 31, 2018 continue to be tax exempt in such cases. With respect to capital gains arising in an off market sale, long term capital gains are subject to tax at the rate of 10% (plus applicable surcharge and cess) without the exemption of ₹ 100,000. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Short-term capital gains, arising from the sale of such equity shares on a stock exchange would be subject to tax at the rate of 15% (plus applicable surcharge and cess), while short term capital gains arising in an off-market sale would be subject to tax at a higher rate of 40% (plus applicable surcharge and cess) in the case of foreign companies and 30% (plus applicable surcharge and cess) in the case of other non-resident taxpayers.

In cases where the seller is a non-resident, capital gains arising from the sale of the equity shares will be partially or wholly exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Historically, Indian tax treaties do not limit India’s ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the equity shares.

Further, the Finance Act, 2019 stipulates any sale, transfer and issue of securities through exchanges, depositories or otherwise to be charged with stamp duty. The Finance Act, 2019 has also clarified that, in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of securities through stock exchanges will be on the buyer, while in other cases of transfer for consideration through a depository, the onus will be on the transferor. The stamp duty for transfer of securities other than debentures, on a delivery basis is specified at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount.

We cannot predict whether any tax laws or other regulations impacting the sale and transfer of Equity Shares will be enacted, or predict the nature and impact of any such laws or regulations.

78. *Under Indian law, foreign investors are subject to investment restrictions that limit our ability to attract foreign investors, which may adversely affect the trading price of our Equity Shares.*

Under foreign exchange regulations which are currently in force in India, transfer of equity shares between non-residents and residents are freely permitted (subject to certain restrictions), if they comply with the valuation and reporting requirements specified under applicable law. If a transfer of equity shares is not in compliance with such requirements and does not fall under any of the exceptions, then prior approval of the relevant regulatory authority is required. Additionally, equity shareholders who seek to convert Rupee proceeds from a sale of equity shares in India into foreign currency and repatriate that foreign currency from India require a no-objection or a tax clearance

certificate from the Indian income tax authorities. Further, this conversion is subject to the equity shares having been held on a repatriation basis and, either the security having been sold in compliance with the pricing guidelines or, the relevant regulatory approval having been obtained for the sale of equity shares and corresponding remittance of the sale proceeds. Further, in accordance with the FEMA Non-debt Instruments Rules and the FDI Policy, investments where the beneficial owner of the equity shares is situated in or is a citizen of a country which shares land border with India, can only be made through the Government approval route. These investment restrictions shall also apply to subscribers of offshore derivative instruments. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained with or without any particular terms or conditions or at all.

For further information, see “*Restrictions on Foreign Ownership of Indian Securities*” on page 395. Our ability to raise any foreign capital under the FDI route is therefore constrained by Indian law, which may adversely affect our business, financial condition, cash flows, results of operations and prospects.

79. *Our Equity Shares have never been publicly traded, and may experience price and volume fluctuations following the completion of the Offer. Further, our Equity Shares may not result in an active or liquid market and the price of our Equity Shares may be volatile and you may be unable to resell your Equity Shares at or above the Offer Price or at all.*

Prior to the Offer, there has been no public market for our Equity Shares, and an active trading market may not develop or be sustained after the Offer. Listing and quotation on the stock exchanges does not guarantee that a market for our Equity Shares will develop or, if developed, does not guarantee the liquidity of such market for the Equity Shares. The Offer Price of the Equity Shares is proposed to be determined through a book building process and may not be indicative of the market price of the Equity Shares at the time of commencement of trading of the Equity Shares or at any time thereafter. There has been significant volatility in the Indian stock markets in the recent past, and the trading price of our Equity Shares after this Offer could fluctuate significantly as a result of market volatility or due to various internal or external risks, including but not limited to those described in this Draft Red Herring Prospectus. A decrease in the market price of our Equity Shares could cause you to lose some or all of your investment.

80. *U.S. holders should consider the impact of the passive foreign investment company rules in connection with an investment in our Equity Shares.*

A foreign corporation will be treated as a passive foreign investment company (“**PFIC**”) for U.S. federal income tax purposes for any taxable year in which either: (i) at least 75% of its gross income is “passive income” or (ii) at least 50% of its gross assets during the taxable year (based on of the quarterly values of the assets during a taxable year) are “passive assets,” which generally means that they produce passive income or are held for the production of passive income.

The Bank does not believe it was a PFIC for the fiscal year ended March 31, 2020 and does not expect to be a PFIC for the current year or any future years. Special rules treat certain interest and certain types of investment income earned by foreign active banks as active income. In 2019 the U.S. Treasury Department proposed PFIC regulations applicable to foreign banks (the “**2019 PFIC Proposed Regulations**”). The 2019 PFIC Proposed Regulations generally provide that passive income includes income of a kind that would be foreign personal holding company income, as defined in Internal Revenue Code § 954, which generally provides exceptions for income derived in an active banking business that would otherwise be categorized as passive income. The Bank believes that it meets the qualification as an active banking business and that the Code § 954 active banking exceptions apply. However, there can be no assurances that the 2019 PFIC Proposed Regulations will be finalized in their current form, and their application is unclear in certain respects. Furthermore, the Bank’s PFIC status for any taxable year is an annual determination that will depend on the composition of its income and assets and the value of its assets in any given year. Therefore, there can be no assurance that the Bank will not be a PFIC for any taxable year. If the Bank is a PFIC for any taxable year during which a U.S. investor owns Equity Shares, certain adverse U.S. federal income tax consequences could apply to such U.S. investor.

81. *Compliance with provisions of Foreign Account Tax Compliance Act may affect payments on the Equity Shares.*

The U.S. “Foreign Account Tax Compliance Act” (or “**FATCA**”) imposes a new reporting regime and potentially, imposes a 30% withholding tax on certain “foreign passthru payments” made by certain non-U.S. financial institutions (including intermediaries).

If payments on the Equity Shares are made by such non-U.S. financial institutions (including intermediaries), this withholding may be imposed on such payments if made to any non-U.S. financial institution (including an intermediary) that is not otherwise exempt from FATCA or other holders who do not provide sufficient identifying information to the payer, to the extent such payments are considered “foreign passthru payments”. Under current guidance, the term “foreign passthru payment” is not defined and it is therefore not clear whether and to what extent payments on the Equity Shares would be considered “foreign passthru payments”. The United States has entered into intergovernmental agreements with many jurisdictions (including India) that modify the FATCA withholding regime described above. It is not yet clear how the intergovernmental agreements between the United States and these jurisdictions will address “foreign passthru payments” and whether such agreements will require us or other financial institutions to withhold or report on payments on the Equity Shares to the extent they are treated as “foreign passthru payments”. Prospective investors should consult their tax advisors regarding the consequences of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, to their investment in Equity Shares.

82. *Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of our Equity Shares, independent of our operating results.*

On listing, our Equity Shares will be quoted in Indian Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will also be paid in Indian Rupees and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in currency exchange rates during the time taken for such conversion may reduce the net dividend to foreign investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in receipt of regulatory approvals that may be required for the sale of Equity Shares may reduce the proceeds received by Shareholders. For example, the exchange rate between the Indian Rupee and the U.S. dollar has fluctuated substantially in recent years and may continue to fluctuate substantially in the future, which may have an adverse effect on the returns on our Equity Shares, independent of our operating results.

83. *QIBs and Non-Institutional Bidders are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after the submission of their Bid, and Retail Individual Bidders are not permitted to withdraw their Bids after closure of the Bid/ Offer Closing Date.*

Pursuant to the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are required to pay the Bid Amount on submission of the Bid and are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid. Retail Individual Bidders can revise their Bids during the Bid/ Offer Period and withdraw their Bids until the Bid/ Offer Closing Date.

While our Bank is required to complete all necessary formalities for listing and commencement of trading of the Equity Shares on all Stock Exchanges where such Equity Shares are proposed to be listed, including Allotment, within six Working Days from the Bid/ Offer Closing Date or such other period as may be prescribed by the SEBI, events affecting the Bidders’ decision to invest in the Equity Shares, including adverse changes in international or national monetary policy, financial, political or economic conditions, our business, results of operations, cash flows or financial condition may arise between the date of submission of the Bid and Allotment. Our Bank may complete the Allotment of the Equity Shares even if such events occur, and such events may limit the Bidders’ ability to sell the Equity Shares Allotted pursuant to the Offer or cause the trading price of the Equity Shares to decline on listing.

84. *We will not receive any proceeds from the Offer for Sale. The Promoter Selling Shareholder will receive the net proceeds from the Offer for Sale i.e. proceeds from the Offer for Sale net of the Offer expenses shared by the Promoter Selling Shareholder.*

The Offer consists of a Fresh Issue and an Offer for Sale. The Promoter Selling Shareholder shall be entitled to the entire proceeds from the Offer for Sale and our Bank will not receive any proceeds from the Offer for Sale. None of our Directors or Key Managerial Personnel will receive, in whole or part, any proceeds from the Offer.

SECTION III: INTRODUCTION

THE OFFER

The following table summarizes details of the Offer:

Offer [^]	Up to [•] Equity Shares aggregating up to ₹ 13,500 million
<i>The Offer consists of:</i>	
Fresh Issue ⁽¹⁾	Up to [•] Equity Shares aggregating up to ₹ 7,500 million
Offer for Sale ⁽²⁾ comprises:	Up to [•] Equity Shares aggregating up to ₹ 6,000 million
<i>of which</i>	
Employee Reservation Portion ⁽⁵⁾	Up to [•] Equity Shares aggregating up to ₹ [•] million
<i>The Net Offer⁽³⁾ consists of:</i>	
A. QIB Category⁽⁴⁾	Not less than [•] Equity Shares
<i>Of which:</i>	
Anchor Investor Portion ⁽⁴⁾	Up to [•] Equity Shares
Net QIB Portion (assuming the Anchor Investor Portion is fully subscribed)	Up to [•] Equity Shares
<i>Of which:</i>	
Available for allocation to Mutual Funds only (5% of the QIB Category (excluding Anchor Investor Portion))	[•] Equity Shares
Balance of QIB Portion for all QIBs including Mutual Funds	[•] Equity Shares
B. Non-Institutional Category	Not more than [•] Equity Shares
C. Retail Category	Not more than [•] Equity Shares
Pre and post-Offer Equity Shares	
Equity Shares outstanding prior to the Offer	759,272,222* Equity Shares
Equity Shares outstanding after the Offer	[•] Equity Shares
Utilisation of Net Proceeds	See “Objects of the Offer” beginning on page 85 for information about the use of the Net Proceeds. Our Bank will not receive any proceeds from the Offer for Sale.

[^]Our Bank, in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹2,500 million. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Offer size constituting at least [•]% of the post-Offer paid up equity share capital of our Bank.

⁽¹⁾ The Offer has been authorized by our Board pursuant to its resolution dated February 16, 2021 and by our Shareholders pursuant to a special resolution dated March 3, 2021.

⁽²⁾ The Promoter Selling Shareholder has authorised and consented to participate in the Offer for Sale. The Promoter Selling Shareholder confirms that the Offered Shares have been held by it for a period of at least one year prior to filing of this Draft Red Herring Prospectus in accordance with Regulation 8 of the SEBI ICDR Regulations and accordingly, are eligible for the Offer for Sale in accordance with the provisions of the SEBI ICDR Regulations. For details of authorizations received for the Offer for Sale, see “Other Regulatory and Statutory Disclosures” beginning on page 353.

⁽³⁾ Subject to valid bids being received at or above the Offer Price, under-subscription, if any, in any category, except the QIB Category, would be met with spill-over from any other category or combination of categories, as applicable, at the discretion of our Bank in consultation with the BRLMs and the Designated Stock Exchange, subject to applicable laws. In the event of under-subscription in the Offer, Equity Shares offered pursuant to the Fresh Issue shall be allocated prior to Equity Shares offered pursuant to the Offer for Sale. After receipt of minimum subscription of 90% of the Fresh Issue, Equity Shares offered pursuant to the Fresh Issue shall be allocated prior to Equity Shares offered pursuant to the Offer for Sale.

⁽⁴⁾ Our Bank and our Promoter Selling Shareholder may, in consultation with the BRLMs, allocate up to 60% of the QIB Category to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. The QIB Category will accordingly be reduced for the Equity Shares allocated to Anchor Investors. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, which price shall be determined by our Bank in consultation with the BRLMs. In the event of under subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares in the Anchor Investor Portion shall be added back to the QIB Category. 5% of the Net QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than [•] Equity Shares, the balance Equity Shares available for allotment in the Mutual Fund Portion will be added to the QIB Category and allocated proportionately to the QIB Bidders (other than Anchor Investors) in proportion to their Bids. For further details, see “Offer Procedure” beginning on page 378.

⁽⁵⁾In the event of under-subscription in the Employee Reservation Portion (if any), the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹200,000, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000. The unsubscribed portion, if any, in the Employee Reservation Portion (after allocation up to ₹500,000), shall be added to the Net Offer. The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up Equity Share capital.

**Under the terms of the Investment Agreement, the Bank shall, prior to the filing of the Red Herring Prospectus with the RoC, allot 37,037,037, 13,444,444, 12,962,962, 8,539,068, 8,539,068, and 8,539,068 Equity Shares to Olympus ACF Pte. Ltd., responsAbility Participations Mauritius, Aavishkaar Bharat Fund, Triodos Sicav II - Triodos Microfinance Fund, Legal Owner Triodos Funds B.V. (in its capacity as legal owner of Triodos Fair Share Fund) and Growth Catalyst Partners LLC, respectively, at a price of ₹27 per Equity Share aggregating to ₹ 2,404.66 million. For further details of the Investment Agreement see, History and Certain Corporate Matters – Key terms of other material agreements” on page 168.*

Allocation to all categories, except the Anchor Investor Portion and the Retail Portion, shall be made on a proportionate basis subject to valid Bids received at or above the Offer Price, as applicable. The allocation to each Retail Individual Bidder shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares, if any, shall be allocated on a proportionate basis. For further details, see “Offer Structure” on page 374. For details of the terms of the Offer, see “Terms of the Offer” beginning on page 369.

SUMMARY OF FINANCIAL INFORMATION

The summary financial information presented below should be read in conjunction with “Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on pages 225 and 307, respectively.

Restated Summary Statement of Assets and Liabilities

(₹ in million)				
Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
CAPITAL AND LIABILITIES				
Capital	7,592.72	7,592.72	7,370.50	4,700.50
Reserves and Surplus	3,380.95	2,602.27	357.06	(751.61)
Deposits	59,692.98	52,352.12	37,913.87	21,938.67
Borrowings	28,092.17	26,750.37	14,297.67	17,888.47
Other Liabilities and Provisions	6,190.18	4,745.69	2,449.35	1,163.31
Total	1,04,949.00	94,043.17	62,388.45	44,939.34
ASSETS				
Cash and balances with Reserve Bank of India	1,933.95	1,916.58	1,575.73	2,055.64
Balances with banks and money at call and short notice	9,606.05	14,223.94	3,590.59	3,631.90
Investments	23,977.42	11,923.88	8,622.07	6,612.74
Advances	66,065.81	62,815.97	46,681.66	31,017.18
Fixed Assets	1,405.96	1,097.97	898.82	756.97
Other Assets	1,959.81	2,064.83	1,019.58	864.91
Total	1,04,949.00	94,043.17	62,388.45	44,939.34
Contingent Liabilities	413.98	199.45	178.69	962.78
Bills for Collection	-	-	-	-

Restated Summary Statement of Profit and Loss

(₹ in million)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
I INCOME				
Interest Earned Other	7,867.27	13,076.87	9,002.04	5,010.64
Income	484.62	985.55	580.45	436.90
Total	8,351.89	14,062.42	9,582.49	5,447.54
II EXPENDITURE				
Interest Expended	3,673.22	5,794.63	3,831.19	2,499.06
Operating Expenses	2,452.05	4,764.83	3,282.16	2,336.06
Provisions and Contingencies	1,447.93	1,635.53	1,360.47	1,386.65
Total	7,573.20	12,194.99	8,473.82	6,221.77
III PROFIT/(LOSS)				
Net Profit / (Loss) for the period / year	778.69	1,867.43	1,108.67	(774.23)
Balance in Profit and Loss account brought forward	1,454.83	97.09	(763.69)	10.54
Total	2,233.52	1,964.52	344.98	(763.69)
IV APPROPRIATIONS				
Transfer to Statutory Reserve	-	466.86	234.72	-
Transfer to Investment Fluctuation Reserve	141.67	39.24	13.17	-
Transferred to capital reserve	1.97	3.59	-	-
Balance carried over to Balance Sheet	2,089.88	1,454.83	97.09	(763.69)
V EARNINGS PER EQUITY SHARE				
Basic EPS (₹)	1.03 *	2.49	1.62	(2.13)
Diluted EPS (₹)	1.03 *	2.49	1.62	(2.13)
Face Value per share (₹)	10.00	10.00	10.00	10.00

* Not annualised

Restated Summary Statement of Cash Flows

(₹ in million)

	Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
I	<u>Cash flow from operating activities</u>				
	Profit/ (Loss) before taxes	1,043.32	2,504.15	1,657.87	(1,093.17)
	Adjustments for:-				
	Depreciation and amortisation	130.01	254.08	184.65	141.98
	Depreciation on investments, net	75.87	0.62	(9.16)	4.14
	Amortization of premium on Held to Maturity Investment	42.73	74.69	51.16	-
	Profit on sale & Redemption of HTM portfolio	(3.50)	(6.89)	(0.22)	-
	Unrealised loss on external commercial borrowings	(11.19)	9.13	21.43	-
	Write-off of non performing advances	-	559.58	298.59	1,425.75
	Impact of other Restatement adjustments (Net)	-	-	(185.63)	165.13
	Provision for standard advances and other contingencies	1,000.86	739.45	55.26	43.75
	Provision for non performing advances (net of reversal)	93.37	(300.84)	336.78	237.55
	Loss/ (Profit) on Sale of Fixed Assets (Net)	0.14	0.19	(21.61)	0.17
	Other provisions and write off	13.19	38.66	120.43	-
		2,384.80	3,872.82	2,509.55	925.30
	Adjustments for:-				
	(Increase)/ decrease in investments	(10,518.82)	(604.57)	(457.72)	1,836.31
	(Increase) in advances	(3,343.22)	(16,393.05)	(16,299.84)	(16,549.42)
	(Increase)/ decrease in other assets	205.65	(829.92)	(234.23)	499.16
	Increase in deposits	7,340.85	14,438.26	15,975.20	21,751.45
	Increase in other liabilities and provisions	142.47	1,559.03	712.83	627.02
		(6,173.07)	(1,830.25)	(303.76)	8,164.52
	Payment of direct taxes	(77.30)	(890.50)	(23.87)	(36.98)
	Net cash flow (used in)/generated from operating activities (A)	(3,865.57)	1,152.07	2,181.92	9,052.84
II	<u>Cash flow from/(used in) investing activities</u>				
	Purchase of fixed assets including capital work in progress	(438.23)	(455.91)	(309.86)	(820.43)
	Proceeds from sale of fixed assets	0.09	0.14	142.40	0.03
	Purchase of held to maturity securities	(1,649.81)	(2,765.66)	(1,593.46)	(1,165.04)
	Net cash flow (used in) investing activities (B)	(2,087.95)	(3,221.43)	(1,760.92)	(1,985.44)
III	<u>Cash flow from/(used in) Financing Activities</u>				
	Proceeds from issue of share capital	-	600.00	-	500.00
	Net proceeds/ (repayments) from borrowings	1,353.00	12,443.56	(942.22)	(3,799.82)
	Net cash flow (used in)/generated from financing activities (C)	1,353.00	13,043.56	(942.22)	(3,299.82)
IV	Net increase/ (decrease) in cash and cash equivalents (A) + (B) + (C)	(4,600.52)	10,974.20	(521.22)	3,767.58
V	Cash and cash equivalents at the beginning of the period/year	16,140.52	5,166.32	5,687.54	1,919.96
VI	Cash and cash equivalents at the end of the period/year	11,540.00	16,140.52	5,166.32	5,687.54
	Notes to the Cash Flow Statement:				
	Cash and cash equivalents includes the following:				
(i)	Cash and Balances with Reserve Bank of India (Refer Annexure 11 of restated financial statement)	1,933.95	1,916.58	1,575.73	2,055.64
(ii)	Balances with Banks in Current Accounts	446.05	173.94	340.59	1,431.90

Particulars		For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
(Refer Annexure 12 of restated financial statement)					
(iii)	Money at Call and Short Notice (Refer Annexure 12 of restated financial statement)	9,160.00	14,050.00	3,250.00	2,200.00
Cash and cash equivalents at the end of the period/year		11,540.00	16,140.52	5,166.32	5,687.54

GENERAL INFORMATION

Registered and Corporate office address of our Bank

S-24/1-2, First Floor, Mahavir Nagar
 Orderly Bazar, Varanasi 221 002
 Uttar Pradesh, India
 Tel.: +91 542-2500596
 Email: shareholders@utkarsh.bank
 Website: www.utkarsh.bank
 CIN: U65992UP2016PLC082804
 Registration number: 082804

Address of the Registrar of Companies

Our Bank is registered with the Registrar of Companies, Uttar Pradesh at Kanpur, located at the following address:

37/17, Westcott Building,
 The Mall
 Kanpur 208 001
 Uttar Pradesh, India

Board of Directors

The following table sets out the details regarding our Board:

Name and Designation	DIN	Address
Mr. Puranam Hayagreeva Ravikumar <i>Designation: Part time non – executive chairman and Independent Director</i>	00280010	501, 5th Floor, Yashowan Towers, TH Kataria Marg, Mahim (West), Mumbai 400 016, Maharashtra, India
Mr. Govind Singh <i>Designation: Managing Director and chief executive officer</i>	02470880	Progressive Highness- Flat No 503, 504, Plot No 5,6, Sector 16A, Navi Mumbai, Thane 400 705, Maharashtra, India
Mr. Kajal Ghose <i>Designation: Independent Director</i>	07702190	B – 1303, Crystal Court CHS, Plot 18, 27, Sector 7, Khargarh, Panvel, Raigarh 410 210, Maharashtra, India
Ms. Anita Ramachandran <i>Designation: Nominee Director⁽¹⁾</i>	00118188	2401-2402, A Wing, Raheja Atlantis, Ganpat Rao Kadam Marg, Lower Parel, Mumbai, 400 013, Maharashtra, India
Mr. Govindasamy Sampath Kumar <i>Designation: Nominee Director⁽²⁾</i>	03020254	Flat No. 301, 3 rd Floor, SIDBI Officers' Apartments, 16, MMM Marg, Lucknow – 226 001, Uttar Pradesh, India
Ms. Kalpana Prakash Pandey <i>Designation: Independent Director</i>	06715713	1025/26, Kohinoor City, Wing A, Building No.10, Kirol Road, Off LBS Marg, Kurla West, Mumbai 400 070, Maharashtra, India
Mr. Nagesh Dinkar Pinge <i>Designation: Independent Director</i>	00062900	B-403, Rajkamal CHS, Subhash Road, Near Vile Parle Mahila Sangh School, Vile Parle East, Mumbai, 400 057, Maharashtra, India
Mr. Muralidharan Rajamani <i>Designation: Non – executive Director</i>	01690363	A- 101 Sabari Aashiana TISS Complex Annexe, Deonar Farm Road, Deonar, Mumbai 400 088, Maharashtra, India
Mr. Ajay Kumar Kapur <i>Designation: Independent Director</i>	00108420	Flat No. 104 Pacific Apartments, Plot No. 39, Sector 10, Dwarka, South West Delhi 110 075, Delhi, India

⁽¹⁾ Nominee of our Promoter, UCL.

⁽²⁾ Nominee of our lender, SIDBI.

For brief profiles and further details in respect of our Directors, see “Our Management” beginning on page 170.

Company Secretary and Compliance Officer

Ms. Nutan Rane
 Utkarsh Small Finance Bank
 First floor, Om Prakash Arcade
 Central Avenue

Chembur (East), Mumbai 400 071
Tel.: +91 22 6872 9552
E-mail: nutan.rane@utkarsh.bank

Book Running Lead Managers

ICICI Securities Limited

ICICI Centre, H.T. Parekh Marg
Churchgate, Mumbai 400 020
Maharashtra, India
Tel.: +91 22 2288 2460
Fax: +91 22 2282 6580
E-mail: utkarsh.ipo@icicisecurities.com
Website: www.icicisecurities.com
Investor grievance e-mail: customercare@icicisecurities.com
Contact person: Shekher Asnani / Anurag Byas
SEBI Registration No.: INM000011179

IIFL Securities Limited

10th Floor, IIFL Centre
Kamala City, Senapati Bapat Marg
Lower Parel (West), Mumbai 400 013
Maharashtra, India
Tel.: +91 22 4646 4600
Fax: +91 22 2493 1073
E-mail: utkarsh.ipo@iiflcap.com
Investor grievance e-mail: ig.ib@iiflcap.com
Website: www.iiflcap.com
Contact Person: Pinak Bhattacharyya/ Keyur Ladhawala
SEBI Registration No.: INM000010940

Kotak Mahindra Capital Company Limited

1st Floor, 27 BKC, Plot No. 27
“G” Block, Bandra Kurla Complex
Bandra (East), Mumbai 400 051
Maharashtra, India
Tel.: +91 22 4336 0000
Fax: +91 22 6713 2447
E-mail: utkarshsfb.ipo@kotak.com
Website: www.investmentbank.kotak.com
Investor grievance e-mail: kmccredressal@kotak.com
Contact Person: Ganesh Rane
SEBI Registration No.: INM000008704

Syndicate Members

[•]

Registrar to the Offer

KFin Technologies Private Limited

(formerly known as Karvy Fintech Private Limited)
Selenium, Tower-B,
Plot 31 & 32, Financial District,
Nanakramguda, Serilingampally
Hyderabad, Rangareddi 500 032,
Telangana, India
Tel: +91 40 6716 2222 / 1800 345 4001
E-mail: utkarsh.ipo@kfintech.com
Investor grievance e-mail: einward.ris@kfintech.com
Website: www.kfintech.com

Contact person: M Murali Krishna
SEBI registration number: INR000000221

Legal Advisors to the Offer

Legal Counsel to our Bank and Promoter Selling Shareholder as to Indian Law

Shardul Amarchand Mangaldas & Co

24th Floor, Express Towers
Nariman Point,
Mumbai 400 021
Maharashtra, India
Tel.: +91 22 4933 5555

Legal Counsel to the BRLMs as to Indian Law

IndusLaw

#1502B, 15th Floor
Tower – 1C, “One World Centre”
Senapati Bapat Marg,
Lower Parel, Mumbai 400 013
Maharashtra, India
Tel.: +91 22 4920 7200

International Legal Counsel to the BRLMs

Squire Patton Boggs (MEA) LLP

Dubai International Financial Centre (DIFC)
Burj Daman Office Tower, Level 10
P.O. Box 111 713, Dubai
United Arab Emirates
Tel.: +971 4447 8700

Statutory Auditors of our Bank

Haribhakti & Co. LLP

705, Leela Business Park
Andheri Kurla Road
Andheri (E), Mumbai 400 059
Maharashtra, India
Tel.: +91 22 6672 9999

E-mail: hcollp.filing@haribhakti.co.in

Peer review no.: 010030

Firm registration no.: 103523W/W10048

Changes in statutory auditors

Except as disclosed below, there has been no change in the statutory auditors of our Bank during the last three years:

Name of the statutory auditors	Date of change	Reason for change
B S R & Associates LLP 12 th Floor, Tower C, Building 10, DLF Cyber City, Phase II, Gurugram 122 002, Haryana, India. E-mail: anantmarwah@bsraffiliates.com Peer review no.: 011719 Firm registration no.: 116231W/W-100024	August 5, 2019	Due to completion of the three year period and absence of RBI approval for the re-appointment in Fiscal 2020.
Haribhakti & Co. LLP	September 24, 2019	Appointment as statutory auditors to fill the vacancy caused by the completion of office of B S R & Associates LLP and absence of RBI

Name of the statutory auditors	Date of change	Reason for change
		approval for their re-appointment in Fiscal 2020.

Banker(s) to the Offer

[•]

Statement of inter se allocation of responsibilities among the Book Running Lead Managers

The following table sets forth the *inter-se* allocation of responsibilities for various activities among the BRLMs:

Sr. No.	Activity	Responsibility	Co-ordinator
1.	Pre-Offer Due diligence of Company's operations/ management/ business / legal etc., drafting and design of DRHP, RHP and Prospectus, abridged prospectus and application form. Ensure compliance and completion of prescribed formalities with the Stock Exchanges, SEBI and RoC including finalisation of RHP, Prospectus and RoC filing, follow up and coordination till final approval from all regulatory authorities	I-Sec, Kotak, IIFL	I-Sec
2.	Capital structuring with the relative components and formalities such as type of instruments, size of issue, allocation between primary and secondary, etc.	I-Sec, Kotak, IIFL	I-Sec
3.	Drafting and approval of all statutory advertisements	I-Sec, Kotak, IIFL	I-Sec
4.	Drafting and approval of all publicity material other than statutory advertisements, including corporate advertisements, brochures, filing of media compliance report with SEBI, etc.	I-Sec, Kotak, IIFL	IIFL
5.	Appointment of Registrar to the Offer, Printers, Banker(s) to the Offer, Advertising agency etc (including coordinating all agreements to be entered with such parties)	I-Sec, Kotak, IIFL	Kotak
6.	International institutional marketing of the Offer, which will cover, <i>inter alia</i> : - Co-ordination for research briefing - Preparation and finalizing of road show presentation and FAQs - Institutional marketing strategy - Finalizing the list and division of international investors for one-to-one meetings Finalizing international road show and investor meeting schedules	I-Sec, Kotak, IIFL	I-Sec
7.	Domestic institutional marketing of the Offer, which will cover, <i>inter alia</i> : Finalizing the list and division of domestic investors for one-to-one meetings Finalizing domestic road show and investor meeting schedules	I-Sec, Kotak, IIFL	IIFL
8.	Conduct non-institutional and retail marketing of the Offer, which will cover, <i>inter-alia</i> : - Finalising media, marketing, public relations strategy and publicity budget - Finalising collection centres - Finalising centres for holding conferences for brokers etc. Follow-up on distribution of publicity and Offer material including form, RHP/Prospectus and deciding on the quantum of the Offer material	I-Sec, Kotak, IIFL	Kotak
9.	Coordination with Stock Exchanges for book building process, filing of letters including software, bidding terminals, mock trading and anchor investor intimation, and payment of 1% security deposit to the designated stock exchange	I-Sec, Kotak, IIFL	Kotak
10.	Managing the book and finalization of pricing in consultation with the Company and selling shareholders	I-Sec, Kotak, IIFL	I-Sec

Sr. No.	Activity	Responsibility	Co-ordinator
11.	Post bidding activities including management of escrow accounts, coordinate non- institutional allocation, coordination with Registrar, SCSBs, Sponsor Banks and other Bankers to the Offer, intimation of allocation and dispatch of refund to Bidders, etc. Post-Offer activities, which shall involve essential follow-up steps including allocation to Anchor Investors, follow-up with Bankers to the Offer and SCSBs to get quick estimates of collection and advising the Company about the closure of the Offer, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and co-ordination with various agencies connected with the post-Offer activity such as registrar to the Offer, Bankers to the Offer, SCSBs including responsibility for underwriting arrangements, as applicable Payment of the applicable securities transactions tax on sale of unlisted equity shares by the Selling Shareholder under the Offer for Sale to the Government and filing of the securities transactions tax return by the prescribed due date as per Chapter VII of Finance (No. 2) Act, 2004. Co-ordination with SEBI and Stock Exchanges for refund of 1% security deposit and submission of all post Offer reports including the initial and final post Offer report to SEBI	I-Sec, Kotak, IIFL	IIFL

Self Certified Syndicate Banks

The list of SCSBs notified by SEBI for the ASBA process is available at <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>, or at such other website as may be prescribed by SEBI from time to time. A list of the Designated SCSB Branches with which an ASBA Bidder (other than a RIB using the UPI Mechanism), not bidding through Syndicate/Sub Syndicate or through a Registered Broker, RTA or CDP may submit the Bid cum Application Forms, is available at <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34>, or at such other websites as may be prescribed by SEBI from time to time.

SCSBs and mobile applications enabled for UPI Mechanism

In accordance with SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019 and SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, Retail Individual Bidders Bidding using the UPI Mechanism may apply through the SCSBs and mobile applications whose names appears on the website of the SEBI (<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40>) and (<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=43>) respectively, as updated from time to time.

Syndicate SCSB Branches

In relation to Bids (other than Bids by Anchor Investor) submitted to a member of the Syndicate, the list of branches of the SCSBs at the Specified Locations named by the respective SCSBs to receive deposits of Bid cum Application Forms from the members of the Syndicate is available on the website of SEBI (<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35>) as updated from time to time. For more information on such branches collecting Bid cum Application Forms from the Syndicate at Specified Locations, see the website of SEBI at <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35>, as updated from time to time.

Registered Brokers

Bidders can submit ASBA Forms in the Offer using the stock broker network of the stock exchange, i.e. through the Registered Brokers at the Broker Centres. The list of the Registered Brokers, including details such as postal address, telephone number and e-mail address, is provided on the websites of the Stock Exchanges at <https://www.bseindia.com> and <https://www.nseindia.com>, as updated from time to time.

RTAs

The list of the RTAs eligible to accept ASBA Forms at the Designated RTA Locations, including details such as address, telephone number and e-mail address, is provided on the websites of the Stock Exchanges at <http://www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx?expandable=6> and www.nseindia.com, respectively, as updated from time to time.

CDPs

The list of the CDPs eligible to accept ASBA Forms at the Designated CDP Locations, including details such as name and contact details, is provided on the websites of the Stock Exchanges at <http://www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx?expandable=6> and www.nseindia.com, respectively, as updated from time to time.

IPO Grading

No credit rating agency registered with SEBI has been appointed for grading of the Offer.

Appraising Entity

None of the objects for which the Net Proceeds will be utilised have been appraised by any agency.

Monitoring Agency

In terms of the proviso to Regulation 41(1) of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for this Offer.

Expert to the Offer

Except as stated below, our Bank has not obtained any expert opinions:

Our Bank has received written consent dated March 4, 2021 from our Statutory Auditor, Haribhakti & Co. LLP, Chartered Accountants to include their name as required under Section 26(5) of the Companies Act read with SEBI ICDR Regulations in this Draft Red Herring Prospectus as an “expert” as defined under Section 2(38) of the Companies Act to the extent and in its capacity as an independent Statutory Auditor and in respect of its (i) examination report dated February 16, 2021 on our Restated Financial Statements; and (ii) its report dated March 2, 2021 on the statement of possible special tax benefits in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus.

Credit Rating

As the Offer is of Equity Shares, credit rating is not required.

Trustees

As the Offer is of Equity Shares, the appointment of trustees is not required.

Green Shoe Option

No green shoe option is contemplated under the Offer.

Filing of this Draft Red Herring Prospectus

A copy of this Draft Red Herring Prospectus has been submitted to SEBI on cfddil@sebi.gov.in in accordance with SEBI circular dated March 27, 2020, in relation to “*Easing of Operational Procedure –Division of Issues and Listing –CFD*”; and has been filed with SEBI electronically on the platform provided by SEBI at <https://siportal.sebi.gov.in>, in accordance with SEBI circular bearing reference SEBI/HO/CFD/DIL1/CIR/P/2018/011 dated January 19, 2018.

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be submitted under Section 32 of the Companies Act would be filed with the RoC and a copy of the Prospectus to be filed under Section 26 of the Companies Act would be delivered for filing at the office of the RoC at 37/17, Westcott Building, The Mall, Kanpur 208 001, Uttar Pradesh, India.

Book Building Process

Book building, in the context of the Offer, refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus and the Bid cum Application Forms within the Price Band. The Price Band will be decided by our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs, and advertised in [•] editions of [•], a widely circulated English national daily newspaper and [•] editions of [•], a widely circulated Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh where our Registered and Corporate Office is located), at least two Working Days prior to the Bid/Offer Opening Date and shall be made available to the Stock Exchanges for the purposes of uploading on their respective websites. Pursuant to the Book Building Process, the Offer Price shall be determined by our Bank and our Promoter Selling Shareholder in consultation with the BRLMs after the Bid/Offer Closing Date.

All Bidders (other than Anchor Investors) can participate in this Offer only through the ASBA process. Anchor Investors are not permitted to participate in the Offer through the ASBA process. In addition to this, the Retail Individual Bidders may participate through the ASBA process by either (a) providing the details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by the SCSBs; or (b) through the UPI Mechanism.

In terms of the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are not permitted to withdraw their Bid(s) or lower the size of their Bid(s) (in terms of quantity of Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bid(s) during the Bid/Offer Period and withdraw their Bid(s) until the Bid/Offer Closing Date. Anchor Investors are not allowed to revise or withdraw their Bids after the Anchor Investor Bid/Offer Period. Except for Allocation to Retail Individual Bidders and the Anchor Investors, Allocation in the Offer will be on a proportionate basis. For further details on book building procedure and method and process of Bidding, see “Offer Structure” and “Offer Procedure” on pages 374 and 378, respectively.

Each Bidder by submitting a Bid in the Offer, will be deemed to have acknowledged the above restrictions and the terms of the Offer.

The Book Building Process is in accordance with guidelines, rules and regulations prescribed by SEBI and is subject to change from time to time. Investors are advised to make their own judgment about an investment through this process prior to submitting a Bid.

Investors should note the Offer is also subject to obtaining final listing and trading approvals of the Stock Exchanges, which our Bank shall apply for after Allotment.

Underwriting Agreement

After the determination of the Offer Price and allocation of Equity Shares but prior to the filing of the Prospectus with the RoC, our Bank and our Promoter Selling Shareholder will enter into an underwriting agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. The extent of underwriting obligations and the Bids to be underwritten by each BRLM shall be as per the Underwriting Agreement. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters will be several and will be subject to certain conditions to closing, as specified therein.

The Underwriting Agreement is dated [•]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC.

Name, address, telephone and e-mail of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (₹ in million)
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]

The abovementioned amounts are provided for indicative purposes only and will be finalised after the pricing and actual allocation and subject to the provisions of Regulation 40(2) of the SEBI ICDR Regulations.

In the opinion of our Board of Directors, the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The Underwriters are registered with the SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board/ CSFR Committee, at its meeting held on [•], has approved the Underwriting Agreement mentioned above on behalf of our Bank.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments set forth in the table above.

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them in accordance with the Underwriting Agreement. The Underwriting Agreement has not been executed as on the date of this Draft Red Herring Prospectus and will be executed after determination of the Offer Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC.

CAPITAL STRUCTURE

The share capital of our Bank, as of the date of this Draft Red Herring Prospectus, is set forth below:

(in ₹, except share data)		
Particulars	Aggregate nominal value	Aggregate value at Offer Price ⁵
A) AUTHORIZED SHARE CAPITAL *		
1,300,000,000 Equity Shares	13,000,000,000	-
200,000,000 Preference Shares	2,000,000,000	-
Total	15,000,000,000	
B) ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE OFFER		
759,272,222 [^] Equity Shares	7,592,722,220 [^]	-
C) OFFER		
Offer of [•] Equity Shares aggregating ₹13,500 million	[•]	-
Of which:		-
Fresh Issue of [•] Equity Shares aggregating up to ₹7,500 million [#]	[•]	-
Offer for Sale of up to [•] Equity Shares aggregating ₹6,000 million ^{##}	[•]	-
which includes		-
Employee Reservation Portion [%]	[•]	-
D) ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE OFFER		
[•] Equity Shares	[•]	-
E) SECURITIES PREMIUM ACCOUNT		
Before the Offer		377,777,774
After the Offer		-

[@]Our Bank, in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹2,500 million. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Offer size constituting at least [•]% of the post-Offer paid-up equity share capital of our Bank.

⁵To be updated upon finalisation of the Offer Price.

*For details in relation to changes in the authorized share capital of our Bank, see "History and Certain Corporate Matters – Amendments to the Memorandum of Association" on page 165.

[^]Under the terms of the Investment Agreement, the Bank shall, prior to the filing of the Red Herring Prospectus with the RoC, allot 37,037,037, 13,444,444, 12,962,962, 8,539,068, 8,539,068, and 8,539,068 Equity Shares to Olympus ACF Pte. Ltd., responsAbility Participations Mauritius, Aavishkaar Bharat Fund, Triodos Sicav II - Triodos Microfinance Fund, Legal Owner Triodos Funds B.V. (in its capacity as legal owner of Triodos Fair Share Fund) and Growth Catalyst Partners LLC, respectively, at a price of ₹27 per Equity Share aggregating to ₹ 2,404.66 million. For further details of the Investment Agreement see, History and Certain Corporate Matters – Key terms of other material agreements" on page 168.

[#]The Offer has been authorized by our Board pursuant to its resolution dated February 16, 2021 and by a special resolution of our Shareholders adopted at the meeting held on March 3, 2021.

^{##}Our Promoter Selling Shareholder has authorized the sale of the Offered Shares by way of its board resolutions dated February 15, 2021 and February 22, 2021 and consent letter dated March 3, 2021.

[%]The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up Equity Share capital. For details, see "Offer Structure", on page 374.

Notes to Capital Structure

1. Share Capital History of our Bank

(a) Equity share capital

The following table sets forth the history of the equity share capital of our Bank.

Date of allotment	Name(s) of allottee(s)	Reason / nature of allotment	No. of Equity Shares allotted	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration
April 30, 2016	44,000 Equity Shares to Mr. Govind Singh, 1,000 Equity Shares each to Ms. Revati Govind Singh, Mr. Trilok Nath Shukla, Mr.	Initial subscription to the Memorandum of Association	50,000	10	10	Cash

Date of allotment	Name(s) of allottee(s)	Reason / nature of allotment	No. of Equity Shares allotted	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration
	Ashwani Kumar, Mr. Abhisheka Kumar, Mr. Raghvendra Singh and UCL.					
October 7, 2016	UCL	Private placement	99,950,000	10	10	Cash
January 20, 2017	UCL	Private placement	200,050,000	10	10	Cash
September 21, 2017	UCL	Conversion of CCDs into Equity Shares*	120,000,000	10	-^	Cash
March 26, 2018	49,994,406 Equity Shares to UCL, 5,237 Equity Shares to Mr. Govind Singh, 119 Equity Shares each to Trilok Nath Shukla, Ashwani Kumar and Raghvendra Singh.	Rights issue	50,000,000	10	10	Cash
June 13, 2018	UCL	Conversion of CCDs into Equity Shares*	267,000,000	10	-^	Cash
September 18, 2019	UCL	Rights issue	22,222,222	10	27	Cash

*As per the terms of the issuance of the CCDs, each CCD was convertible into one Equity Share.

^The CCDs were issued to our Promoter at a face value of ₹10 per CCD.

(b) Preference Share capital

Our Bank has not issued any preference shares since its incorporation.

(c) Equity Shares issued for consideration other than cash

Our Bank has not issued any Equity Shares for consideration other than cash since its incorporation.

(d) Equity Shares issued out of revaluation reserves

Our Bank has not issued any Equity Shares out of revaluation reserves since its incorporation.

(e) Allotment of Equity Shares pursuant to scheme of arrangement

Our Bank has not allotted any Equity Shares pursuant to a scheme of arrangement approved under Section 391 to 394 of the Companies Act, 1956 or Sections 230 to 234 of the Companies Act, 2013.

(f) Issue of Equity Shares under employee stock option schemes

As on the date of this Draft Red Herring Prospectus, our Bank has not made any issuance of Equity Shares under the MD & CEO ESOP Plan, the ESOP Plan 2020 (including the ESOP Scheme 1 framed thereunder) or any other employee stock option scheme.

(g) Issue of Equity Shares at a price lower than the Offer Price

Our Bank has not issued any Equity Shares in the last one year immediately preceding the date of this Draft Red Herring Prospectus at a price which may be lower than the Offer Price.

(h) Non-Convertible Debentures

The following table sets forth the details of the non-convertible debentures issued by our Bank that are currently listed on BSE:

Name(s) of the allottee	ISIN	Scrip Code	Amount (in ₹)	Date of Maturity
CDC Emerging Markets Limited	INE396P08066	955541	1,500,000,000	June 30, 2022

Karvy Capital Limited	INE735W08012	958095	250,000,000	July 9, 2025
Karvy Capital Limited	INE735W08020	958226	150,000,000	August 30, 2025
IDFC First Bank Limited	INE735W08038	959644	1,950,000,000	June 26, 2027

2. **History of the Equity Share capital held by our Promoter**

Our Promoter, UCL, along with its nominees, holds 759,272,222 Equity Shares, constituting 100% of the issued, subscribed and paid-up Equity Share capital of our Bank.

The details regarding the equity shareholding of our Promoter, since incorporation of our Bank, are set forth in the table below:

(a) **Build-up of our Promoter's shareholding in our Bank**

Date of allotment / Transfer	Nature of acquisition / transfer	No. of Equity Shares	Nature of consideration	Face value per equity share (₹)	Issue / purchase price per equity share (₹)	Percentage of the pre- Offer capital (%)	Percentage of the post- Offer capital (%)
April 30, 2016	Initial subscription to the Memorandum of Association	1,000	Cash	10	10	0.00	[•]
October 7, 2016	Private placement	99,950,000	Cash	10	10	13.16	[•]
January 20, 2017	Private placement	200,050,000	Cash	10	10	26.35	[•]
September 21, 2017	Conversion of CCDs into Equity Shares	120,000,000	Cash	10	-^	15.80	[•]
March 26, 2018	Rights issue	49,994,406	Cash	10	10	6.58	[•]
June 13, 2018	Conversion of CCDs into Equity Shares	267,000,000	Cash	10	-^	35.17	[•]
August 29, 2019	Transfer of 49,237 Equity Shares from Mr. Govind Singh, 1,000 Equity Shares from Ms. Revati Govind Singh and 1,119 Equity Shares each from Mr. Trilok Nath Shukla, Mr. Ashwani Kumar and Mr. Raghvendra Singh	53,594	Cash	10	27	0.01	[•]
September 18, 2019	Rights issue	22,222,222	Cash	10	27	2.93	[•]
October 10, 2019	Transfer of one Equity Share each to Mr. Govind Singh, Ms. Revati Govind Singh, Mr. Trilok Nath Shukla, Mr. Ashwani Kumar and Mr. Raghvendra Singh.	(5)*	-	10	Nil	0.00	[•]
November 23, 2020	Transfer of legal ownership by Mr. Abhisheka Kumar	999 ^{&}	-	10	Nil	0.00	[•]
Total		759,272,222^{&}				100	[•]

*Held as nominee shareholders of our Promoter

^The CCDs were issued to our Promoter at a face value of ₹10 per CCD.

&Pursuant to the resolution passed by UCL on August 29, 2019 and October 11, 2019, the beneficial ownership of 1,000 Equity Shares was transferred by Mr. Abhisheka Kumar to UCL for a purchase consideration of ₹ 27 per Equity Share on October 11, 2019. Subsequently, Mr. Abhisheka Kumar was designated as a nominee shareholder of UCL, holding 1,000 Equity Shares. On November 23, 2020, Mr. Abhisheka Kumar transferred the legal ownership of 999 Equity Shares to our Promoter, and one Equity Share to Mr. Rahul Dey who was designated as a nominee shareholder of UCL on November 27, 2020.

[&]Includes one Equity Share each held by Mr. Govind Singh, Ms. Revati Govind Singh, Mr. Trilok Nath Shukla, Mr. Ashwani Kumar, Mr. Rahul Dey and Mr. Raghvendra Singh, as nominees on behalf of our Promoter, who is the beneficial owner of such Equity Shares.

All the Equity Shares were fully paid-up on the respective dates of allotment or acquisition of such Equity Shares, as the case may be.

(b) **Equity shareholding of our Promoter, directors of our Promoter and our Promoter Group**

Our Promoter, along with its nominees holds 759,272,222 Equity Shares, constituting 100% of the issued, subscribed and paid-up Equity Share capital of our Bank.

Except for one Equity Share held by Mr. Ashwani Kumar as a nominee of our Promoter, none of the directors of our Promoter hold any Equity Shares.

Other than our Promoter, members of our Promoter Group do not hold any Equity Shares.

(c) Details of Promoter's contribution and lock-in

Pursuant to Regulation 14(1) and Regulation 16 of the SEBI ICDR Regulations, an aggregate of 20% of the fully diluted post Offer Equity Share capital of our Bank held by our Promoter shall be considered as minimum promoters' contribution and locked-in for a period of three years from the date of Allotment ("**Promoter's Contribution**").

Details of the Equity Shares to be locked-in for three years from the date of Allotment as minimum Promoter's contribution are set forth in the table below:

Date of allotment / Transfer	Date on which the Equity Shares were made fully paid-up	Nature of the allotment	Face value per equity share (₹)	Issue/ Acquisition price per Equity Share (₹)	No. of Equity Shares locked-in	Percentage of the fully diluted pre-Offer paid-up capital (%)	Percentage of the fully diluted post Offer paid-up capital (%)
[•]	[•]	[•]	10	[•]	[•]	[•]	[•]
Total					[•]	[•]	[•]

Our Promoter has given consent to include such number of Equity Shares held by it as may constitute 20% of the fully diluted post-Offer Equity Share capital of our Bank as the Promoter's Contribution.

The minimum Promoter's Contribution has been brought in to the extent of not less than the specified minimum lot and from the person defined as 'promoter' under the SEBI ICDR Regulations. Our Bank undertakes that the Equity Shares that are being locked-in are not ineligible for computation of Promoter's Contribution in terms of Regulation 15 of the SEBI ICDR Regulations. In this connection, we confirm the following:

- i. The Equity Shares offered for Promoter's Contribution do not include Equity Shares acquired or resulting in the three immediately preceding years (a) for consideration other than cash and revaluation of assets or capitalisation of intangible assets; (b) from bonus issue by utilisation of revaluation reserves or unrealised profits of our Bank or resulted from bonus issue against Equity Shares which are otherwise ineligible for computation of promoter's contribution;
- ii. The promoter's contribution does not include any Equity Shares acquired during the preceding one year at a price lower than the price at which the Equity Shares are being offered to the public in the Offer;
- iii. Our Bank has not been formed by the conversion of one or more partnership firms or a limited liability partnership firm; and
- iv. The Equity Shares held by our Promoter and offered for promoter's contribution are not subject to any pledge.

3. Other Lock-in requirements

- (i) In addition to the 20% of the post-Offer shareholding of our Promoter in our Bank which will be locked in for three years as specified above, pursuant to Regulations 16(b) and 17 of the SEBI ICDR Regulations the entire pre-Offer Equity Share capital of our Bank, other than (a) the Equity Shares, if any, issued pursuant to the MD & CEO ESOP Plan and the ESOP Plan 2020 (including the ESOP Scheme 1 framed thereunder); (b) the Equity Shares Allotted pursuant to the Offer for Sale, will also be locked-in for a period of one year from the date of Allotment. Further, any unsubscribed portion of the Equity Shares offered pursuant to the Offer for Sale will be locked-in as required under the SEBI ICDR Regulations. For details, see "*Offer Procedure*" beginning on page 378.

- (ii) Pursuant to Regulation 22 of the SEBI ICDR Regulations, (a) the Equity Shares held by the promoter, which are locked-in may be transferred to another promoter or any member of the Promoter Group or to any new promoter of our Bank; and (b) the Equity Shares held by persons other than the promoter and locked-in for a period of one year from the date of Allotment in the Offer may be transferred to any other person holding the Equity Shares which are locked-in, subject to, in each instance, the continuation of the lock-in in the hands of transferees for the remaining period and compliance with the SEBI Takeover Regulations, as applicable.

Our Promoter has agreed not to sell, transfer, create a lien or pledge or otherwise encumber in any manner, the Promoter's Contribution from the date of filing of this Draft Red Herring Prospectus, until the expiry of the lock-in period specified above, or for such other time as required under SEBI ICDR Regulations, except as may be permitted, in accordance with the SEBI ICDR Regulations.

- (iii) Pursuant to Regulation 21(a) of the SEBI ICDR Regulations, the Equity Shares held by our Promoter, which are locked-in for a period of three years from the date of Allotment may be pledged only with scheduled commercial banks, public financial institutions, Systemically Important NBFCs or housing finance companies as collateral security for loans granted by such entities, provided that such loans have been granted to our Bank for the purpose of financing one or more of the objects of the Offer and pledge of the Equity Shares is a term of sanction of such loans.
- (iv) Pursuant to Regulation 21(b) of the SEBI ICDR Regulations, the Equity Shares held by our Promoter which are locked-in for a period of one year from the date of Allotment may be pledged only with scheduled commercial banks, public financial institutions, Systemically Important NBFCs or housing finance companies as collateral security for loans if pledge of the Equity Shares is one of the terms of the sanction of such loans.

However, such lock-in shall continue pursuant to the invocation of the pledge and such transferee shall not be eligible to transfer the Equity Shares till the lock-in period stipulated under the SEBI ICDR Regulations has expired.

- (v) Any Equity Shares allotted to Anchor Investors pursuant to the Offer under the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment.
- (vi) As required under Regulation 20 of the SEBI ICDR Regulations, our Bank shall ensure that details of the Equity Shares locked-in are recorded by the relevant depository.

4. ***Regulatory lock-in of Promoter shareholding***

Pursuant to the SFB Licensing Guidelines, our Promoter's minimum initial contribution to the paid-up Equity Share capital of our Bank is required to be at least 40% and locked in for a period of five years from the date of commencement of business (being, January 23, 2017). Our Promoter's contribution is required to be diluted thereafter, in accordance with the SFB Licensing Guidelines as described in "Key Regulations and Policies" beginning on page 156.

5. ***Our shareholding pattern***

Set forth below is the shareholding pattern of our Bank as on the date of this Draft Red Herring Prospectus.

Category y (I)	Category of the Shareholde r (II)	No. of Shareholder s (III)	No. of fully paid up equity shares held (IV)	No. of partly paid-up Equit y Share s held (V)	No. of Equity Shares underlyin g depositor y receipts (VI)	Total No. Equity Shares held (VII) = (IV)+(V)+ (VI)	Shareholdin g as a % of total no. of Equity Shares (calculated as per SCRR, 1957) As a % of (A+B+C2) (VIII)	No. of Voting Rights held in each class of securities (IX)			No. of Equity Shares underlying outstandin g convertible securities (including Warrants) (X)	Shareholdin g as a % assuming full conversion of convertible securities (as a % of diluted share capital (XI)=(VII)+ (X) as a % of (A+B+C2))	Number of locked in Equity Shares (XII)		Number of Equity Shares pledged or otherwise encumbered (XIII)		Number of Equity Shares held in dematerialize d form (XIV)
								No. of voting rights (X)		Total as a % of total votin g rights			No . (a)	As a % of total Equit y Share s held (b)	No . (a)	As a % of total Equit y Share s held (b)	
								Class: Equity Shares		Total							
(A)	Promoter & Promoter Group	7*	759,272,222 *	-	-	759,272,222 *	100	759,272,22 2	759,272,22 2	100#	-	100	-	-	-	-	759,272,222*
(B)	Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C)	Non Promoter- Non Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(1)	Shares underlying depository receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(2)	Shares held by employee trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total (A)+(B)+(C)	7	759,272,222	-	-	759,272,222	100	759,272,22 2	759,272,22 2	100	-	100	-	-	-	-	759,272,222

*759,272,222 Equity Shares are held by our Promoter inclusive of one Equity Share each is held by Mr. Govind Singh, Ms. Revati Govind Singh, Mr. Trilok Nath Shukla, Mr. Ashwani Kumar, Mr. Rahul Dey and Mr. Raghvendra Singh., as nominees on behalf of our Promoter, who is the beneficial owner of such Equity Shares.

[#]Pursuant to the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, no shareholder can exercise voting rights in excess of 26% of the total share capital of a bank.

6. As on the date of this Draft Red Herring Prospectus, our Bank has seven Shareholders.
7. The BRLMs and their respective associates (as defined under the SEBI Merchant Bankers Regulations) do not hold any Equity Shares.

8. **Shareholding of our Directors and Key Managerial Personnel in our Bank**

Except for one Equity Share each held by Mr. Govind Singh, Mr. Rahul Dey and Mr. Trilok Nath Shukla as nominee shareholders of our Promoter, none of our Directors or Key Managerial Personnel hold any Equity Shares in our Bank.

9. **Details of equity shareholding of the major Shareholders of our Bank**

- (a) Set forth below are details of our Shareholders holding 1% or more of the paid-up share capital of our Bank as on date of this Draft Red Herring Prospectus:

Sr. No.	Shareholder	Number of Equity Shares	Percentage of equity share capital held (%)
1.	UCL	759,272,222*	100
	Total	759,272,222*	100

**Includes one Equity Share each held by Mr. Govind Singh, Ms. Revati Govind Singh, Mr. Trilok Nath Shukla, Mr. Ashwani Kumar, Mr. Rahul Dey and Mr. Raghvendra Singh., as nominees on behalf of our Promoter, who is the beneficial owner of such Equity Shares.*

- (b) Set forth below are details of our Shareholders holding 1% or more of the paid-up share capital of our Bank as of 10 days prior to the date of this Draft Red Herring Prospectus:

Sr. No.	Shareholder	Number of Equity Shares	Percentage of Equity Share Capital held (%)
1.	UCL	759,272,222*	100
	Total	759,272,222*	100

**Includes one Equity Share each held by Mr. Govind Singh, Ms. Revati Govind Singh, Mr. Trilok Nath Shukla, Mr. Ashwani Kumar, Mr. Rahul Dey and Mr. Raghvendra Singh., as nominees on behalf of our Promoter, who is the beneficial owner of such Equity Shares.*

- (c) Set forth below are details of Shareholders holding 1% or more of the paid-up share capital of our Bank as of one year prior to the date of this Draft Red Herring Prospectus:

Sr. No.	Shareholder	No. of Equity Shares	Percentage of Equity Share capital held (%)
1.	UCL	759,272,222*	100
	Total	759,272,222*	100

**Includes 1,000 Equity Shares held by Mr. Abhisheka Kumar and one Equity Share each held by Mr. Govind Singh, Ms. Revati Govind Singh, Mr. Trilok Nath Shukla, Mr. Ashwani Kumar and Mr. Raghvendra Singh., as nominees on behalf of our Promoter, who is the beneficial owner of such Equity Shares.*

- (d) Set forth below are details of Shareholders holding 1% or more of the paid-up share capital of our Bank as of two years prior to the date of this Draft Red Herring Prospectus:

Sr. No.	Shareholder	No. of Equity Shares	Percentage of Equity Share capital held (%)
1.	UCL	736,995,406	99.99
	Total	736,995,406	99.99

10. **Employee Stock Option Plans**

a) **USFBL MD & CEO Employee Stock Option Plan 2020 (the “MD & CEO ESOP Plan”)**

Pursuant to the resolutions passed by our Board on January 10, 2020 and our Shareholders on January 12, 2020, our Bank adopted the MD & CEO ESOP Plan.

MD & CEO ESOP Plan

Our Bank may grant a maximum of 20,018,918 options under the MD & CEO ESOP Plan. In accordance with the terms of the MD & CEO ESOP Plan, upon exercise and payment of the exercise price, the option holder will be entitled to be allotted one Equity Share for each option. Therefore, the number of Equity Shares that may be issued under the MD & CEO ESOP Plan shall not exceed 20,018,918 Equity Shares.

The MD & CEO ESOP Plan is in compliance with the SEBI SBEB Regulations. As on the date of the Draft Red Herring Prospectus, subject to receipt of consent from the RBI, our Board *vide* the resolution passed at its meeting held on January 14, 2020 read along with resolution passed by it on July 20, 2020 has approved the grant of options equivalent to 0.60% of the paid up share capital of our Bank as of March 31, 2020 constituting 4,555,633 Equity Shares to Mr. Govind Singh under the MD & CEO ESOP Plan. However, as on the date of the Draft Red Herring Prospectus, no options have been granted to Mr. Govind Singh.

b) Utkarsh Small Finance Bank Limited (USFBL) Employee Stock Option Plan 2020 (“ESOP Plan 2020”)

Pursuant to the resolutions passed by our Board on November 9, 2020 (extension of meeting held on November 6, 2020) and our Shareholders on December 28, 2020, our Bank adopted the ESOP Plan 2020.

ESOP Plan 2020

The objectives of the ESOP Plan 2020 are, among others, to attract new talent, reward employees for extraordinary performance and motivate and retain the employees. Our Bank may, subject to a special resolution passed at its General Meeting, notify schemes under the ESOP Plan 2020 such as the USFBL Employee Stock Option 2020 Scheme 1 (“**ESOP Scheme 1**”) which was approved by our Shareholders on December 28, 2020. Our Bank may grant a maximum of 60,741,778 options under the ESOP Plan 2020. In accordance with the terms of the ESOP Plan 2020, upon exercise and payment of the exercise price, the option holder will be entitled to be allotted one Equity Share for each option. Therefore, the number of Equity Shares that may be issued under the ESOP Plan 2020 shall not exceed 60,741,778 Equity Shares.

The ESOP Plan 2020 and ESOP Scheme 1 are in compliance with the SEBI SBEB Regulations. As on the date of the Draft Red Herring Prospectus, subject to receipt of consent from the RBI, our Board *vide* the resolution passed at its meeting held on November 9, 2020 (extension of meeting held on November 6, 2020) read along with the resolution of our Board dated March 2, 2021 has approved the grant of options equivalent to 0.30% of the paid up share capital of our Bank (as of November 6, 2020) constituting 2,248,394 Equity Shares to Mr. Govind Singh under the ESOP Scheme 1. However, as on the date of the Draft Red Herring Prospectus, no options have been granted to Mr. Govind Singh.

c) Other employee stock option plans

Further, under the UCL ESOP Schemes, the employees of our Bank are also entitled to receive options which are exercisable into equity shares of our Promoter in accordance with the vesting and exercise period set forth in the UCL ESOP Schemes.

11. All the Equity Shares held by our Promoter are held in dematerialized form prior to filing of this Draft Red Herring Prospectus.
12. None of the directors of our Promoter nor the members of our Promoter Group or our Directors or their relatives have sold or purchased any Equity Shares of our Bank during the six months preceding the date of this Draft Red Herring Prospectus.
13. There have been no financing arrangements whereby the directors of our Promoter or members of our Promoter Group or our Directors or any of their relatives have financed the purchase by any other person of securities of our Bank (other than in the normal course of the business of the relevant financing entity) during the six months immediately preceding the date of filing of this Draft Red Herring Prospectus.
14. Our Bank, our Directors and the BRLMs have not entered into any buy-back or other arrangements for the purchase of Equity Shares.
15. No person connected with the Offer, including, but not limited to, our Bank, our Promoter, the members of the Syndicate, or our Directors, shall offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any Bidder for making a Bid, except for fees or commission for services rendered in relation to the Offer.
16. The Equity Shares are fully paid-up and there are no partly paid-up Equity Shares. The Equity Shares to be issued or transferred pursuant to the Offer shall be fully paid-up at the time of Allotment.

17. Our Bank has no outstanding warrants, options to be issued or rights to convert debentures, loans or other convertible instruments into Equity Shares.
18. Except for issuance of a) Equity Shares pursuant to the Pre-IPO Placement; b) 37,037,037, 13,444,444, 12,962,962, 8,539,068, 8,539,068, and 8,539,068 Equity Shares to Olympus ACF Pte. Ltd., responsAbility Participations Mauritius, Aavishkaar Bharat Fund, Triodos Sicav II - Triodos Microfinance Fund, Legal Owner Triodos Funds B.V. (in its capacity as legal owner of Triodos Fair Share Fund) and Growth Catalyst Partners LLC, respectively, at a price of ₹ 27 per Equity Share aggregating to ₹ 2,404.66 million under the terms of the Investment Agreement; c) Equity Shares pursuant to exercise of options granted under the MD & CEO ESOP Plan and the ESOP Plan 2020 (including the ESOP Scheme 1 framed thereunder), as applicable, there will be no further issuance of Equity Shares whether by way of an issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of filing of the Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges or all application monies have been refunded, as the case may be.
19. Except for issuance of Equity Shares pursuant to exercise of options granted under the MD & CEO ESOP Plan and ESOP Plan 2020 (including the ESOP Scheme 1 framed thereunder), as applicable, our Bank presently does not intend or propose to alter the capital structure for a period of six months from the Bid/Offer Opening Date, by way of split or consolidation of the denomination of Equity Shares, or further issue of Equity Shares (including issue of securities convertible into or exchangeable for, directly or indirectly into Equity Shares), whether on a preferential basis or by issue of bonus or rights or further public issue of Equity Shares. Provided, however, that the foregoing restriction does not apply to the Allotment of any Equity Shares under the Offer.
20. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. Our Bank will comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
21. The BRLMs and any person related to the BRLMs or Syndicate Members cannot apply in the Offer under the Anchor Investor Portion, except for Mutual Funds sponsored by entities which are associates of the BRLMs or insurance companies promoted by entities which are associates of the BRLMs or a FPI (other than individuals, corporate bodies and family offices) sponsored by entities which are associates of the BRLMs.
22. Our Bank shall ensure that any transactions in Equity Shares by our Promoter and Promoter Group during the period between the date of registering this Draft Red Herring Prospectus filed in relation to this Offer and the date of closure of the Offer shall be reported to the Stock Exchanges within 24 hours of the transactions.

OBJECTS OF THE OFFER

The Offer comprises of the Fresh Issue and the Offer for Sale.

Offer for Sale

The Promoter Selling Shareholder shall be entitled to the proceeds from the Offer for Sale. Our Bank will not receive any proceeds from the Offer for Sale.

Objects of the Offer

In terms of the RBI Licence and the SFB Licensing Guidelines, our Bank is required to list its Equity Shares on the Stock Exchanges within a period of three years from reaching a net worth of ₹5,000 million.

Our Bank proposes to utilize the Net Proceeds from the Fresh Issue towards augmenting its Tier – 1 capital base to meet its future capital requirements. Further, the proceeds from the Fresh Issue will also be used towards meeting the expenses in relation to the Offer.

Additionally, our Bank expects to receive the benefits of listing the Equity Shares on the Stock Exchanges.

Net Proceeds

The details of the proceeds from the Fresh Issue are summarized in the following table:

Particulars	Estimated amount (₹ in million)
Gross proceeds of the Fresh Issue ⁽¹⁾	[•]
(Less) Fresh Issue expenses ⁽²⁾	[•]
Net Proceeds	[•]

⁽¹⁾ Includes the proceeds, if any, received pursuant to the Pre-IPO Placement. Upon allotment of Equity Shares issued pursuant to the Pre-IPO Placement, we may utilise the proceeds from such Pre-IPO Placement towards the Objects of the Offer prior to completion of the Offer.

⁽²⁾ To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC

Requirement of Funds and Utilization of Net Proceeds

The Net Proceeds are proposed to be utilised towards augmentation of our Bank's Tier-I capital base to meet our Bank's future capital requirements which are expected to arise out of growth in our Bank's assets, primarily our Bank's loans/advances and investment portfolio and to ensure compliance with regulatory requirements on capital adequacy prescribed by the RBI from time to time. The amount to be funded from Net Proceeds and proposed to be deployed in Fiscal 2022 towards augmentation of our Bank's Tier-1 capital base is ₹[•] million

Offer Expenses

The total expenses of the Offer are estimated to be approximately ₹[•] million.

The Offer related expenses primarily include fees payable to the BRLMs and legal counsels, fees payable to the Statutory Auditors, brokerage and selling commission, underwriting commission, commission payable to Registered Brokers, RTAs, CDPs, SCSBs' fees, Sponsor Bank's fees, Registrar's fees, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges.

Our Bank shall bear all costs, charges, fees and expenses that are associated with and incurred in connection with the Offer, including all registration, listing, filing and qualification fees and printers, legal and accounting fees and disbursements, provided that the costs specifically relating to the Offered Shares by the Promoter Selling Shareholder (other than costs which directly accrue to our Bank) in the Offer shall be borne by the Promoter Selling Shareholder. Our Bank agrees to advance the cost and expenses of the Offer and will be reimbursed by the Promoter Selling Shareholder (from its portion of Offer proceeds) for its respective proportion of such costs and expenses only upon the successful consummation of the Offer, except for such costs and expenses in relation to the Offer directly attributable to the Promoter Selling Shareholder, including the fees and expenses in relation to the legal counsel to the Promoter Selling Shareholder, which are paid for directly by the Promoter Selling Shareholder. Subject to the aforesaid, in the event that the Offer is withdrawn or abandoned or not completed for any reason whatsoever, all the Offer related expenses will be borne by our Bank.

The estimated Offer related expenses are as under:

Activity	Estimated expenses ⁽¹⁾ (₹ in million)	As a % of the total estimated Offer expenses ⁽¹⁾	As a % of the total Offer size ⁽¹⁾
BRLMs fees and commissions (including underwriting commission, brokerage and selling commission)	[•]	[•]	[•]
Commission/processing fee for SCSBs and Bankers to the Offer and fee payable to the Sponsor Bank for Bids made by RIBs using UPI ⁽²⁾⁽³⁾⁽⁶⁾	[•]	[•]	[•]
Brokerage and selling commission and bidding charges for Members of the Syndicate, Registered Brokers, RTAs and CDPs ⁽⁴⁾⁽⁵⁾⁽⁶⁾	[•]	[•]	[•]
Fees payable to the Registrar to the Offer	[•]	[•]	[•]
Fees payable to the other advisors to the Offer	[•]	[•]	[•]
Others			
- Listing fees, SEBI filing fees, upload fees, BSE and NSE processing fees, book building software fees and other regulatory expenses	[•]	[•]	[•]
-Printing and stationery	[•]	[•]	[•]
-Advertising and marketing expenses	[•]	[•]	[•]
-Fee payable to legal counsel	[•]	[•]	[•]
-Miscellaneous	[•]	[•]	[•]
Total estimated Offer expenses	[•]	[•]	[•]

⁽¹⁾Amounts will be finalised and incorporated in the Prospectus on determination of Offer Price.

⁽²⁾Selling commission payable to the SCSBs on the portion for Retail Individual Bidders and Non-Institutional Bidders which are directly procured by the SCSBs, would be as follows:

Portion for Retail Individual Bidders*	[•]% of the Amount Allotted (plus applicable taxes)
Portion for Non-Institutional Bidders*	[•]% of the Amount Allotted (plus applicable taxes)
Employee Reservation Portion*	[•]% of the Amount Allotted (plus applicable taxes)

*Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price. Selling commission payable to the SCSBs will be determined on the basis of the bidding terminal ID as captured in the Bid Book of BSE or NSE.

⁽³⁾No processing fees shall be payable by our Bank and Promoter Selling Shareholder to the SCSBs on the applications directly procured by them. Processing fees payable to the SCSBs on the portion for Retail Individual Bidders, Eligible Employees and Non-Institutional Bidders which are procured by the members of the Syndicate/sub-Syndicate/Registered Broker/RTAs/ CDPs and submitted to SCSB for blocking, would be as follows:

Portion for Retail Individual Bidders*	₹ [•] per valid Bid cum Application Form* (plus applicable taxes)
Portion for Non-Institutional Bidders*	₹ [•] per valid Bid cum Application Form* (plus applicable taxes)
Employee Reservation Portion*	₹ [•] per valid Bid cum Application Form* (plus applicable taxes)

*Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price.

⁽⁴⁾Selling commission on the portion for Retail Individual Bidders (using the UPI mechanism), Eligible Employees and Non-Institutional Bidders which are procured by Members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs or for using 3-in-1 type accounts- linked online trading, demat & bank account provided by some of the Registered Brokers which are Members of the Syndicate (including their Sub-Syndicate Members) would be as follows:

Portion for Retail Individual Bidders*	[•]% of the Amount Allotted (plus applicable taxes)
Portion for Non-Institutional Bidders*	[•]% of the Amount Allotted (plus applicable taxes)
Employee Reservation Portion*	[•]% of the Amount Allotted (plus applicable taxes)

*Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price

Processing fees payable for applications made by Retail Individual Bidders using the UPI Mechanism would be as follows:

Sponsor Bank	[•]% of the Amount Allotted (plus applicable taxes)

The selling commission payable to the Syndicate / sub-Syndicate Members will be determined on the basis of the application form number / series, provided that the application is also bid by the respective Syndicate / sub-Syndicate Member. For clarification, if a Syndicate ASBA application on the application form number / series of a Syndicate / sub-Syndicate Member, is bid by an SCSB, the selling commission will be payable to the SCSB and not the Syndicate / Sub-Syndicate Member.

Uploading charges payable to Members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs on the applications made

by RIBs using 3-in-1 accounts and Non-Institutional Bidders which are procured by them and submitted to SCSB for blocking or using 3-in-1 accounts, would be as follows: ₹ [•] plus applicable taxes, per valid application bid by the Syndicate (including their sub-Syndicate Members), RTAs and CDPs.

The selling commission and bidding charges payable to Registered Brokers, the RTAs and CDPs will be determined on the basis of the bidding terminal ID as captured in the bid book of BSE or NSE.

⁽⁵⁾ Selling commission/ uploading charges payable to the Registered Brokers on the portion for RIBs procured through UPI Mechanism and Non Institutional Bidders which are directly procured by the Registered Broker and submitted to SCSB for processing, would be as follows:

Portion for Retail Individual Bidders*	₹ [•] per valid Bid cum Application Form* (plus applicable taxes)
Portion for Non-Institutional Bidders*	₹ [•] per valid Bid cum Application Form* (plus applicable taxes)
Employee Reservation Portion*	₹ [•] per valid Bid cum Application Form* (plus applicable taxes)

*For each valid application

⁽⁶⁾ Uploading charges/ processing fees for applications made by RIBs using the UPI Mechanism would be as under:

Payable to Members of the Syndicate (including their sub-Syndicate Members)/ RTAs / CDPs	₹ [•] per valid Bid cum Application Form (plus applicable taxes)
Payable to Sponsor Bank	₹ [•] per valid Bid cum Application Form* (plus applicable taxes) The Sponsor Bank shall be responsible for making payments to third parties such as remitter bank, NPCI and such other parties as required in connection with the performance of its duties under applicable SEBI circulars, agreements and other applicable laws

All such commissions and processing fees set out above shall be paid as per the timelines in terms of the Syndicate Agreement and Escrow and Sponsor Bank Agreement.

Means of finance

The fund requirements set out for the aforesaid objects of the Offer are proposed to be met entirely from the Net Proceeds. Accordingly, our Bank confirms that there is no requirement to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Fresh Issue and existing identifiable accruals as required under the SEBI ICDR Regulations.

Interim use of Net Proceeds

The Net Proceeds shall be retained in the Public Offer Account until receipt of the listing and trading approvals from the Stock Exchanges by our Bank. Post receipt of the listing and trading approvals from the Stock Exchanges, the Net Proceeds will be applied by our Bank towards meeting its capital requirements in accordance with the objects stated herein.

In accordance with Section 27 of the Companies Act, 2013, our Bank confirms that it shall not use the Net Proceeds for buying, trading or otherwise dealing in the equity shares of any other listed company or for any investment in equity markets.

Bridge Financing Facilities

Our Bank has not raised any bridge loans from any bank or financial institution, as on the date of this Draft Red Herring Prospectus, which are proposed to be repaid from the Net Proceeds.

Appraising Entity

None of the objects of the Offer for which the Net Proceeds will be utilised have been appraised by any bank/ financial institution.

Monitoring of Utilization of Funds

In terms of the proviso to Regulation 41(1) of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for this Offer. To the extent applicable, our Bank will disclose the utilization of the Net Proceeds under a separate head in our balance sheet along with the relevant details, for all such amounts that have not been utilised.

Our Bank will indicate investments, if any, of unutilised Net Proceeds in the balance sheet of our Bank for the relevant Fiscals subsequent to receipt of listing and trading approvals from the Stock Exchanges.

Pursuant to Regulations 18(3) and 32(3) of the Listing Regulations, the uses and applications of the Net Proceeds shall be placed before the Audit Committee at the end of the relevant quarter(s). The Audit Committee shall make recommendations to the Board for further action, if appropriate.

In the event the funds are utilized for purposes other than those stated in the Red Herring Prospectus and Prospectus, our Bank shall, on an annual basis, prepare a statement of funds and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilized. The statement shall be certified by the Statutory Auditor of our Bank.

Further, in accordance with Regulation 32(1) of the Listing Regulations, our Bank shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilization of the Net Proceeds of the Fresh Issue from the objects of the Fresh Issue as stated above; and (ii) details of category wise variations in the actual utilization of the proceeds of the Fresh Issue from the objects of the Fresh Issue as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results and explanation for such variation (if any) will be included in our Directors' report, after placing the same before the Audit Committee.

Variation in Objects

In accordance with Sections 13(8) and 27 of the Companies Act and applicable rules, our Bank shall not vary the objects of the Offer without our Bank being authorised to do so by our Shareholders by way of a special resolution through postal ballot. In addition, the notice issued to our Shareholders in relation to the passing of such special resolution ("**Postal Ballot Notice**") shall specify the prescribed details as required under the Companies Act and applicable rules.

The Postal Ballot Notice shall simultaneously be published in the newspapers, one in English and one in Hindi, being the vernacular language of Varanasi, Uttar Pradesh where the Registered and Corporate Office is situated in accordance with the Companies Act and applicable rules. Our Promoter will be required to provide an exit opportunity to such Shareholders who do not agree with the proposal to vary the objects, at such price, and in such manner, in accordance with our AoA, and the SEBI ICDR Regulations.

Other Confirmations

No part of the Net Proceeds will be paid by us as consideration to our Promoter, Promoter Group, the Directors and Key Managerial Personnel.

Our Bank has not entered into and is not planning to enter into any arrangement/ agreements with the Promoter, Promoter Group, Directors, Key Managerial Personnel and Group Company in relation to the utilisation of the Net Proceeds. Further, there is no existing or anticipated interest of such individuals and entities in the objects of the Fresh Issue as set out above.

BASIS FOR THE OFFER PRICE

The Price Band will be determined by our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹10 each and the Offer Price is [•] times the Floor Price and [•] the Cap Price.

Investors should refer to “Risk Factors”, “Our Business”, “Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 23, 125, 225 and 307, respectively, to have an informed view before making an investment decision.

Qualitative Factors

We believe the following business strengths allow us to successfully compete in the industry:

1. Deep understanding of microfinance segment and strong rural and semi-urban franchise;
2. Fast growing deposits with strong retail liability franchise;
3. Diversified distribution network with significant cross-selling opportunities;
4. Robust risk management and effective operations resulting in superior asset quality; and
5. High standards of corporate governance with experienced leadership team.

For further details, see “Our Business - Strengths” on page 127.

Quantitative Factors

Some of the information presented below relating to our Bank is derived from the Restated Financial Statements. For details, see “Financial Statements” on page 225.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

A. Basic and Diluted Earnings Per Share (“EPS”):

As per Restated Financial Statements

Fiscal Year ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2020	2.49	2.49	3
March 31, 2019	1.62	1.62	2
March 31, 2018	-2.13	-2.13	1
Weighted Average	1.43	1.43	
Six-month period ended September 30, 2020*	1.03	1.03	

*Non-annualised

Notes:

- i. Basic earnings per shares = $\frac{\text{Net profit after tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of basic Equity Shares outstanding during the period/years}}$
- ii. Diluted earnings per share = $\frac{\text{Net profit after tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of diluted Equity Shares outstanding during the period/years}}$
- iii. Weighted average = Aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. $(\text{EPS} \times \text{Weight})$ for each year/Total of weights
- iv. The above statement should be read with Significant Accounting Policies and the Notes to the Restated Financial Statements as appearing in “Financial Statements” beginning on page 225.

B. Price/Earning (“P/E”) ratio in relation to the Price Band of ₹ [•] to ₹[•] per Equity Share:

Particulars	P/E at the Floor Price (no. of times)	P/E at the Cap Price (no. of times)
Based on basic EPS for Fiscal 2020	[•]	[•]
Based on diluted EPS for Fiscal 2020	[•]	[•]

Industry Peer P/E ratio

Based on the peer group information (excluding our Bank) given below in this section, the highest P/E ratio is [•], the lowest P/E ratio is [•] and the average P/E ratio is [•].

Particulars	Industry P/E	Name of the company	Face value of the equity shares (₹)
Highest	47.20	AU Small Finance Bank Limited	10.00
Lowest	11.65	Spandana Sphoorty Financial Limited	10.00
Average	23.40	-	-

Notes:

The industry high and low has been considered from the industry peer set provided later in this chapter. The industry composite has been calculated as the arithmetic average P/E of the industry peer set disclosed in this section. For further details, see “Basis for Offer Price – E. Comparison with Listed Industry Peers” on page 91.

C. Return on Net Worth (“RoNW”)

Derived from the Restated Financial Statements:

Fiscal Year ended	RoNW (%)	Weight
March 31, 2020	18.32	3
March 31, 2019	14.35	2
March 31, 2018	(19.61)	1
Weighted Average		10.67
Six-month period ended September 30, 2020*	7.10	

*Non-annualised

Notes:

- The Weighted Average Return on Net Worth is a product of Return on Net Worth and respective assigned weight, dividing the resultant by total aggregate weight.
- Return on Net Worth =
$$\frac{\text{Net Profit, as restated, attributable to equity shareholders}}{\text{Net Worth at the end of the period/years}}$$
- Net worth as per restated financials (Capital and Reserves and Surplus)
- The above statement should be read with Significant Accounting Policies and the Notes to the Restated Financial Statements as appearing in “Financial Statements” beginning on page 225.

D. Net Asset Value (“NAV”) per Equity Share

Fiscal year ended/ Period ended	NAV per Equity Share (₹)
As on March 31, 2020	13.43
As at September 30, 2020	14.45
After the completion of the Offer:	
At Offer Price	[•]

Notes:

- Net asset value per equity shares =
$$\frac{\text{Net Worth at the end of the period/years}}{\text{Total number of Equity Shares outstanding at the end of the period/years}}$$
- Net worth as per restated financials (Capital and Reserves and Surplus)
- Offer Price per Equity Share will be determined on conclusion of the Book Building Process.

E. Comparison with Listed Industry Peers

Name of the company	Total Income (₹ in million)	Face Value (₹)	P/E	EPS (Basic) (₹)	EPS (Diluted)(₹)	RoNW (%)	NAV per equity share (₹)
Utkarsh Small Finance Bank Limited*	14,062.42	10.00	[•]	2.49	2.49	18.32%	13.43
Listed Peers							
Equitas Small Finance Bank	29,277.96	10.00	19.33	2.39	2.39	8.88%	26.05
Ujjivan Small Finance Bank Limited	30,258.10	10.00	15.50	2.19	2.18	11.05%	18.32
CreditAccess Grameen Limited	17,054.80	10.00	29.34	23.20	23.00	12.27%	189.90
Spandana Sphoorty Financial Limited	14,695.06	10.00	11.65	56.21	55.74	13.40%	408.29
Bandhan Bank Limited	30,237.37	10.00	17.40	18.78	18.76	19.90%	94.37
AU Small Finance Bank Limited	49,919.76	10.00	47.20	22.78	22.32	15.60%	142.20

*Financial information for Utkarsh Small Finance Bank Limited is derived from the Restated Financial Statements for the year ended March 31, 2020

Note:

1. All the financial information for listed industry peers mentioned above is on a consolidated basis (unless otherwise available only on standalone basis) and is sourced from the annual reports/ financial results as available of the respective company for the year ended March 31, 2020
2. P/E ratio is calculated as closing share price (February 22, 2021 - BSE) / Basic EPS for year ended March 31, 2020
3. Basic and Diluted EPS as reported in the annual report/financial results of the company for the year ended March 31, 2020.
4. Return on net worth (%) = Net profit/(loss) after tax / Net worth at the end of the year
5. Net asset value per share (in ₹) = Net worth at the end of the year / Total number of equity shares outstanding at the end of the year
6. Net worth includes share capital, reserve and surplus.

F. The Offer price is [•] times of the face value of the Equity Shares

The Offer Price of ₹[•] has been determined by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, on the basis of market demand from investors for Equity Shares through the Book Building Process and is justified in view of the above qualitative and quantitative parameters.

Investors should read the abovementioned information along with “Risk Factors”, “Our Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Financial Statements” beginning on pages 23, 125, 307 and 225, respectively, to have a more informed view. The trading price of our Equity Shares could decline due to the factors mentioned in “Risk Factors” on page 23 and you may lose all or part of your investments.

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS

The Board of Directors
Utkarsh Small Finance Bank Limited
S-24/1-2, First Floor,
Mahavir Nagar,
Orderly Bazar,
Varanasi- 221 002 (U.P.) India

Independent Auditor's Report in relation to statement of possible special tax benefits available to Utkarsh Small Finance Bank Limited ("the Bank") and its shareholders under the Indian tax laws for the Proposed Initial Public Offering of Equity Shares of face value of Rs. 10 each (the "Equity Shares", and such offering, the "Offer")

1. This report is issued in accordance with the Engagement Letter dated September 10, 2020 entered between us and the Bank.
2. We, Haribhakti & Co. LLP, Chartered Accountants, Statutory Auditors of the Bank, have been requested by the Bank, having its registered office at the above mentioned address, to report on the statement of possible special tax benefits available to the Bank and its shareholders which has been prepared by the management of the Bank ("Statement"), under direct and indirect tax laws including the Income-tax Act, 1961 as amended by the Finance Act 2020 and Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act 2020, the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Customs Act, 1962, the Customs Tariff Act, 1975, as amended by the Finance Act 2020 (collectively the "Relevant Acts") and the rules, regulations, circulars and notifications issued in connection with the Relevant Acts, as presently in force in India as on the date of report and applicable to the assessment year 2021-22 relevant to the financial year 2020-21 and included as an Annexure to this report.

Management's Responsibility

3. The preparation of the Statement, which is to be included in the Draft Red Herring Prospectus in relation to the Offer ("DRHP"), is the responsibility of the management of the Bank. The Management is also responsible for the completeness and correctness of the Statement and maintenance of all relevant supporting records. This responsibility includes designing, implementing and maintaining adequate internal controls that were operating effectively and applying an appropriate basis of preparation that are reasonable in the circumstances relevant to the preparation of the statement of possible tax benefits. The Bank's management is also responsible for identifying and ensuring the compliance with laws and regulations applicable to Bank's activities.

Auditor's Responsibility

4. It is our responsibility to report whether the Statement presents, in all material respects, the possible special tax benefits available to the Bank and its shareholders in accordance with the Relevant Acts as at the date of our report.
5. Our work was performed solely to assist the Bank in meeting its responsibilities in relation to the compliance with the Securities and Exchange of Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Companies Act, 2013, each as amended, in connection with the Offer.
6. Our work has been carried out in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) ("Guidance Note") issued by the Institute of Chartered Accountant of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements issued by ICAI.

Opinion

8. Based on our examination of the relevant documents, and the information and explanations given to us, we are of the opinion that the Statement presents, in all material respects, the possible special tax benefits available to the Bank and its shareholders, in accordance with the Relevant Acts as at the date of our report.

We are unable to express any opinion or provide any assurance as to whether:

- (i) The Bank or its shareholders will continue to obtain the benefits per the Statement in future;
- (ii) The conditions prescribed for availing the benefits per the Statement have been/ would be met with; and
- (iii) The revenue authorities/courts will concur with the views expressed herein.

Inherent Limitations

9. We draw attention to the fact that the Statement includes certain inherent limitations that can influence the reliability of the information included therein.
10. Several of the tax benefits/consequences as reported in Annexure are dependent on the Bank and its Shareholders fulfilling the conditions prescribed under the relevant tax laws. Therefore, the ability of the Bank and its Shareholders to derive the tax benefits is dependent on fulfilling such conditions which may or may not be fulfilled.
11. The benefits discussed in the enclosed annexure are not exhaustive. Also, the Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice.
12. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the Offer, as particularly in view of the fact that certain recently enacted legislations may not have a direct legal precedent, or may have a different interpretation on the benefits, which can be availed. Further, neither are we suggesting nor advising the readers of DRHP to make any investments based on the content of the Statement.

Restriction on Use

13. This report is issued at specific request of the Bank and is provided to enable the Board of Directors of the Bank to include this report in the DRHP in connection with the Offer, to be filed by the Bank with the Securities and Exchange Board of India and the concerned stock exchanges. This report is not to be used, referred to or distributed for any other purpose without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this certificate for events and circumstances occurring after the date of this certificate.

For **Haribhakti & Co. LLP**

Chartered Accountants

Firm Registration No. 103523W / W100048

Purushottam Nyati

Partner

Membership No. 118970

UDIN: 21118970AAAABU6124

Date: March 2, 2021

Place: Mumbai

Encl.: Statement of Possible Special Tax Benefits Available to the Bank and its Shareholders under the applicable laws in India

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA

ANNEXURE 1

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA — INCOME-TAX ACT, 1961

Outlined below are the possible special tax benefits available to Utkarsh Small Finance Bank Limited (the “Bank”) and its Shareholders under the Income-tax Act, 1961 (the “Act”) as amended by the Finance Act 2020 and Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act 2020, i.e. applicable for the financial year 2020-21 relevant to the assessment year 2021-22, presently in force in India.

I. Possible Special tax benefits available to the Bank

1. As per the provisions of Section 80JJAA of the Act, any Assessee subject to tax audit under section 44AB of the Act and whose gross total income includes any profit and gains derived from business shall be entitled to claim a deduction of an amount equal to thirty percent of additional employee cost incurred in the course of such business in the financial year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided. The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub-section (2) of section 80JJAA of the Act.
2. The Bank, being a Small Finance Bank, is entitled for accelerated deduction of provision made for bad and doubtful debts up to a specified limit prescribed under section 36(1)(viia) of the Act in computing its income under the head “Profits and gains of business or profession”. The said deduction of provision made under section 36(1)(viia) of the Act, which represents a timing difference for tax purposes, is restricted to the amount of 8.5% of the gross total income (excluding such deduction) and 10% of the aggregate average advances made by the rural branches of the Bank, subject to satisfaction of prescribed conditions. However, subsequent claim of deduction of actual bad debts incurred under section 36(1)(vii) shall be reduced to the extent of deduction already allowed under section 36(1)(viia).
3. Further, the Bank being a Small Finance Bank, is also eligible for a deduction of 20% of the business profits derived from eligible business as prescribed or an amount transferred to the special reserve, whichever is lower, in accordance with the provisions of section 36(1)(viii) of the Act in computing its income under the head “Profits and gains of business or profession”. However, where the aggregate amounts transferred to such special reserve from time to time, exceeds two hundred percent of the paid-up share capital and general reserves, the Bank shall not get a deduction for such excess transfer. Currently the Bank is not availing the deduction under this sub-section.

II. Possible Special tax benefits available to the Shareholders of the Bank

There are no possible special tax benefits available to the Shareholders of the Bank for investing in the shares of the Bank under the Act.

Notes:

1. This Annexure sets out only the possible special tax benefits available to the Bank and the shareholders under the Act. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws.
2. This Annexure covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.
3. Though benefit of section 80JJAA of the Act as mentioned above is also available to Assesseees other than banking companies, the same has been covered in the Annexure.
4. This Annexure is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences,

each investor is advised to consult his/her own tax advisor with respect to specific tax arising out of their participation in the Offer.

5. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Tax Avoidance Agreement(s), if any, between India and the country in which the non- resident has fiscal domicile.
6. No assurance is provided that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

ANNEXURE 2

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA — OTHERS

Outlined below are the possible special tax benefits available to the Bank and its Shareholders under the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, the respective State Goods and Services Tax Act, 2017, as applicable (“GST Act”), the Customs Act, 1962 (“Customs Act”) and the Customs Tariff Act, 1975 (“Tariff Act”), as amended by the Finance Act 2020, i.e. applicable for the financial year 2020-21, presently in force in India.

I. Possible Special tax benefits available to the Bank

No possible special indirect tax benefits are available to the Bank.

II. Possible Special tax benefits available to the Shareholders of the Bank

There are no possible special indirect tax benefits available to the shareholders of the Bank.

Notes:

1. This Annexure sets out only the possible special tax benefits available to the Bank and its Shareholders under the GST Act, Customs Act and Tariff Act.
2. This Annexure is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Offer.
3. This annexure covers only indirect tax laws benefits and does not cover any income tax law benefits or benefit under any other law.
4. These comments are based upon the provisions of the specified Indirect tax laws, and judicial interpretation thereof prevailing in the country, as on the date of this Annexure.
5. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

SECTION IV ABOUT OUR BANK

INDUSTRY OVERVIEW

Unless noted otherwise, the information in this section is obtained or extracted from “Report on Small Finance Banks and various loan products” dated January 2021 (the “CRISIL Report”) prepared and issued by CRISIL Research, a division of CRISIL Limited, on our request. Neither we nor any other person connected with the Offer have independently verified this information. The data may have been re-classified by us for the purposes of presentation. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information. The recipient should not construe any of the contents in this report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction. Also, see “Risk Factors – Industry information included in this Draft Red Herring Prospectus has been derived from an industry report commissioned by us for such purpose. There can be no assurance that such third-party statistical, financial and other industry information is either complete or accurate” on page 54.

MACROECONOMIC SCENARIO

COVID-19 pandemic has disrupted the Indian and world economy

Fiscal 2020 was volatile for the global economy. The first three quarters of Fiscal 2020 were entangled in trade protectionist policies and disputes among major trading partners, volatile commodity and energy prices, and economic uncertainties arising due to United Kingdom’s exit from the European Union (‘Brexit’). While any chance of a recovery in the fourth quarter of Fiscal 2020 were removed by the COVID-19 pandemic, which has led to considerable human suffering and economic disruption. This disruption caused massive dislocations in global production, supply chains, trade and tourism.

However, the scenario seems to be improving now with high frequency data such as Purchasing Manager’s Index (PMI) for manufacturing, power consumption, E-way bills, GST collections and automobile sales showing an uptrend since September 2020. However, with Covid-19 cases rising again in certain parts of the country, the sustainability of this recovery remains to be seen.

Based on certain assumptions made by CRISIL Research, the Indian economy, in terms of gross domestic product (“GDP”), is estimated to reduce by 9% in Fiscal 2021 on account of the COVID-19 pandemic. However, it is expected that the agricultural GDP will increase by 2.5% on-year in Fiscal 2021, due to a well distributed monsoon, and healthy sowing and ground water situation. Further, despite some support from the rural economy, consumption is expected to sink in Fiscal 2021. Consumption of some services, especially contact-based ones, such as, travel, sports and entertainment, will continue to remain subdued.

The GDP is expected to recover and record a growth of approximately 10% in Fiscal 2022 due to a very weak base and further to approximately 6.2% in Fiscal 2023.

GDP growth outlook for India has been severely impacted by the pandemic



Note: E - Estimated and P - Projected

Source: National Statistics Office (NSO), International Monetary Fund (IMF) and CRISIL Research estimates

Macroeconomic outlook for Fiscal 2021

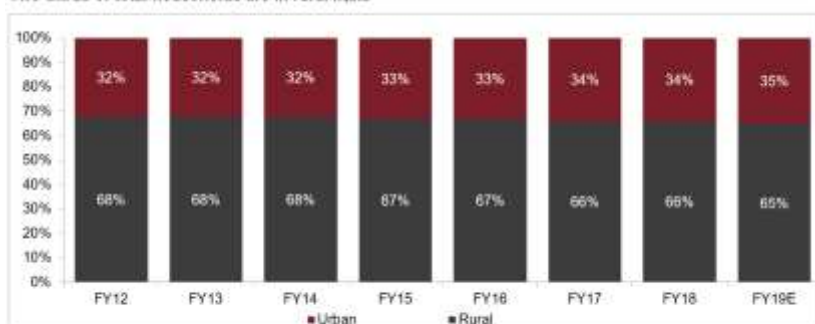
As of October 2020, the International Monetary Fund (“IMF”) forecast India’s GDP to contract by 10.3% in 2020 from the estimated growth of 1.8% in April 2020. The COVID-19 pandemic is expected to reduce the world output by 4.4% in 2020.

FINANCIAL INCLUSION

India’s performance for financial inclusion is improving in comparison with other emerging economies; however, a large section of the population is still unbanked.

According to the World Bank’s Global Findex Database 2017, the global average of adult population with an account with a bank, financial institution, or mobile money providers was approximately 69% in 2017. India’s financial inclusion has improved significantly in the past three years, with the adult population with bank accounts increasing from 53% in 2014, as per the World Bank’s Global Findex Database 2014, to 80% in 2017 primarily due to the concentrated efforts from the Government and the rise of various supporting institutions. Although the increase in the number of bank accounts has not translated into a corresponding increase in the number of transactions and productive usage of those accounts was expected. According to the World Bank’s Global Findex Database 2017, approximately 50% of the world’s unbanked adults are in India, Bangladesh, China, Indonesia, Mexico, Nigeria and Pakistan. Of the world’s total unbanked adults approximately 1.7 billion, 415 million are from India (approximately 11% or 190 million) and China (approximately 13% or 225 million) due to their significantly high population. Although the majority of Indian households are located in the rural region, the banking infrastructure investment in these regions is low and, thus, there is a gap in the supply and demand of financial services in the backward regions of India, which is a significant opportunity for the smaller banks.

Two-thirds of total households are in rural India



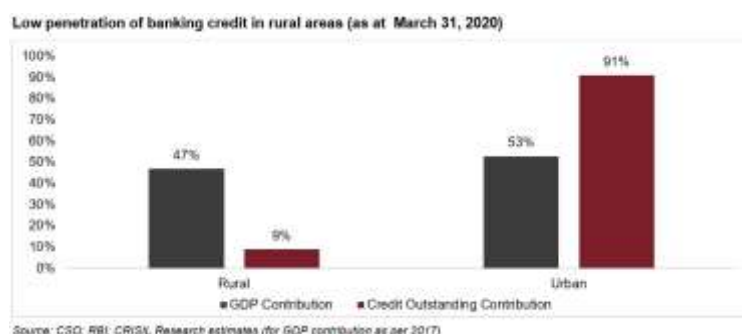
Note: Household count is estimated assuming 5 persons per household. Population till 2018 is taken from World Bank and 2019 is estimated; percentages are as at the end of the fiscal year indicated.

Source: World Bank; Census; CRISIL Research estimates (E)

Rural India accounts for approximately half of India’s GDP, however it accounts for approximately 10% of India’s total credit

As at March 31, 2020, there were approximately 640,000 villages in India, inhabited by approximately 893 million people, comprising approximately 66% of the India’s population. Approximately 47% of India’s GDP comes from rural areas. The share of total credit outstanding is approximately 9% in rural areas and 91% in urban areas. The

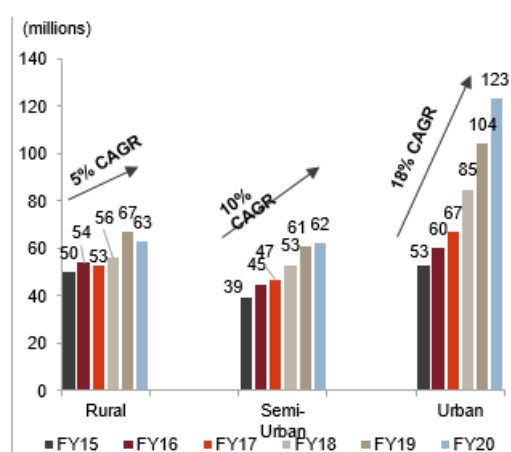
massive divergence in the rural areas' share of India's GDP and banking credit services compared with urban areas is as an indicator of the extremely low penetration of large banks in rural areas. The chart below shows the percentage of GDP contribution and credit outstanding in rural and urban areas:



As rural areas in India have lower financial inclusion compared with urban areas and there is less competition for banking services in rural areas compared with urban areas, this presents small finance banks (“SFBs”) with significant growth opportunities in rural areas. If effectively tapped, SFBs can take stock of the situation and expand in these pockets of opportunity.

The number of credit accounts in rural areas grew at a CAGR of 5% and the number of deposit accounts grew at a CAGR of 7% between as of March 31, 2015 and as of March 31, 2020. However, micro-finance institutions (“MFIs”) and SFBs are opening new branches in rural areas and are educating people on how credit can help them grow their business, which might result in faster growth in rural areas in the future given the significant untapped potential. Between March 31, 2015 and March 31, 2020, the number of credit accounts in semi-urban areas grew at a CAGR of 10% and the number of deposit accounts grew at a CAGR of 9%. Between March 31, 2015 and March 31, 2020, the number of credit accounts in urban areas grew at a CAGR of 18% and the number of deposit accounts grew at a CAGR of 7%.

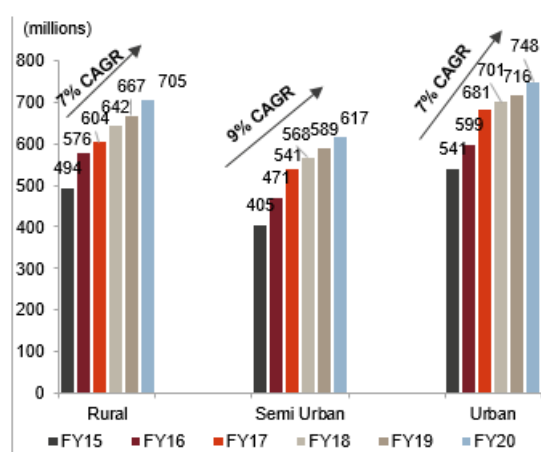
Credit accounts in rural, semi-urban and urban areas



Note: Urban includes data for Urban and Metropolitan areas; amounts are as at the end of the fiscal year indicated.

Source: RBI; CRISIL Research

Deposit accounts in rural, semi-urban and urban areas



Note: Urban includes data for Urban and Metropolitan areas; amounts are as at the end of the fiscal year indicated.

Source: RBI; CRISIL Research

Large variations in availability of credit across states and districts

State-wise rural credit accounts in banks and top five districts concentration (FY20)

State	No. of districts	State contribution in total credit O/S	% of credit outstanding in rural areas	Concentration of credit accounts in top 5 districts	Concentration of credit outstanding in top 5 districts	% credit accounts in rural areas penetration	% share in overall population in India
Bihar	38	1%	28%	28%	44%	4%	9%
Uttar Pradesh	75	5%	22%	21%	40%	4%	17%
Andhra Pradesh	13	4%	19%	48%	64%	6%	4%
Rajasthan	33	3%	18%	39%	53%	4%	6%
Madhya Pradesh	52	3%	16%	32%	54%	3%	6%
Karnataka	30	7%	11%	55%	75%	7%	5%
Tamil Nadu	32	9%	10%	38%	63%	12%	6%
Chhattisgarh	27	1%	10%	51%	77%	2%	2%
West Bengal	20	4%	9%	47%	78%	5%	8%
Gujarat	33	6%	7%	53%	74%	3%	5%
Maharashtra	36	23%	2%	67%	87%	3%	9%

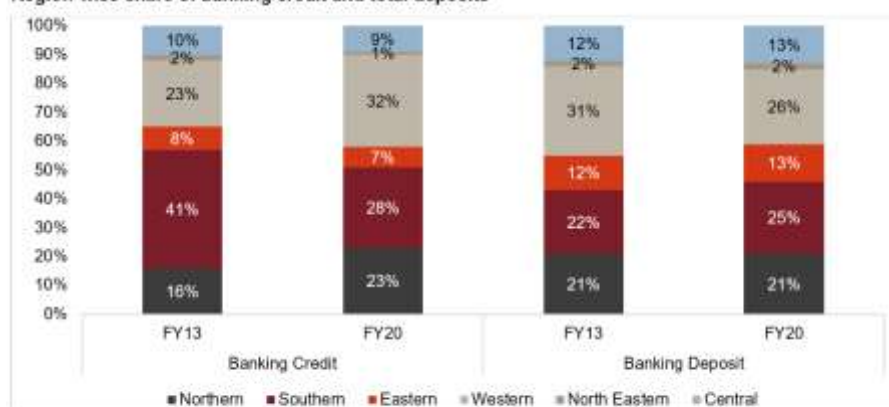
Note: Arranged in descending order of % of credit outstanding in rural areas., Rural areas penetration is calculated as number of credit accounts in rural areas/total population in the state

Source: RBI, CRISIL Research

Region-wise asymmetry: North India and East India have a lower share in total bank credit and deposits

Bank credit and deposits are predominantly concentrated in the southern and western regions of India, whereas they have been especially low in the northern and eastern regions of India. Deposit penetration in the southern region of India has increased over the past five Fiscals.

Region-wise share of banking credit and total deposits



Note: The percentages are as at the end of the fiscal year indicated.

Source: RBI, CRISIL Research

Bank retail credit per capita in east India is the lowest and is nearly five times lower than in the southern and western regions of India. Low per-capita retail credit as well as deposits in eastern, central, and north-eastern regions of India compared with other regions implies low penetration of banks in these areas. This provides an opportunity for all lending and deposit accepting institutions to expand in these regions and also expand their reach in specific areas around them.

Branch network and infrastructure has been weak in regions with lower credit and deposit share

The number of branches and ATM facilities in the eastern regions of India, where credit penetration and deposit-base is also low, is lesser than the southern and western regions of India, primarily due to lower focus from the bigger banks.

In addition, the pace of opening new branches in scheduled commercial banks has slowed down in the medium term. The branches have grown at a CAGR of 5% from 0.12 million as of March 31, 2014 to 0.15 million as of March 31, 2019. As of March 2020, the number of schedule commercial bank branches reached 1.56 lakh. In terms of new branches, SFB branch growth has been stronger compared with private and public banks. However, this growth of SFBs has been on a relatively smaller base. In addition, SFBs have been increasing their network and service presence through business correspondents (“BCs”) and by conversion of existing asset centres into full-grown banking outlets. The SFBs are already focusing and investing on digital initiatives to increase the efficiency of their value chain in loan origination, underwriting and collections to keep their operating expenses in check and stay competitive.

States with low credit penetration present a strong situation for growth

Uttar Pradesh, Bihar and Madhya Pradesh provide for a strong potential for growth in the coming years

GDP growth has been varied across states, with Andhra Pradesh growing at the fastest rate of a CAGR of 11.3% as of March 31, 2015 to as of March 31, 2019, followed by Gujarat, Bihar, Telangana and Karnataka at a CAGR of 11.2%, 10.5%, 10.2% and 10.1%, respectively, during the same periods. In south India, states, such as, Kerala and Karnataka, have high credit-account penetration at 9% and 13%, respectively, compared with Karnataka and Tamil Nadu, which have significant opportunity for growth on account of the economic growth. Similarly, in west India, states, such as Maharashtra and Gujarat, have displayed good growth in terms of GDP, and Gujarat has a relatively lower credit penetration, which provides for a significant opportunity. Major states, including, Uttar Pradesh and Bihar, have a relative low CRISIL Inclusix score (as defined hereinafter), indicating low financial inclusion which presents a significant untapped market and opportunity for improvement and growth in the region.

State-wise GDP and financial inclusiveness

States	Real GDP (FY19) Rs billion	YOY growth	Real GDP growth CAGR (FY15-FY19)	Credit account penetration*	Share of states in total retail credit	Share of states in deposits	CRISIL Inclusix score (2016)-
Maharashtra	19,428*	7.5%*	7.5%*	18%	18%	21%	62.7
Tamil Nadu	12,075	8.2%	7.7%	11%	10%	6%	77.2
Gujarat	10,903*	11.2%*	11.2%*	8%	7%	5%	62.4
Karnataka	11,366	9.5%	10.1%	13%	10%	7%	82.1
Uttar Pradesh	11,094	6.5%	7.0%	3%	6%	8%	44.1
West Bengal	8,009	12.6%	8.9%	4%	4%	6%	53.7
Andhra Pradesh	6,803	11.0%	11.3%	6%	5%	2%	78.4
Rajasthan	6,793	7.3%	6.4%	4%	4%	3%	50.9
Telangana	6,185	10.5%	10.2%	15%	6%	4%	72.8
Delhi	6,027	8.6%	8.5%	28%	5%	10%	86.1
Madhya Pradesh	5,354	7.0%	6.2%	4%	3%	3%	46.7
Haryana	5,261	8.2%	7.9%	11%	3%	3%	67.7
Kerala	5,183*	6.8%*	6.8%*	9%	6%	4%	90.9
Punjab	3,977	5.9%	6.4%	8%	2%	3%	70.9
Bihar	3,944	10.5%	10.5%	1%	2%	3%	38.5
Odisha	3,906	8.3%	6.7%	4%	2%	2%	63.0

Note: * Credit penetration is calculated as the number of retail loan accounts / population in the state

States are arranged based on the Real GDP

Note: ~ CRISIL Inclusix, India's first financial inclusion index, was launched in 2013 with the objective of creating a dependable yardstick that would become a policy input to further the cause of inclusion. CRISIL Inclusix weighs three service providers (banks, insurers and microfinance institutions) on four dimensions (branch, credit, deposit and insurance).

Source: RBI, MOSPI, CRISIL Research

SMALL FINANCE BANKING INDUSTRY

In order to promote financial inclusion, the Indian banking industry has seen several changes in recent years. NBFCs, such as, Bandhan and IDFC, received permission to set up universal banks. In addition, a few microfinance companies, local area banks and NBFCs have received permission to set up SFBs. The RBI awarded SFB licenses to 10 players in keeping with the Government's focus on financial inclusion and inclusive banking. Of the 10 SFBs, eight were microfinance players, while the remaining were a local area bank and an NBFC. SFBs

are allowed to take deposits, which provide them with an advantage of having lower cost of funds compared with NBFCs. MFIs that have turned into SFBs are now diversifying their advances mix, and focusing on other retail and corporate lending businesses.

Growth drivers for SFBs

Availability of sizeable market opportunity and credit at affordable rates

On account of the significant size of India's population and considering that large section of India's population lacks access to formal banking services, financial inclusion has been a key priority for the Government. The banking system and priority sector lending have been the most explored channels to bring this majority under the ambit of formal credit institutions.

Customized products aided by technology and information availability

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

Large target audience

SFBs' target audience is the low-income segment, who can be persuaded with a packet level product suite. Unlike NBFCs, which expand horizontally with a special focus product, SFBs have the chance to expand vertically and horizontally, which will enable them to have a good mix of medium and low-value customers. In addition, rural and microfinance borrowers have low credit penetration and migrate less from one player to another, which will enable SFBs to build longer and loyal customer relationships.

SFBs' growth and outlook

Huge opportunity to support growth over next three years (AUM)



Note: AUM considered for other players, the amounts are as of the end of the fiscal indicated; F: Forecast

Source: Company reports, CRISIL Research

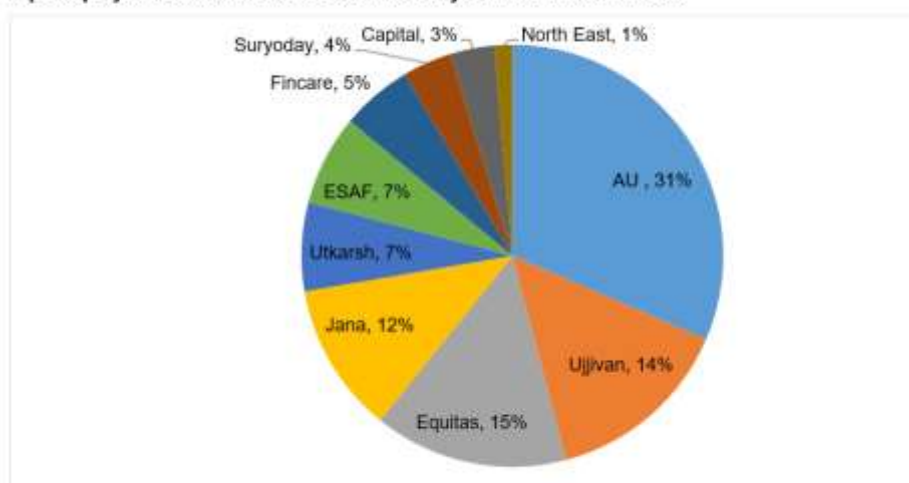
Small finance banks' AUM registered a growth rate at a CAGR of 30% during Fiscal 2017 and Fiscal 2020. The top three SFB's accounted for approximately 61% of the aggregate AUM as of March 31, 2020, which increased from 55% as of March 31, 2017. The top three SFB's experienced a growth rate at a CAGR of 35% during Fiscal 2017 and Fiscal 2020. The top six SFBs accounted for approximately 86% of the market share as of March 31, 2020.

SFB's loan portfolio is expected to experience a growth rate at a CAGR of approximately 22% in the near term. New loan origination is expected to remain low as SFBs turn cautious and selective in disbursements due to the COVID-19 pandemic. However, as the economy revives and business operations normalize, growth is likely to recover from the second half of Fiscal 2021 onwards. This is already reflected in the pickup in disbursement since August 2020.

The factors supporting growth are as follows:

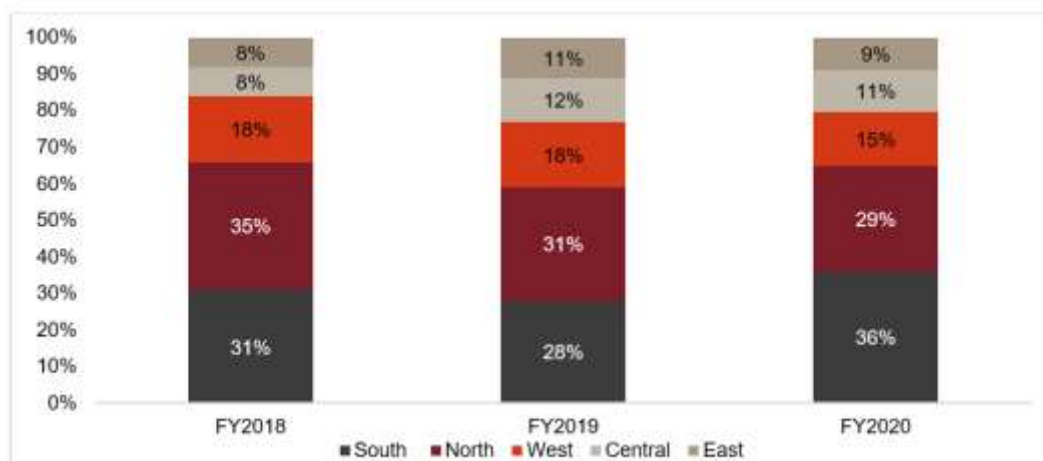
- **Huge market opportunity in the rural segment:** Despite its larger contribution to GDP of 47%, the rural segment's share in credit remains low at 10% of the overall credit outstanding. This provides a huge market opportunity for SFBs and other players present in the segment.
- **Presence of informal credit channels:** In remote areas, informal credit channels have a major presence. In other words, there is a huge section of unbanked population. SFBs have an opportunity to cater to this market.
- **Geographic diversification:** With increased focus on diversifying their portfolio and expanding their reach, SFBs are expected to register higher growth as they cater to newer geographies.
- **Loan recovery and control on aging NPAs:** SFBs are experienced in collection and monitoring of default risk. This will help them keep asset quality under check.
- **Ability to manage local stakeholders:** With their microfinance experience, SFBs have the ability to manage local stakeholders and maintain operational efficiency.
- **Access to low-cost funds and huge cross sell opportunity:** SFBs' cost of funds is low substantially as they are allowed to raise CASA deposits. This will also help them lend at more reasonable rates to its customers, hence enhancing their cross sell opportunity in terms of, amongst others, asset products and insurance.

Top six players accounted for 86% of industry AUM as of fiscal 2020



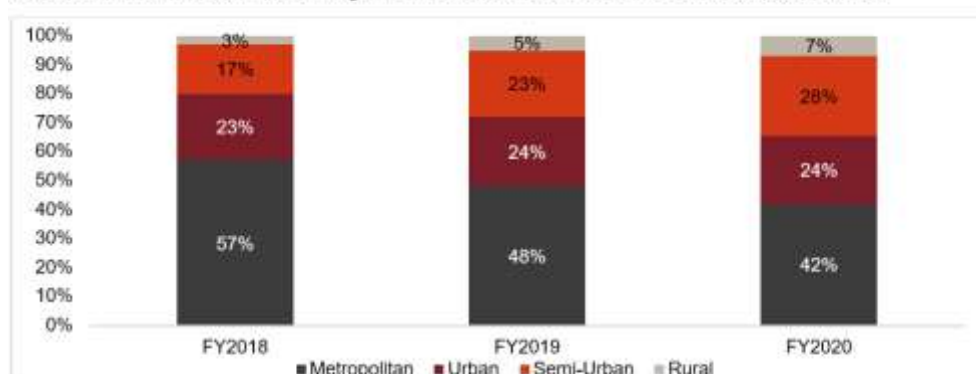
Source: Company reports; CRISIL Research

Advances across regions for SFBs



Source: RBI, CRISIL Research

Share of urban and semi-urban regions in total advances continue to increase for SFBs



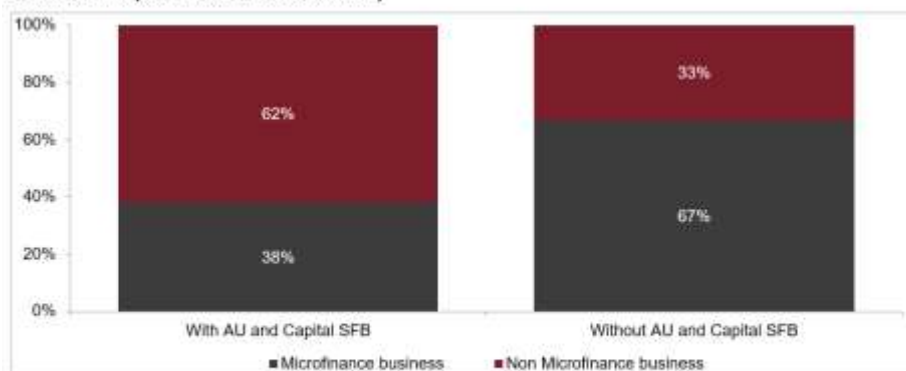
Note: Rural: Population less than 10,000, Semi urban: 10,000 <=Population <1 Lakh, Urban: 1 Lakh <=Population <10 Lakh, Metropolitan: Population 10 lakh and above

Source: RBI, CRISIL Research

SFBs continue to diversify their portfolio beyond microfinance business

Eight of the 10 firms that received the SFBs licence are MFIs and for most of them microfinance is the central product. The microfinance segment accounted for 38%, including Capital and AU SFB, of the overall business of SFBs in Fiscal 2020. SFBs have shifted focus from microfinance to other products in the past few Fiscals, however, their core customer base is unlikely to have changed on account of the regulatory norms. After the conversion of NBFC-MFIs to SFBs, the focus is now on diversifying the product portfolio. As a result, the share of their MFI portfolio in total advances reduced to 69% as of March 31, 2019 from 90% to 95% as of March 31, 2016. Going forward, SFBs are expected to focus on small-ticket size lending to financially underserved and unserved segments (loans below ₹ 2.5 million will have to form at least 50% of their loan book). MFIs that converted to SFBs are expected to further diversify and focus on allied segment loans, such as, MSME loans, affordable housing finance, gold loans, CV/non-CV loans and two-wheeler loans, which will reduce the dominance of microfinance in their overall loan portfolio.

Advances mix (as at the end of Fiscal 2020)



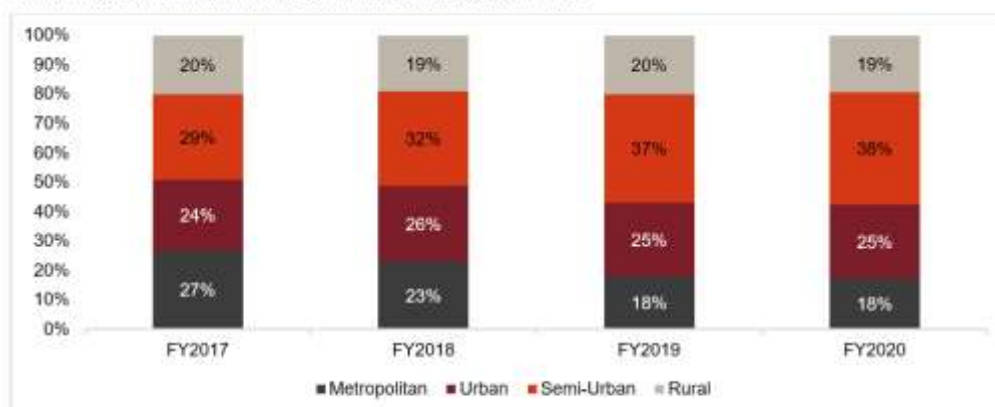
Notes: 1) Capital and AU SFB are excluded as they mostly deal with non-MFI business; 2) Portfolio mix data for Utkarsh SFB, ESAF SFB, Suryoday SFB, and Fincare SFB are as of fiscal 2020.

Source: Company reports; CRISIL Research

Growth in network base to control geographic concentration of loan portfolio

SFBs have been given three years to align their banking network with the extant guidelines. As long as the existing structures continue, they would be treated as 'banking outlets', although not immediately reckoning for the 25% norm. During the three years, all banking outlets opened or converted from MFI branches in a year, will have to open 25% banking outlets in unbanked rural centres in the same year. SFBs have seen strong growth in branch expansion in order to meet regulatory requirements. As of March 31, 2020, the top three players accounted for more than 42% of the total number of functioning offices. Expansion of functioning offices has also helped diversification of portfolio and overcome geographic concentration. As of March 31, 2020, top 10 states accounted for approximately 85% of the overall SFB portfolio. However, with rapid branch expansion and broad service offerings, the share of these states are expected to reduce.

Share of semi-urban branches continue to increase for SFBs



Note: Rural: Population less than 10,000, Semi urban: 10,000 <=Population <1 Lakh, Urban: 1 Lakh <=Population <10 Lakh, Metropolitan: Population 10 lakh and above

Source: RBI, CRISIL Research

Top 10 states account for approximately 85% of the SFB portfolio

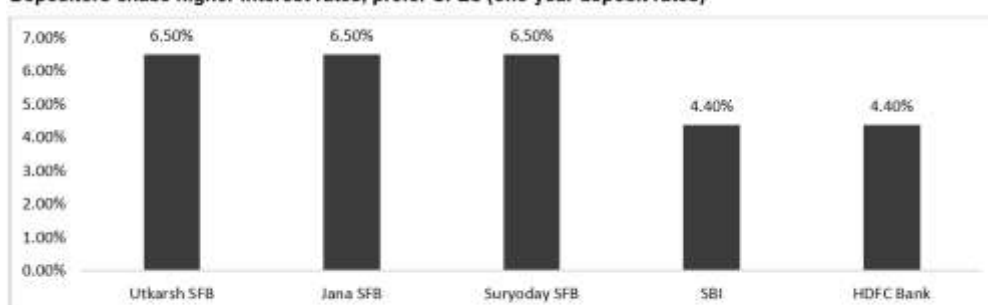
Top 10 States	Share as at end of FY20
Tamil Nadu	24%
Rajasthan	16.6%
Maharashtra	8%
Madhya Pradesh	7%
Gujarat	6%
Karnataka	6.6%
Punjab	5%
Kerala	4.6%
Bihar	4%
Uttar Pradesh	3.6%

Source: RBI, CRISIL Research

SFB deposits to grow faster than private, public sector banks

SFBs have a significant growth potential as most of them were functioning as NBFCs/ MFIs previously. Immediately after commencement of their operation, all SFBs focused on increasing their deposit base. Their overall deposit base doubled to approximately ₹ 557 billion as of March 31, 2019 and further increased to approximately 48% to amount to ₹ 835 billion as of March 31, 2020. The increase could be attributed to the relatively higher interest rates offered by them. Before converting into SFB, majority players did not have access to deposits and their deposit as a percent of AUM was negligible at the time of conversion, which increased to 87%. However, proportion of CASA deposits reduced marginally from approximately 20% as of March 31, 2019 to approximately 17% as of March 31, 2020, as customers' sought higher interest in term deposits.

Depositors chase higher interest rates, prefer SFBs (one-year deposit rates)

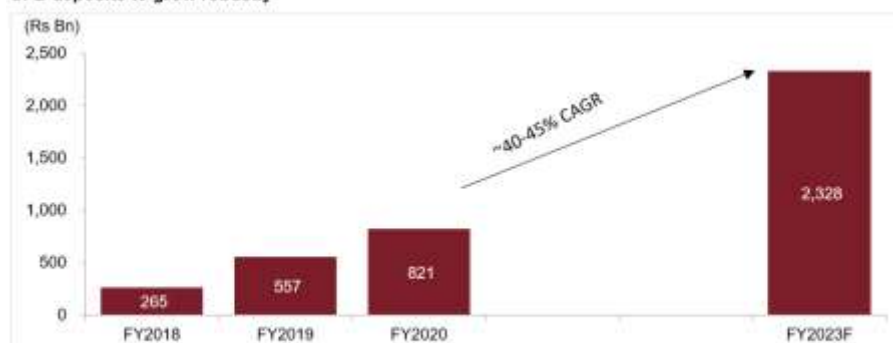


Note: Term deposit interest rate for one-year tenure, amount < 2 crores, rates are as of Sept 30, 2020.

Source: Company Website, CRISIL Research

Going forward, SFBs' deposit are expected to grow by a CAGR of approximately 40% to 45% over Fiscal 2020 and Fiscal 2023 as players focus on popularizing convenient banking habits to cover the last mile and widen financial inclusion by deepening their penetration in untapped geographies.

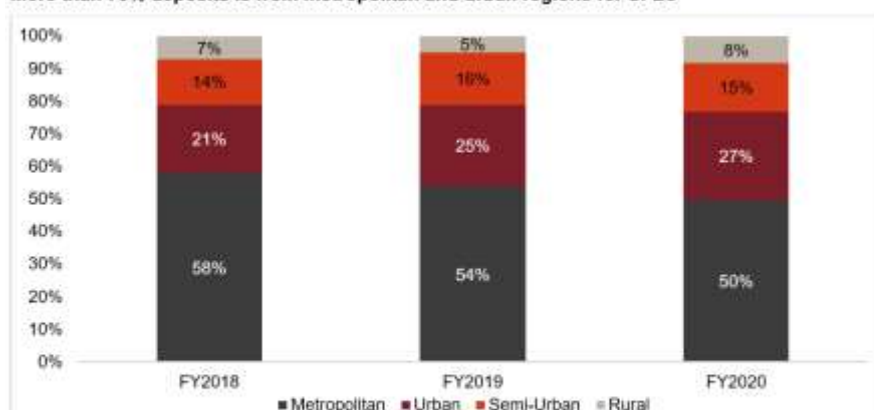
SFB deposits to grow robustly



Note: Amounts are as at the end of fiscal year indicated. F: Forecast

Source: Company reports, CRISIL Research

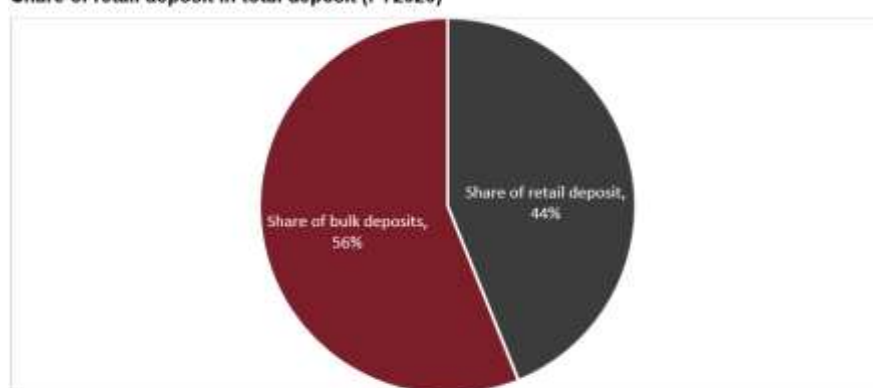
More than 70% deposits is from metropolitan and urban regions for SFBs



Note: Rural: Population less than 10,000, Semi urban: 10,000 <=Population <1 Lakh, Urban: 1 Lakh <=Population <10 Lakh, Metropolitan: Population 10 lakh and above

Source: RBI, CRISIL Research

Share of retail deposit in total deposit (FY2020)



Note: Retail deposit include CASA and Term deposits, Data excludes data for Jana, Capital and North East SFB

Source: Company reports, CRISIL Research

Over the next few years, SFBs are expected to focus on gradually building their banking business and complying with stricter regulatory norms. In addition, transformation into SFBs will provide access to stable and granular public deposits over the long run, which will bring down their cost of funds.

Asset quality for SFBs to decline in Fiscal 2021

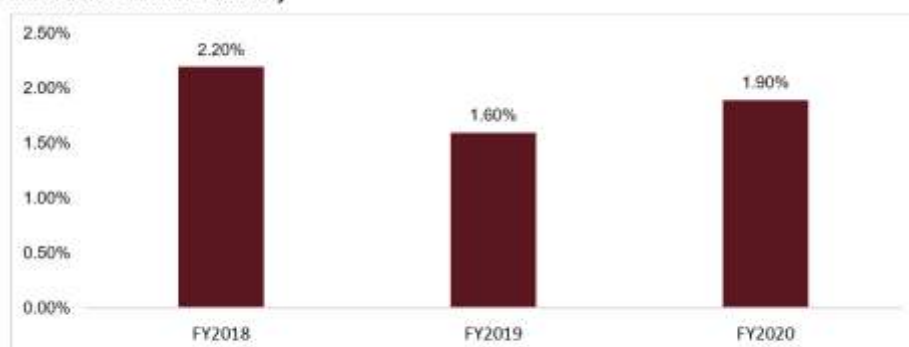
Gross non-performing assets (“GNPA”) of SFBs improved to 1.6% in Fiscal 2019 from 2.2% in Fiscal 2018. This could be attributed to diversification of product mix into relatively less risky assets, write-off of legacy loans and reduction in microfinance loans due to better collection mechanism and deep understanding of their local geographies and customers. In Fiscal 2021, SFBs are expected to face some deterioration in asset quality issues, as near-term collections could see disruptions on account of COVID-19.

However, RBI in March 2020 announced the moratorium on term loans/ working capital for instalments falling due between March 1, 2020 and May 31, 2020. This was subsequently extended in May 2020 by another three months to August 31, 2020. A standstill in asset classification for accounts availing the moratorium was provided from March 1, 2020 to August 31, 2020. For all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, was to be excluded by the lending institutions from the number of days past-due for the purpose of asset classification.

Recently, the Government of India and RBI announced various measures to support the stability of the financial service sector. These measures are likely to contain the impact of COVID-19 and economic slowdown. However, despite the efforts of the Government of India and RBI, the lockdown impacted the low and middle income segments the most, which are also the target audience of SFBs. As losses on account of fraud for SFBs are very low, accounting for less than approximately 0.1% of total income, going forward, the asset quality for SFBs is expected to primarily center upon their ability to collect loans disbursed prior to the COVID-19 pandemic and factor in the changed business situation in credit underwriting, monitoring and collections.

Credit cost of SFBs had declined from 1.7% in Fiscal 2018 to 1.1% in Fiscal 2019, which increased their profitability. However, in Fiscal 2020, the cost increased due to higher provisioning related to the COVID-19 pandemic in January-March 2020, which reduced their profitability in Fiscal 2020.

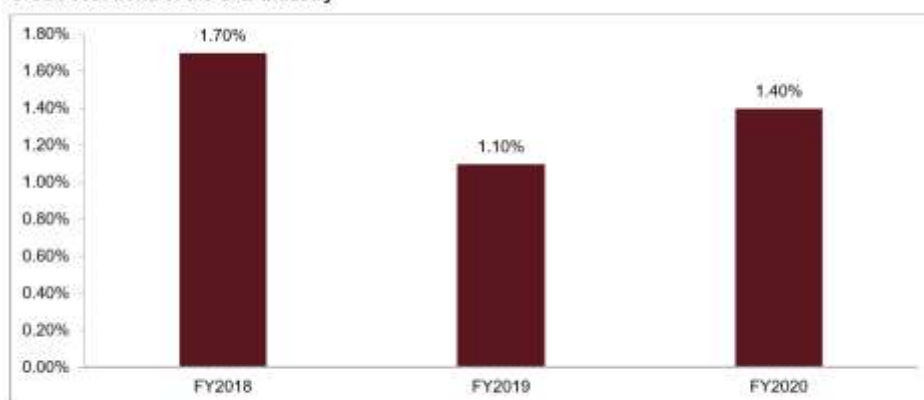
GNPA trend of the SFB industry



Note: Data excludes data for Jana SFB

Source: Company reports, CRISIL Research

Credit cost trend of the SFB industry



Note: Data excludes data for Jana SFB

Source: Company reports, CRISIL Research

Profitability of SFBs to decline in Fiscal 2021

Newly converted SFBs had a challenging start in Fiscal 2018, as profitability of many players declined due to losses in the second half of Fiscal 2018 on account of stressed microfinance accounts. The major reasons for the significant increase in NPAs in SFBs' microfinance portfolio were demonetisation and loan waivers. Demonetisation also increased the credit cost in Fiscal 2018. Profitability revived in Fiscal 2019, as credit cost on newly originated loans disbursed post demonetisation was lower. More importantly, due to rapid growth in the deposit base and a consequent reduction in cost of funds, net interest margins increased on-year in Fiscal 2019. Profitability, however, remained partly constrained by high operating expenses of approximately 5.5% to 6% as a percentage of average assets. In Fiscal 2020, profitability for SFBs marginally declined on account of increased provisioning in the pandemic-weakened economy, which adversely effected the daily wage earners and self-employed individuals who are the target audience for SFBs.

In Fiscal 2021, interest income growth is expected to be lower with fewer disbursements and increasing pressure on margins. Lenders are expected to spread their credit cost over couple of years, as and when the impact of the COVID-19 pandemic becomes more apparent, hence, the credit cost is expected to remain elevated in next two Fiscals. Going forward, the ability to maintain sound asset quality in lending while managing growth will be key for profitability.

	FY2018	FY2019	FY2020	FY2021P	FY2022P
Interest income (yield)	10.9%	13.9%	14.0%	14.0%	13.9%
Interest expense (cost)	5.2%	6.5%	6.4%	6.5%	6.3%
Net interest income	5.7%	7.4%	7.6%	7.5%	7.6%
Opex	5.3%	6.0%	5.9%	5.7%	5.6%
Other income	2.2%	1.9%	1.9%	1.8%	1.9%
Credit costs	1.7%	1.1%	1.4%	2.5%	2.4%
RoA	0.4%	1.6%	1.5%	0.7%	1.0%

Note: P: Projected. Data for Jana SFB is excluded from the calculations

Source: Company reports, CRISIL Research

Peer benchmarking

In this sub-section, Utkarsh SFB has been compared with all its peers in India based on the latest available data for Fiscal 2020. Large listed microfinance players have also been considered in this analysis since majority SFBs were present in this sector before switching to SFB. In addition, this section also analyses the performance of Bandhan Bank, which services a profile of customers that the SFBs might cater to going forward.

Utkarsh Small Finance Bank Limited (“Utkarsh SFB”) had the third highest three-year AUM growth rate. ESAF, Suryoday and Utkarsh SFB recorded the fastest three-year CAGR of 66%, 64% and 60%, respectively, in Fiscal 2020. Fincare and AU SFB followed them.

SFBs and other players as of end-fiscal 2020

Players	On-book AUM FY2020 (Rs billion)	On-book AUM growth (FY2017-2020)	Deposit (Rs billion)	Deposit growth on-year (FY2019-2020)	Credit to deposit ratio	Banking outlets ^a (FY2020)	Number of employees	Capital adequacy ratio (CAR)	Tier 1 capital	Presence in states and UTs
SFBs										
AU SFB	308.9	42%	261.6	35%	103%	647	17,112	22.00%	18.40%	12
Equitas SFB	146.1	27%	107.9	30%	127%	854	16,104	23.61%	22.44%	15
Ujjivan SFB	141.5	30%	107.8	46%	130%	575	17,841	28.80%	28.00%	24
Jana SFB	112.9	-4%	96.5	130%	103%	585	16,212	19.30%	13.10%	22
ESAF SFB	68.1	66%	70.2	63%	93%	454	3,337	24.03%	20.99%	18
Utkarsh SFB	66.6	60%	52.3	38%	120%	507	8,831	22.19%	19.41%	17
Fincare SFB	53.4	60%	48.5	138%	99%	711	7,363	29.29%	23.46%	19
Suryoday SFB	37.1	64%	28.5	79%	124%	477	4,695	29.57%	28.61%	12
Capital SFB	33.0	34%	44.4	21%	74%	150	1,646	19.11%	14.00%	5*
Microfinance										
Credit Access Grameen	98.9	48%	-	-	-	929	10,824	23.60%	22.30%	9
Spandana	68.2	73%	-	-	-	1,010	8,224	53.00%	-	18
Universal banks										
Bandhan Bank	718.5	45%	570.8	32%	127%	4,559	39,750	27.43%	25.19%	34

Notes: Players are arranged in descending order of AUM. ^a Banking outlets including bank branches, ultra-small branches and asset centres as reported by the players. NA - not available. *As at the end of fiscal 2019

Source: Company reports, CRISIL Research

Utkarsh SFB has the highest proportion of bulk term deposits in total deposits

Utkarsh SFB has the highest proportion of bulk term deposits in total deposits at 51.8% amongst the peer set. AU SFB and Ujjivan SFB also had a relatively high share of bulk deposits of 51.4% and 50.8%, respectively.

Deposit details of SFBs and other players as end-fiscal 2020

SFBs	Proportion of deposit to total loan book (%)	Proportion of deposit in total borrowing (%)	Proportion of retail deposits in total deposits (%)	CASA (% of deposits)	Retail TD (% of deposits)	Bulk TD (% of deposits)	Highest deposit rate (%), tenure (in years)	Concentration of top 20 accounts in total deposits
AU SFB	96.9	71.6	48.7	15.9	32.8	51.3	6.75, 2-3yr	23%
Equitas SFB	78.5	67.7	58.4	21.4	37.0	41.6	7.15, 2-3yr	32%
Ujjivan SFB	76.8	73.1	49.2	14.6	34.6	50.8	6.5, 1-2yr	29%
Jana SFB	96.9	76.9	NA	7.4	NA	NA	7.5, 2-3yr	18%
ESAF SFB	107.3	85.3	95.07	13.66	81.41	4.93	7.0, 1-1.5yr.	11%
Utkarsh SFB	83.3	66.2	48.20	13.50	34.70	51.8	7.50, 1.9yr.	36%
Fincare SFB	100.8	78.0	77.00	11.90	65.10	23.00	7.50, 3-3.5yr	18%
Suryoday SFB	80.7	69.2	54.44	11.45	43.00	45.56	7.50, 5yr	39%
Capital SFB	134.4	91.3	NA	36.31%	NA	NA	6.65, 2.5yr	8%
Bandhan Bank	85.7	77.7	78.4	36.8	41.6	21.6	6.0, 1.5-3 yr	16%

Notes: 1) NA - Not available. 2) Retail deposits includes CASA and retail term deposits. Bulk deposits include institutional deposits. Retail deposits include deposits less than Rs. 2 Crore. 3) CASA ratio is calculated based on overall deposits excluding certificates of deposits (CoD)

Source: Company reports, CRISIL Research

Operational efficiency of SFBs as of end-fiscal 2020

SFBs	Advances per employee (Rs million)	Deposit per employee (Rs million)
AU SFB	16	15
Equitas SFB	7	7
Ujjivan SFB	8	6
Jana SFB	6	6
ESAF SFB	20	21
Utkarsh SFB	7	6
Fincare SFB	7	7
Suryoday SFB	8	6
Capital SFB	20	27
Bandhan Bank	17	14

Source: Company reports, CRISIL Research

State mix of deposit (FY20)

SFBs (%)	Bihar	Gujarat	Uttar Pradesh	Delhi NCR	Kerala	Madhya Pradesh	Maharashtra	Karnataka	Rajasthan	Tamil Nadu	West Bengal	Others
AU SFB	-	5%	2%	11%	-	4%	36%	-	24%	-	-	18%
Equitas SFB	-	3%	2%	7%	-	3%	17%	7%	5%	28%	-	28%
Jana SFB	2%	2%	6%	8%	-	3%	13%	12%	3%	12%	11%	28%

Source: Company reports, CRISIL Research

Product mix

Utkarsh SFB, ESAF SFB, Fincare SFB and Suryoday SFB were MFI which converted into SFBs, and accordingly, these SFBs still have a huge concentration in MFI products whereas Equitas is diversified with other businesses.

With SFBs' focus on portfolio diversification, the product mix is expected to be distributed into multiple asset classes going forward.

Product mix of all SFBs and banks (as of end-fiscal 2020)

SFBs	MFI	Vehicle loans	Mortgage loans	MSME	Large and mid-corporate loans	Gold loans	Others
AU SFB	-	50%	2%	44%	0	1%	3%
Equitas SFB	24%	24%	0%	41%	10%	0%	1%
Ujjivan SFB	77%	-	11%	10%	-	-	2%
Jana SFB	75%	0%	7%	14%	1%	1%	3%
Utkarsh SFB	88%	-	1%	4%	6%	-	2%
ESAF SFB	93%	-	-	-	2%	-	5% #
Fincare SFB	80%	-	11%	-	-	5%	4%
Suryoday SFB	76%	10%	5%	5%	-	-	4%
Capital SFB	-	4%	9%	28%	-	-	59%
Bandhan Bank	64%	-	25%	4%	5%	1%	-

Note: # include all retail loans by ESAF

Source: Company reports, CRISIL Research

Profitability

Utkarsh had the second highest return on assets ("RoA") amongst SFBs, while Spandana had the highest RoA among MFIs. In Fiscal 2020, Fincare had the highest RoA at 2.5%, followed by Utkarsh SFB and Suryoday SFB at 2.4% each and ESAF SFB at 2.3%. Jana SFB and Capital SFB had the lowest RoA among SFBs. Amongst MFIs; Spandana has the highest RoA of 6.5% in Fiscal 2020.

Utkarsh SFB had the highest return on equity ("RoE") amongst SFBs and second highest RoE amongst all banks. Utkarsh SFB and ESAF SFB had the highest return on equity amongst the SFBs at 20.8% and 19.2%, respectively, in Fiscal 2020. Fincare and Ujjivan SFB follow them. Amongst the peers, Bandhan banks had the highest ROE of 22.9% followed by Utkarsh SFB.

Utkarsh SFB had the fourth best cost to income amongst SFBs. Suryoday SFB had the lowest cost to income ratio of 47.1%, followed by Fincare, AU SFB and Utkarsh SFB 56.0%, 56.1% and 57.6%, respectively, in Fiscal 2020. Jana SFB and Capital SFB had the highest cost to income among SFBs.

Profitability of players in fiscal 2020

Players	Yield on advances (%)	NIMs (%)	Non-interest income (%)	Cost of borrowing** (%)	Opex (%)	Opex per banking outlet (Rs million)	Cost to income (%)	Credit cost (%)	RoE (%)	Post tax-RoA (%)
AU SFB	13.7	5.5	1.7	7.4	3.8	2.19	56.1	1.1	15.8	1.6
Equitas SFB	19.1	9.7	1.6	8.0	6.7	1.19	66.3	1.9	9.8	1.4
Ujjivan SFB	21.7	10.8	2.0	8.1	8.2	2.29	67.4	2.3	14.0	2.2
Jana SFB	22.7	9.3	3.7	9.4	9.9	1.99	80.6	3.0	3.5	0.3
Utkarsh SFB	20.8	9.6	1.2	8.2	5.6	0.94	57.6	3.0	20.8	2.4
ESAF SFB	22.3	10.6	1.6	8.7	7.3	1.42	64.9	2.4	19.2	2.3
Fincare SFB	24.9	11.8	2.6	9.5	7.6	0.75	56.0	5.1	18.3	2.5
Capital SFB	11.2	4.2	0.9	6.4	3.4	1.09	75.5	0.9	7.7	0.5
Suryoday SFB	22.5	10.7	1.9	8.1	6.0	0.71	47.1	4.3	11.4	2.4
Credit Access Grameen	20.4	12.1	0.3	9.0	4.3	0.42	35.9	3.0	13.0	3.6
Spandana	24.8	14.9	5.5	11.9	4.0	0.22	19.7	3.0	15.6	6.5
Bandhan Bank	14.0	9.6	2.1	7.8	3.3	0.53	30.8	2.6	22.9	4.1

Note: ^ As per company reports. ** Cost of borrowing is calculated on total borrowings, i.e. sum of borrowing and deposits.

Source: Company reports, CRISIL Research

Utkarsh had the best asset quality – lowest GNPA and NNPA amongst the SFBs. Utkarsh SFB has the best asset quality amongst the SFBs with a lowest GNPA of 0.7% and net NPA of 0.18% in Fiscal 2020. Fincare and Ujjivan SFB follow it. Amongst the MFI players, Spandana had the best asset quality with a GNPA of 0.4% and net NPA of 0.07% in Fiscal 2020.

Geographical concentration of loan portfolio. Ujjivan SFB had the most geographically diversified portfolio among peers with the top three states accounting for 45% in Fiscal 2020. In Fiscal 2020, the top three states for Jana SFB, AU SFB, Equitas SFB and Suryoday SFB accounted for approximately 51%, 70%, 77% and 78%, respectively, of their respective total AUM. AU SFB, Equitas SFB and ESAF also have a high single state concentration, which could result in a portfolio concentration risk in uncertain times. In Fiscal 2020, 43% of AU SFB's total AUM was derived from Rajasthan, 54% of Equitas SFB's total AUM was derived from Tamil Nadu and 52% of ESAF's total AUM was derived from Kerala.

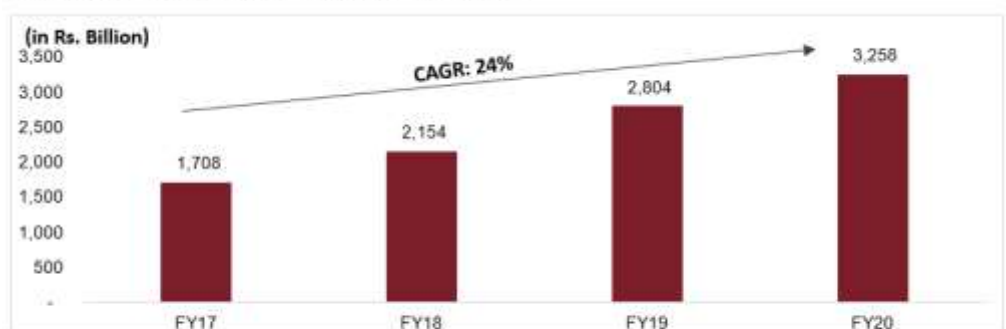
ANALYSIS OF VARIOUS SEGMENTS

Microfinance

Industry gross loan portfolio ("GLP") grew at a CAGR of 24% during Fiscal 2017 and Fiscal 2020

The microfinance industry has recorded strong growth in the past few years. The industry's GLP increased at a CAGR of 24% since Fiscal 2017 to reach approximately ₹ 3.2 trillion in Fiscal 2020. Among various player groups, the growth rate has been relatively slower for the self-help group-bank linkage programme, the outstanding for which increased at a CAGR of 15% during the same period.

GLP clocked 24% CAGR between fiscals 2017 and 2020



Note: Data includes data for Banks lending through SHG and joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. The amounts are as at the end of fiscal year

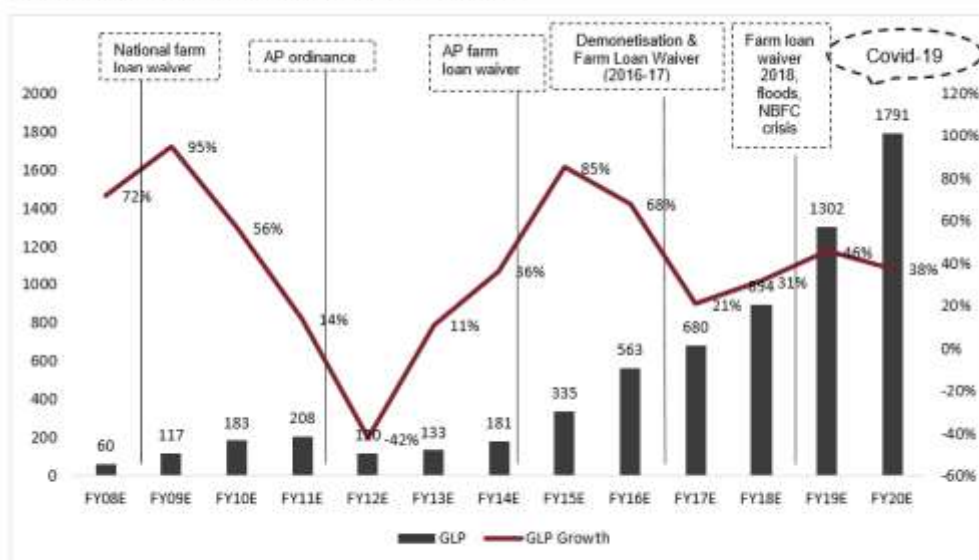
Source: Company reports, CRISIL Research, Industry

Industry robust despite major setbacks and changing landscape

The industry's growth has been growing, notwithstanding various headwinds in the past decade, including national farm loan waivers in 2008, the Andhra Pradesh crisis in 2010, Andhra Pradesh farm loan waiver in 2014, demonetisation in 2016, and farm loan waiver across some more states in 2017 and 2018. Out of all these events, the Andhra Pradesh crisis of 2010 had the most significant impact on the microfinance industry. Some players had to undertake corporate debt restructuring and found it difficult to sustain business. Since then, however, no other event has affected a complete state to such a degree. While demonetisation of ₹ 500 and ₹ 1,000 denomination banknotes in November 2016 adversely effected the industry, the impact was not as significant in comparison to the Andhra Pradesh crisis in 2010 and was limited to only certain districts.

Due to the COVID-19 pandemic, MFIs are likely to calibrate growth and focus on managing asset quality in Fiscal 2021. Subsequently, the industry is expected to recover and grow at a strong rate over the next few years on account of low penetration of credit amongst the target population.

MFI industry has shown resilience over the past decade

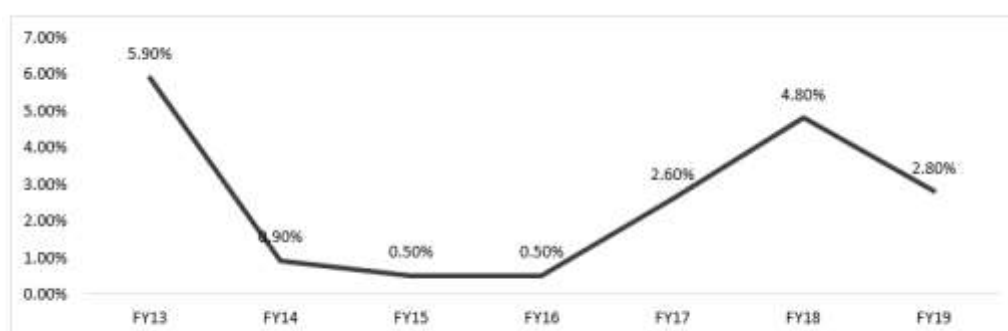


Note: Data includes values for NBFCs, NBFC-MFIs, non-profit MFIs, SFBs, and Bharat Financial Inclusion

Source: CRISIL Research, MFIN, Bharat Microfinance

Over the years, MFIs have proven their resilience and played an important role in promoting inclusive growth by providing credit to borrowers at the bottom of the economic pyramid. Despite catering to a vulnerable audience, the MFIs have historically proven their ability to recover effectively from crisis situations, such as, demonetization, within a few months and have been able to maintain profitability over a cycle.

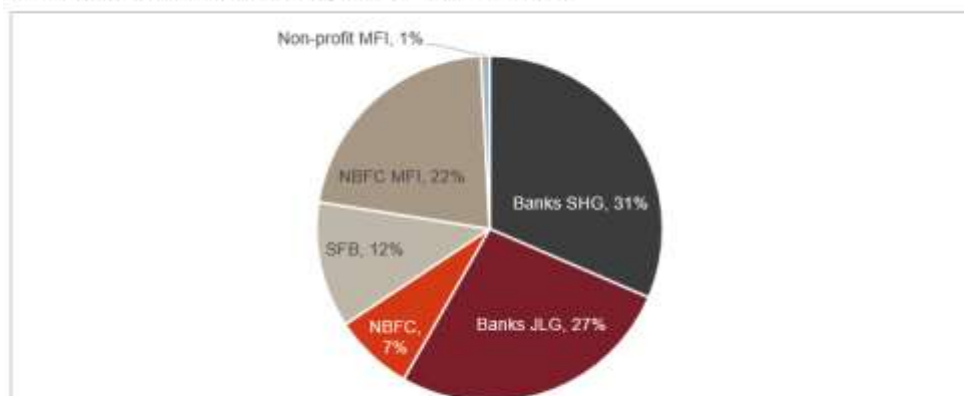
Credit costs for microfinance industry across various events



Note: Data includes data for 12 MFIs, NBFC MFIs & 8 SFB which constitute 60% of industry

Source: Company Reports, CRISIL Research

SFBs account for 12% of the total gross loan portfolio (FY20)



Note: Data includes data for banks SHG, bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.

Source: CRISIL Research, industry

COVID-19 pandemic

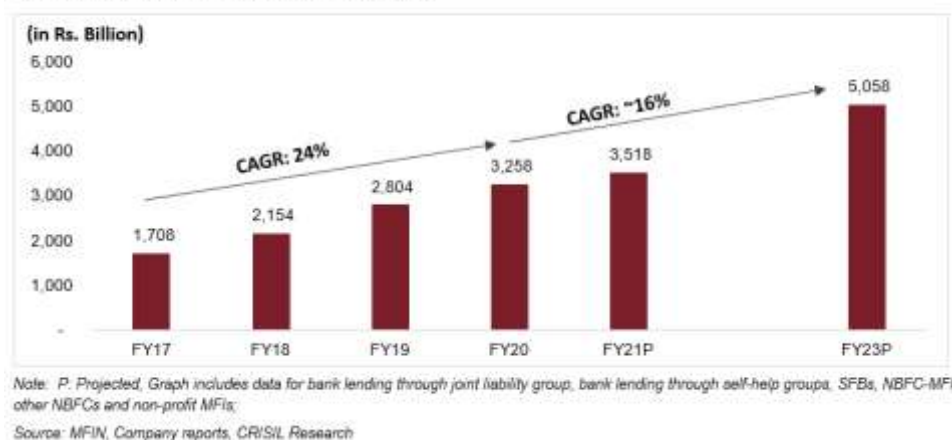
The extended nationwide lockdown to contain the spread of the COVID-19 pandemic affected the income-generation ability and the savings of borrowers accessing MFIs, who typically have weaker credit profiles compared with borrowers of other types of lenders. Approximately 70% to 80% of the micro loan borrowers sought moratorium under the 'COVID-19- Regulatory Package' announced by the RBI. In addition, on account of the nationwide lockdown and the several state-imposed lockdowns thereafter, normal operations of MFIs – loan origination and collections – have been a challenge, as the operations of MFIs are field-intensive, involving high personal interactions, such as, home visits and physical collection of cash.

Prior to the lockdown, various MFIs managed to strengthen their liquidity situation by end of March 2020, as the main collection days are typically in the first two weeks, which was before the lockdown was announced. In fact, collection efficiency was largely intact at approximately 98% to 99%. The MFIs also drew down bank loans for the purpose of on-lending in the last week of March, which is typically a period marked by high business activity. However, planned disbursements did not happen on account of the lockdown. In the past, however, MFIs have recovered well after such crisis situations, such as, demonetisation, floods and other local socio-political disturbances.

Rising penetration to support healthy growth of the industry over next three fiscals

The microfinance industry had grown at a CAGR of 24% between Fiscal 2017 and Fiscal 2020. The industry grew by 16% year-on-year in Fiscal 2020, to amount to ₹ 3.3 trillion as March 31, 2020. On account of the COVID-19 pandemic, the microfinance sector is expected to be adversely effected in Fiscal 2021. The overall growth of microfinance sector is expected to remain subdued in Fiscal 2021 to reach ₹ 3.5 trillion primarily due to high sensitivity of the sector towards external shocks. However, the domestic microfinance industry has shown resilience towards external shocks in the past and is expected to gain momentum in the next two fiscals covering the least penetrated areas.

Growth in client base to drive MFI loan portfolio



However, over the subsequent two Fiscals, the domestic microfinance industry is expected to gain momentum. The MFI loan portfolio is expected to register a CAGR of 16% between Fiscal 2020 and Fiscal 2023. While considerably lower compared with the past three Fiscals, growth would be primarily driven by continuous expansion in the client base of MFIs and strong penetration in rural areas, where MFI presence is much lower compared with urban areas.

Growth in the MFI business is expected to come from increasing presence in newer states, expanding the client base and gradual increasing of the ticket size. There has been a significant increase in the number of MFIs operating in Assam, Bihar, Odisha and West Bengal. The total number of branches in these states have more than doubled since Fiscal 2017, leading to a similar increase in GLP for these states. The presence of several credit bureaus ensures that MFIs have access to more data on borrowers, helping them make informed lending decisions.

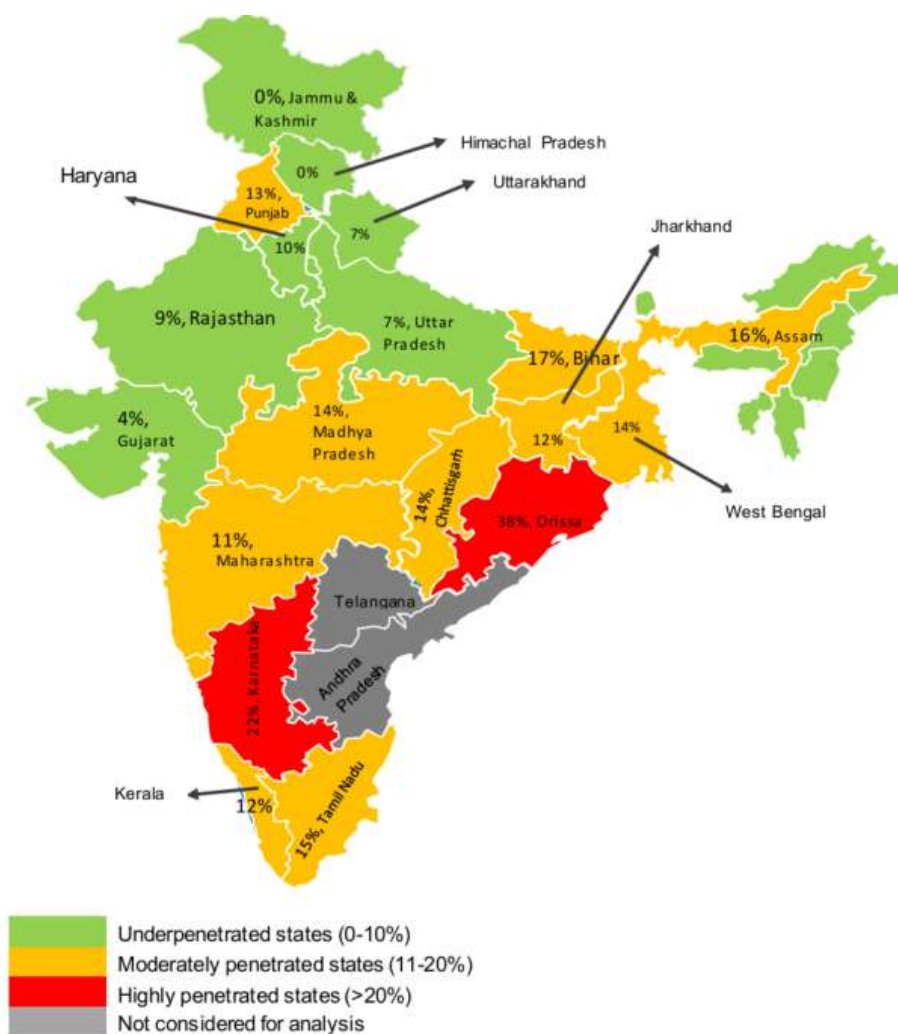
Players entering into newer states and districts to widen client base

In the last three years, various MFIs have opened branches in untapped districts, thus increasing their penetration. This has led to a rise in clientele and number of active loan accounts. In states where the presence of MFIs and banks is strong, there has been an increase in ticket size as well.

Going forward, the penetration into newer states and districts is expected to deepen, which will further drive growth. Kerala is one of the states with the lowest number of MFIs, and accordingly, provides an opportunity for existing players to improve their penetration and market share.

Underpenetrated states to drive growth for MFI in the coming years

The growth in the MFI portfolio is expected to come from states that have a relatively lower penetration. Accordingly, underpenetrated states, such as Uttar Pradesh and Gujarat, are expected to drive future growth along with some of the moderately penetrated states, such as, Bihar and Jharkhand.



Source: MFIL, CRISIL Research

Note: 1) Andhra Pradesh (AP) has not been considered for analysis due to many write-offs after the AP crisis and as some large players are not present in the state.

2) Penetration has been computed by dividing no. of MFI clients as reported by MFIL by estimated no. of households in 2020

3) Pan-India penetration has been determined based on the analysis of 20 states.

Average ticket size to expand, however at slower rate

The average ticket size of MFIs increased in March 2020 to ₹ 23,259 from ₹ 16,671 in March 2017, at a CAGR of 12%. The ticket size increased in highly penetrated states where MFIs have been present for a long period and credit-worthiness of the client base is relatively well established. In terms of ticket size, Assam had the highest ticket size of ₹ 34,131 followed by ₹ 29,178 in West Bengal and ₹ 25,925 in Bihar.

Going forward, the MFI ticket size growth is expected to be higher in newer under-penetrated states, however ticket size in the states is expected to be lower. Further, growth would be faster in rural areas, where ticket sizes are relatively low. Consequently, increase in average ticket size at the industry level is projected to be much lower than in the past.

Rural segment to drive MFI business

The rural segment is expected to drive MFIs' business, with increasing demand expected from this segment. With fewer branches and outlets in rural areas as compared with urban areas, the rural market in India is still under-penetrated, thereby providing a significant opportunity for savings and loan products.

Establishing a good relationship with rural customers is expected to lead to longer and more loyal customer relationship, which can be further be leveraged to cross-sell other products. With the Government's focus on financial inclusion, and increasingly financial institutions opening up branches in the unbanked areas, the demand for loan is expected to be higher in rural areas. In the second quarter of Fiscal 2020, the rural share accounted for 69% of the overall disbursement. In addition, in terms of GLP, this region accounted for 74% of the overall portfolio of NBFC-MFIs, other NBFCs and non-profit MFIs.

Disbursement and number of borrowers in rural areas

Region	Disbursement as of March 2020 (Rs million)	Share as % of disbursement value	Portfolio outstanding as at end March 2020 (Rs million)	Share as % of GLP as of March 2020	Share of borrowers as of March 2020
Rural	1,96,540	77%	6,19,960	74%	75%
Urban	58,707	23%	2,18,770	26%	25%

Note: Data includes data for 116 MFI players; Amounts have been rounded to the nearest 10 million

Source: Sa Dhan Quarterly Financial Report (Jan to Mar 2020), CRISIL Research

Challenges in rural-focused business

The microfinance industry primarily caters to the poorer section of society which results in certain inherent challenges faced by the institutions, especially in rural areas:

- **High cost of reaching customer:** Providing microfinance loans in rural India requires reaching people in remote and sparsely populated regions, where deploying manpower and requisite infrastructure for disbursing loans and for recovery can often be expensive. The high cost of reaching out and the small volume and ticket size of transactions extends the break-even period. Therefore, players need to focus on optimising costs and delivery model, especially in the initial stages of operations.
- **Lack of financial awareness:** Lack of financial and product awareness is a major challenge for institutions in rural areas. They are faced with the task of educating people about the benefits of financial inclusion and product and services offered by them along with establishing trust before selling the product.
- **Vulnerability of household's income to local developments:** Uncertainty and unpredictability faced by low income households, and vulnerability of their incomes to local developments can make it difficult for the borrowers to make repayments on time.
- **High proportion of cash collections:** Despite having a large proportion of loans disbursed through the cashless mode, the collection process in unbanked and rural areas is still done through cash. This leads to increased time spent on reconciliation, risk involved in handling cash, and higher turnaround time from the financier's perspective.

Competitive dynamics

SFBs to grow at moderate pace owing to portfolio diversification

Loans in the microfinance sector are provided by banks, SFBs, NBFC-MFIs, other NBFCs and non-profit organisations. Banks provide loans under the self-help group ("SHG") model. However, they also disburse microfinance loans directly under the Joint Liability Group (JLG) model or through BCs to meet their priority-sector lending targets.

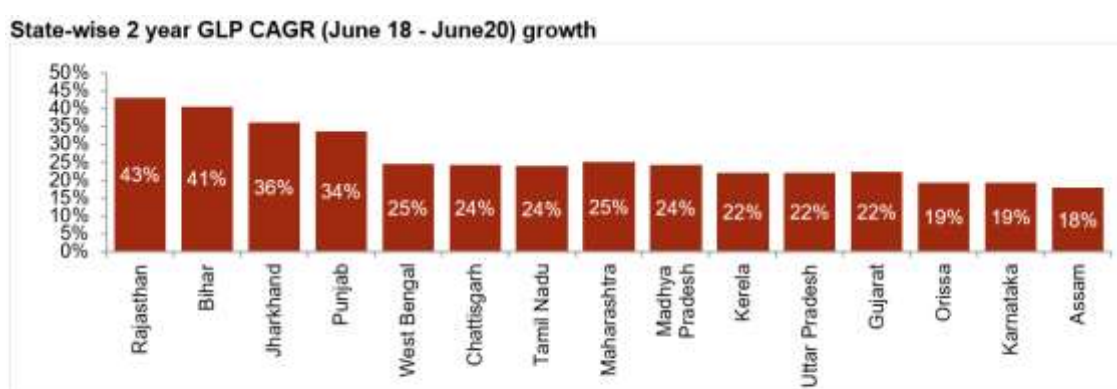
NBFC-MFIs and non-profit MFIs are the only two player groups with loan portfolios exclusively focused towards microcredit. Some of the well-established MFIs have converted to SFBs or have been acquired by banking institutions, which has led to a change in the landscape. After commencement of operations, SFBs with microfinance business started looking at other asset classes, such as affordable housing, SMEs and vehicle finance, to provide diversity to the loan book. While the strategy is to diversify into newer products, sustained growth of

the microfinance business will depend on strategies of individual SFBs. Though most players plan to diversify their portfolio and reduce the portion of microfinance loans, some players continue to grow their microfinance loan book. However, this growth is a bank-specific strategy. Hence, NBFC-MFIs are expected to grow at a much faster rate *vis-à-vis* SFBs, on account of increasing focus of SFBs towards other product suite beyond the MFI loan portfolio and improving liquidity for NBFCs in the system.

State-wise analysis

Top 10 states contribute approximately 83% of MFI loans

Approximately 83% of the GLP is concentrated in the top 10 states with West Bengal, Tamil Nadu and Bihar accounting for 15%, 14% and 11%, respectively, as of June 2020. From a growth perspective, Rajasthan, Bihar, Jharkhand and Punjab have experienced a CAGR of 43%, 41%, 36% and 34%, respectively, from as of June 30, 2018 to as of June 30, 2020 in terms of GLP. This growth can be primarily attributed on account of increasing number of players and branches in the region. On the other hand, Assam and Orissa have seen a relatively slower CAGR of 18% each from as of June 30, 2018 to as of June 30, 2020 in terms of GLP, which has also reduced their share in overall MFI loan portfolio.



Note: Data includes data for, Bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.

Source: CRIF Highmark, CRISIL Research

Credit variation across states continues to decrease

Gradually the concentration of top five districts toward state's GLP is decreasing as players look to penetrate into the untapped districts, hence, enhancing the penetration of MFI loans in various districts in a state and also mitigating portfolio concentration risks for players. In Rajasthan, for example, the contribution of top five districts to total GLP reduced from 36% as of June 2018 to 31% as of June 2020. In Bihar, the contribution of the top five districts to the MFI portfolio declined from 34% to 31% during the same periods. Similar trend was observed in Madhya Pradesh and Assam. In Uttar Pradesh, the top five districts accounted for one-quarter of the overall state portfolio during the same periods. However, for states, such as, West Bengal and Orissa, the concentration of top five districts to total GLP remained relatively higher as compared to other states.

State-wise concentration of MFI loans in various districts

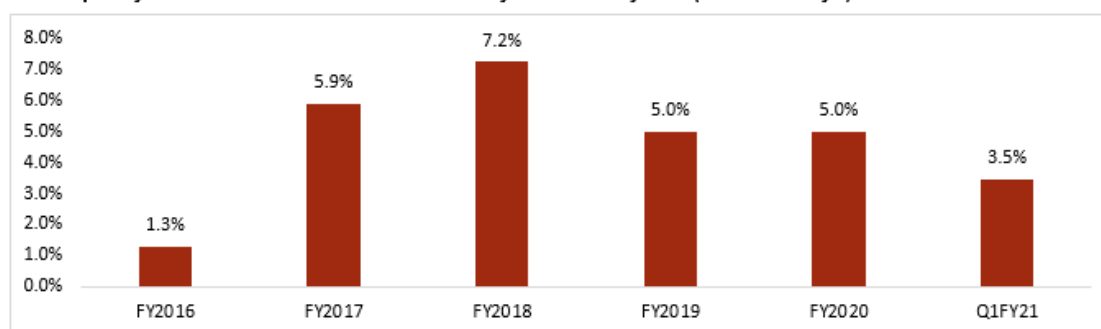
States	GLP as of June 2020 (in Rs Billion)	Top 5 districts	Contribution of Top 5 district to GLP (as of June 2020)	Contribution of Top 5 districts as of June 2020 to GLP as of June 2018
West Bengal	329	North 24 Parganas, Jalpaiguri, Murshidabad, South 24 Parganas, Bardaman	42%	43%
Tamil Nadu	319	Cuddalore, Vilupuram, Thanjavur, Kancheepuram, Coimbatore	27%	28%
Bihar	254	Samastipur, Patna, Muzaffarpur, Purba Champaran, Begusarai	31%	34%
Karnataka	185	Mysore, Bangalore, Belgaum, Tumkur, Mandya	35%	38%
Maharashtra	175	Pune, Solapur, Jalgaon, Nagpur, Kolhapur	33%	34%
Uttar Pradesh	148	Gorakhpur, Varanasi, Allahabad, Kushinagar, Saharanpur	24%	25%
Madhya Pradesh	134	Indore, Ujjain, Jabalpur, Dhar, Chhindwara	24%	27%
Orissa	129	Ganjam, Khodra, Cuttack, Bhadrak, Puri	35%	36%
Assam	118	Nagaon, Kamrup, Sonitpur, Cachar, Gloaghat	36%	39%
Rajasthan	91	Jaipur, Alwar, Ajmer, Chittorgarh, Jhunjunu	31%	36%

Note: States are arranged in order of GLP. Data includes data for Bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.
Source: CRIF High Mark, CRISIL Research

Asset quality

PAR, the primary indicator of risk for the sector, equals the percentage of loans overdue. PAR value increased significantly in Fiscal 2017 due to slowdown in business activities of individuals post demonetisation. Gradually, the asset quality improved as players invested in educating borrowers and resumption of economic activities, which gradually improved collection efficiency and reduced their overall portfolio at risk.

Asset quality trend in the micro finance industry in last few years (PAR >90 days)

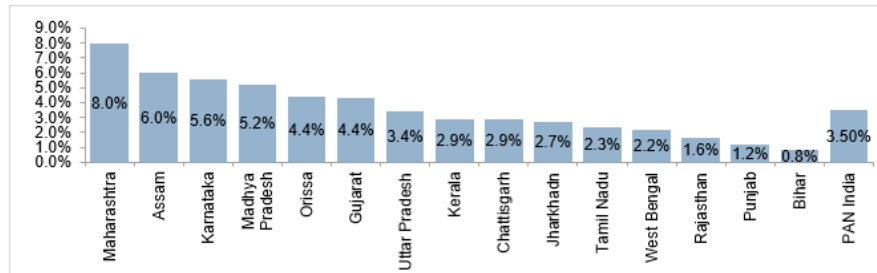


Note: PAR>90 includes delinquencies beyond 180 days but excludes write-offs; Data excludes banks SHG; Data includes data for bank JLG

Source: CRIF Highmark, CRISIL Research

In June 2020, overall PAR>90 days of microfinance industry accounted for 3.5% whereas there was variation in credit quality across different states. States, such as, Bihar, Punjab and Uttar Pradesh had PAR>90 days of 0.8%, 1.2% and 3.4%, respectively, in June 2020, which was better as compared to pan-India. On the other hand, states, such as, Maharashtra and Karnataka, had PAR>90 days of 8.0% and 5.6%, respectively, in June 2020, which was inferior to the asset quality of the MFI industry.

State-wise asset quality (PAR>90 days) in relation to pan-India (as of June 2020)



Note: PAR>90 includes delinquencies beyond 180 days but excludes write-offs; Data excludes banks SHG; Data includes data for bank JLG

Source: CRIF Highmark, CRISIL Research

Considerable variation in asset quality across districts

There exists considerable variation in asset quality currently within various districts in a state. As of June 2020, PAR >90 days for Maharashtra and Assam accounted for approximately 8% and 6%, respectively, and the concentration of MFI portfolio in top five districts for with higher defaults for Maharashtra and Assam accounted for 10% and 23%, respectively, as of June 2020. PAR>90 days for top five districts with higher defaults in Maharashtra accounted for approximately 26% whereas PAR>90 days for other district in the states accounted for 3% as of June 2020. Similar situation was experienced in the states of Karnataka and Assam as well, which highlighted the significant variation which existed within various districts across the same state in terms of asset quality. However, in states, such as, Bihar and West Bengal, this variation is low with PAR>90 days in the top five districts with most defaults accounting for 3.5% and 2.3%, respectively, as of June 2020, whereas the rest of the districts in these states had a PAR>90 days of 0.7% and 2.1%, respectively, as of June 2020.

State-wise district wise variation in asset quality of top states as of June 2020

State	PAR>90 as of March 2017	PAR>90 as of March 2020	PAR>90 as of June 2020	Worst 5 Districts based on PAR>90 (June 2020)	Cummulative PAR>90 in worst 5 districts (June 2020)	Cummulative PAR>90 in rest of the districts in respective state (June 2020)	Cummulative contribution of worst 5 districts to states portfolio (June 2020)
Assam	0.36%	7.52%	6.01%	Divrugarh, Sivasagar, Jorhat, Gola ghat and Morigaon	16%	3%	23%
Bihar	0.54%	1.02%	0.84%	Nalanda, Jehanabad, Arwal, Buxar and Bhोजपुर	3.50%	0.70%	4%
Karnataka	9.90%	8.27%	5.58%	Dakshina Kannada, Udupi, Uttara Kannad, Bagalkot and Chikmagalur	26.50%	3.80%	9%
Madhya Pradesh	7.96%	6.78%	5.19%	Ashok Nagar, Sagar, Narshimpur, Devas and Raisen	15.10%	4.10%	10%
Maharashtra	15.26%	10.2%	8.02%	Amaravati, Wardha, Yavatmal, Akola and Bhandara	26.30%	5.90%	10%
Orissa	2.83%	4.74%	4.38%	Puri, Koraput, Rayagada, Ganjam and Nabarangapur	8.80%	3.40%	19%
Rajasthan	4.68%	2.18%	1.64%	Karauli, Sewai Madhopur, Deusa, Bharatpur and Dhaul pur	6.10%	1.50%	2%
Tamil Nadu	2.60%	4.35%	2.32%	Vellore, Coimbatore, Salem, Namakkal and Chennai	3.60%	2.00%	18%
Uttar Pradesh	13.10%	6.30%	3.38%	Lucknow, Rampur, Bareilly, Gonda and Budaun	8.20%	3.10%	5%
West Bengal	2.47%	2.93%	2.19%	North 24 parganas, Bardhaman, Murshidabad, South 24 parganas and Jalpaiguri	2.30%	2.10%	43%

Note: States are arranged in Alphabetical order, Data includes data for Bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.

Source: CRIF High Mark, CRISIL Research

From 0% in April 2020, MFI collections increased to approximately 90% to 93% in December 2020, and are expected to improve further

Collections of MFIs declined to approximately 0% in April 2020 on account of the nationwide lockdown due to the COVID-19 pandemic, however, collections recovered to approximately 70% to 75% in July 2020 and August 2020, with restrictions being lifted gradually. In December 2020, collection efficiency for the industry recovered further to 90% to 93%. This is despite MFI borrowers having relatively weaker credit profiles and field-intensive operations involving high personal touch, such as, home visits and physical collection of cash.

Collections had staggered in single digit through May because of the moratorium granted by MFIs to their borrowers on an opt-out basis, but increased to 55% to 60% in June 2020 and have improved significantly in the July 2020 to September 2020 quarter. Since then, the collections has been slowly showing signs of further improvement and has reached approximately 90% to 93% in December 2020. While the bounce-back has been faster than that envisaged earlier, improving it to the pre-pandemic levels of 98% to 99% will remain an important monitorable from an asset quality perspective. To create a buffer for potential pandemic related credit costs, MFIs are expected to focus on raising additional equity capital over the near to medium term. Borrowers in rural areas and those involved in essential sectors of animal husbandry and agriculture started paying their instalments. Lower number of COVID-19 infection in rural areas, a good harvest time also played a positive impact on rural repayments.

Monthly collection continues to improve

		Collection Efficiency									
	Book under moratorium	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20	
Microfinance	50-60%	<10%	<45%	45-65%	65-70%	70-80%	85-90%	85-90%	85-90%	90-93%	

Note: 1) Collection Efficiency numbers are estimated 2) Monthly Collection efficiency = (Current + Overdue collections (excluding prepayments)) / Scheduled billing assuming no moratorium

Source: CRISIL Research

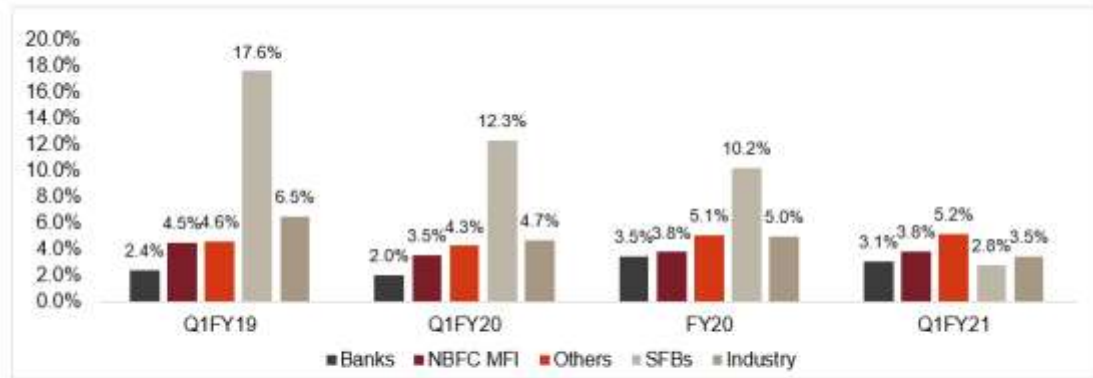
With the COVID-19 pandemic affliction rate still high and steadily percolating in vicinity, intermittent lockdowns and localised restrictions could hamper the collection momentum. Considering these potential challenges, in addition to the standard provisioning, many MFIs and SFBs have made special COVID-19 provisions in the last quarter of Fiscal 2020 and the first quarter of Fiscal 2021. The aggregate special provision accounted for 2.5% to 3% of the March 2020 loan book, which was significantly lower than the credit losses experienced during demonetisation, which was in the range of 3% to 13% of the loan book. Given the material gap between current and pre-pandemic collection levels, there is a risk of increase in credit losses and its potential impact on capitalisation metrics, however, due to its unsecured nature, the underlying impact will be evident by December 2020.

Asset quality of banks, NBFC-MFIs better than the industry; SFBs significantly inferior

SFBs were the most significantly impacted in terms of asset quality deterioration post demonetisation, as some of them had expanded aggressively, giving higher ticket loans in the months prior to demonetisation. PAR >90 for SFBs increased to 9.7% as of March 31, 2017 to 18.3% as of March 31, 2018 in comparison to the industry average of 5.9% and 7.2%, respectively, as of the same dates. However, banks and MFIs invested significantly in educating borrowers and helping them exchange their old notes, which gradually improved collection efficiency and reduced their overall portfolio at risk. Further, the collection efficiency of fresh loans disbursed after January 2017 were relatively strong.

As of March 2020, overall PAR>90 for the industry was 5.0%, however, NBFC-MFIs and banks had a much superior asset quality with PAR >90 for both these sets of players being lower than 5% as of March 2020. On the other hand, SFBs had PAR >90 days of 10.2% of advances as of March 2020. However, even within SFBs, the experience in respect of asset quality is not uniform with some SFBs being much better compared to the others. In June 2020, PAR>90 for SFBs have improved significantly and is significantly lower than the PAR>90 for industry.

Asset quality of player groups in microfinance industry as of June 2020 (PAR >90 days)



Note: PAR>90 includes delinquencies beyond 180 days but excludes write-offs; Data excludes banks SHG; Data includes data for bank JLG, Other include Not for profit MFIs that have reported data to Bureau

Source: CRIF Highmark, CRISIL Research

In the first few months of the nationwide lockdown, measure taken to control the spread of COVID-19 had impaired the MFI borrowers' ability to repay loans. However, with phase wise removal of the nationwide lockdown, the collection efficiency improved and reached approximately 80%- 85% in September 2020. Majority of the lenders provided moratorium in the form increased tenure and have informed the borrowers the impact of moratorium on interest outgo. The lenders have also started disbursing to existing customers. In addition, out of the existing customers, lenders are disbursing to those customers who are making on-time payments. Since, microfinance borrowers highly depend on the source of credit for their daily livelihood, they have started making payment thus increasing the overall collection efficiency, which is further expected to improve. In Fiscal 2021, MFI asset quality is expected to deteriorate on account of pressure on MFI borrowers earning capability.

Profitability set to see sharp moderation in the medium term

In Fiscal 2021, on account of the COVID-19 pandemic, the impact on the profitability of NBFC-MFIs would be in the range of moderate to severe, depending on the length of time taken to control the pandemic. Interest income is expected be moderate in Fiscal 2021. Other income is also expected to be lower due to lower disbursements and lower securitization. The credit losses are expected to be accounted over a period of two to three years. Players are expected to closely monitor the loan book post moratorium, some part of the credit costs will be provided in Fiscal 2021 and remaining in coming Fiscals.

As a result, on account of the COVID-19 pandemic, SFBs, with their access to lower cost of borrowing and regulated environment are expected to be in a better position to cope with impact of the COVID-19 pandemic in comparison to the NBFC-MFIs and gain some market share. However, expected risk aversion to the segment due to external shock would continue to drive slower growth for all players.

Increasing credit cost amid Covid-19 pandemic to weigh on profitability of microfinance industry

RoA tree	FY18	FY19	FY20	FY21P
Interest income	17.7%	18.9%	18.2%	16.7%
Interest expense	8.6%	8.4%	7.7%	7.5%
Net interest income	9.1%	10.5%	10.5%	9.2%
Opex	5.3%	5.5%	5.4%	5.3%
Other income	1.2%	2.2%	2.6%	1.6%
Credit cost	1.5%	1.0%	2.6%	2.5%
Tax	1.2%	2.1%	1.5%	0.8%
RoA	2.3%	4.1%	3.6%	2.3%

Note: P: Projected

1) Figures include data of NBFC-MFIs with market share of ~65% in total NBFC-MFI portfolio, 2) Numbers are based on Ind-AS

Source: CRISIL Research

MSME Finance

MSME credit growth declined significantly in Fiscal 2020

The nationwide lockdown disrupted economic activity, impacted working capital needs, supply chain, future investments and expansions. Domestic supplies and supplies from imports also suffered. Contractual and wage labour were adversely impacted and are expected to continue to be adversely impacted, leading to layoffs, unrest and lowering of purchasing power and therefore, hindering MSMEs' businesses. Further, the businesses are expected to take a certain amount of time to return to normal operations post lifting of all lockdowns.

However, given the importance of MSMEs in India, the Government has taken several initiatives to support MSMEs with the most significant initiative comprising ₹ 3 lakh crore emergency credit line guarantee scheme ("ECLGS") to banks and NBFCs, up to 20% of the entire credit outstanding as of February 29, 2020. This entire loan is guaranteed by the Government. As of August 18, 2020, approximately half of the fund was sanctioned and both public and private sector banks disbursed one-third. This scheme would clearly provide much-needed liquidity to MSMEs that are known to face severe working capital crunch during downturns. Therefore, overall MSME growth is expected to be approximately 9% to 10% in Fiscal 2021, leading to a CAGR of 7% to 8% through fiscal 2023.

Segment profitability and asset quality

Asset quality to decline by 150-200 bps post moratorium in Fiscal 2021

Asset quality in the segment has remained high, in the range of approximately 6% to 8% in the MSME segment over the past few years due to demand-side pressures and liquidity issues after demonetisation and implementation of GST. In Fiscal 2020, the asset quality in MSME loans weakened due to slower revenue growth and stretched working capital. However, asset quality post moratorium is expected to increase by 150-200 bps in Fiscal 2021, the intensity of which would depend on the length of the lockdown period and the resultant economic slowdown.

Affordable housing loans

Affordable housing loans (ticket size < 25lacs) segment to register a CAGR of 8% to 9% until Fiscal 2023

Despite the enormous unmet demand in the affordable housing finance market, the segment registered a CAGR of 9% from Fiscal 2017 to Fiscal 2020. As of March 31, 2020, outstanding loans amounted to approximately ₹ 9.1 trillion, which grew at 8% from ₹ 8.6 trillion as of March 31, 2019. The momentum in the affordable housing loans declined in the fourth quarter of Fiscal 2020 on account of the COVID-19 pandemic.

The economic slowdown due to the COVID-19 pandemic and the lockdown along with the safety measures, such as, social distancing measures, are likely to impact the demand for home loans. Demand for under-construction projects is likely to be adversely impacted due to the labour migration during the lockdown and uncertainty of project execution. Limited income and fear of unemployment of the target audience could impact property purchase decisions in Fiscal 2021. The affordable housing segment is expected to register a CAGR of 8% to 9% until as of March 31, 2023.

Key factors contributing to high competitiveness of SFBs in affordable housing finance

- *Clear focus on and understanding of the target market:* Given the target borrower's profile, players need to have a clear and deeper understanding of micro markets and develop a strong local network. A strong network helps players to source business from niche customer categories through references from existing customers. Successful players in the segment generally focus on a few geographies where they have a good understanding and scale up gradually to manage costs and asset quality better.
- Access to public deposits for SFBs gives it a pricing advantage due to lower cost of funds compared with housing finance companies.
- *Collection efficiency:* Given that players in the segment typically cater to the lower income customer segment, majority of whom may not be financially literate, a strong focus and understanding of SFBs on collections and monitoring risk of default at the customer level will help them keep asset quality under check.

- PMAY and push of the Government towards low cost housing as well lowering the risk weightage would help increase demand and lower costs for all.

Loan against property (“LAP”)

LAP advances growth to decline in Fiscal 2021

LAP (banks and non-banks) registered a CAGR of approximately 17% between Fiscal 2016 and Fiscal 2019, primarily driven by rising penetration of formal channels and higher comfort for the lenders to lend. However, the growth reduced to approximately 12% in Fiscal 2020 due to the liquidity crisis and increasing asset quality concerns. In Fiscal 2021, the outbreak of the COVID-19 pandemic has affected economic activity and subsequently borrower’s cash flow, which will affect collections, thereby posing asset quality risks. This will further increase the risk aversion towards the LAP segment and players will be more cautious to lend. Financiers are expected to lend to their existing customers and not new customers in Fiscal 2021. Based on these factors, LAP credit growth is expected to reduce to approximately 2% in Fiscal 2021, however, faster growth is expected thereafter, resulting in a CAGR of 8% to 9% until Fiscal 2023.

Key factors contributing to high competitiveness of SFBs in LAP

- *Quick turnaround time, lower interest rate:* LAP loan is disbursed in approximately half the time taken for a secured MSME loan. With access to deposits, SFBs will be able to offer loans at lower interest rates compared with some housing finance companies/ NBFCs. Increasing customer awareness will help sustain strong growth.
- *Rising penetration of formal channels:* Increasing number of branches and rising focus on geographic diversification to increase penetration and availability of formal lending channels in other than top cities will take market share from other lenders.
- *Greater transparency in the system:* Demonetisation, GST and Government’s strong push for digitisation have led to higher transparency in the system. This will enlarge the loan amount eligibility of borrowers. Formalisation will also help many new borrowers to come under the ambit of formal lending channels. Data availability will help improve information availability and reduce the risk premium charged for loans to micro and small enterprises.

Gold loans

Growth in gold loan AUM to regain momentum and perform better than other asset classes

The demand for gold loan finance has regained popularity as India’s economy recovers from the adverse effect of the COVID-19 pandemic. Various consumers who hold gold in reserve are considering gold loans as an option to meet their credit requirements during this period. The RBI has also revisited its guidelines for banks’ lending gold loans by increasing its LTV to 90% from existing 75% to help stressed borrowers to unlock more value for Banks only (not for NBFC’s). In Fiscal 2020, gold loan industry AUM increased by approximately 13.4% year-on-year to reach ₹ 3.2 trillion on account of increased focus of players on diversifying their regional presence, strong growth in non-southern regions and rise in gold prices by approximately 19% in Fiscal 2020 along with a short lead time in disbursing gold loans.

Going forward, due to the disruption caused by the COVID-19 pandemic, the customers will continue to seek refuge in gold loans and initiatives to increase awareness are expected to help the industry grow moderately along with geographic diversification and rising interest from the northern, western and eastern regions.

SFBs to experience strong growth

- *Large customer base:* With experience in the MFI industry over the years, SFBs have access to large customer segment, both, agriculture and non-agriculture. Large set of such loans would classify under PSL and customers would get subsidies. This would help SFBs cater to customers by providing gold loans at competitive interest rates as compared to gold loan NBFCs.
- *Greater accessibility:* SFBs will be able to better penetrate in the gold loan segment due to their ability or experience to serve non-bankable and underbanked customers in Tier III and Tier IV cities. This will enable SFBs to capture share in organised market and increase the share of organised financiers in the industry by catering to the untapped customers in remote regions.

Unsecured personal loan

Personal loan segment to increase at a CAGR of 13% over next three years

The personal loan market segment has increased at a CAGR of 38% from ₹ 2.2 trillion in Fiscal 2017 to ₹ 5.8 trillion in Fiscal 2020. In addition to personal loans being extended for financial and medical emergencies, such loans are also being expended to meet aspirational needs, such as, for vacations or purchasing luxury products. Along with the changing consumer preferences, factors, such as, increasing urbanisation, improved access to loans, ease of availing the loan owing to enhanced technology usage and better access to data have helped segmental growth.

Asset quality to weaken in Fiscal 2020

In Fiscal 2019, slippages came down significantly due to a greater focus on recovery. However, in Fiscal 2020, asset quality fell by approximately 200 bps to 250 bps to approximately 7% to 8% on account of slow economy growth and stress developed in certain pockets of NBFCs. Restructuring on personal loans has been allowed for the first time. However, since this segment is categorised as one of the riskier ones in the current scenario, lenders are expected to focus more on collections rather than disbursing fresh loans, until the current situation stabilises. Incremental slippages of NBFCs are expected to increase significantly in Fiscal 2021 by approximately 300 bps to 350 bps.

New Two Wheeler loan

Two wheeler sales to decline in Fiscal 2021, however, such sales are expected to increase in the long term

The two wheeler industry registered a CAGR of 2% from Fiscal 2015 to Fiscal 2020. The two wheeler sales registered a CAGR of 7% from Fiscal 2015 to Fiscal 2019, however, this growth was reduced on account of decline in sales in Fiscal 2020.

Rural demand to partially support the two-wheeler disbursement in long term

On account of reduced economic activity due to the COVID-19 pandemic, two wheeler disbursements are expected decline with retail sales expected to reduce by approximately 18% to 20% as inventory will increase at dealerships at average levels of approximately 35 to 40 days. Original equipment manufacturers, on the other hand, are expected to marginally absorb the cost increase of approximately 8% to 10%, which would result in the average realizations to increase by approximately 6% to 7%. Retail prices are expected to be lower by approximately 2% to 3% in Fiscal 2021 based on cash discounts offered by dealers to push sales. LTVs are expected to remain subdued due to increased risk perception regarding such loans, as purchasing power for borrowers is adversely affected due to significantly slower economic growth. Financing penetration is expected to remain in the same range. As a result, two wheeler disbursements are expected to reduce by approximately 17% in Fiscal 2021. However, in the long term, two wheeler disbursements are expected to increase at a CAGR of 3% to 5% during Fiscal 2020 and Fiscal 2023.

New Passenger vehicle loan

COVID-19 pandemic to result in a significant decline in sales in Fiscal 2021

Domestic demand for passenger vehicles declined by approximately 18% on-year for Fiscal 2020 due to subdued consumer sentiment on account of factors, such as, regulatory-driven price increases, increase in road tax in certain states, liquidity constraints resulting in lower LTVs, postponement of purchases for better deals, higher fuel prices, upfront insurance pay-outs and better interest rates in Fiscal 2019. Subsequent lockdowns due to the COVID-19 pandemic has resulted in significant decline in footfalls and enquiries leading to a approximate 50% to 53% on-year decline in volumes.

The domestic sales of cars and utility vehicles is expected to increase at a CAGR of approximately 2% to 3% during Fiscal 2020 and Fiscal 2023, which is marginally higher than the CAGR of 1% during Fiscal 2015 and Fiscal 2020. Further, the growth is expected to be higher, post Fiscal 2021, as consecutive years of double-digit decline would lead to a very low base in Fiscal 2021. Post Fiscal 2021, strong growth is expected over this low base due to moderate macroeconomic growth, increasing disposable incomes, relatively stable cost of vehicle ownership and lower fuel prices.

New commercial vehicle (“CV”) finance

CV sales declined in Fiscal 2020 on account of introduction of new axle norms

CV sales volume experienced a significant growth in Fiscal 2019. Sales volumes increased by 18.6% in Fiscal 2019 compared to 25.3% in Fiscal 2018. In July 2018, the Government revised axle norms, wherein the gross vehicle weight for two-axle and three-axle vehicles was increased from 16.2 tonnes to 18.5 tonnes and 25.0 tonnes to 28.5 tonnes, respectively. This helped in an increase in the freight carrying capacity of existing CVs, thereby reducing the demand for purchase of additional CVs, affecting sales. In Fiscal 2020, sales reduced by approximately 29% on account of increasing freight capacity and limited support from freight demand. Within the segment, sales of medium and heavy commercial vehicles reduced by approximately 48% whereas the sales of light commercial vehicles reduced by approximately 21% on account of reduced private consumption and weak financing availability through lower LTVs due to the NBFC liquidity crunch.

Disbursements to remain subdued over the coming two fiscals

New CV loan disbursement registered a CAGR of approximately 18% from Fiscal 2014 to Fiscal 2019 to reach ₹ 842 billion. However, new CV loan growth disbursements reduced from 39% in Fiscal 2018 to 22% in Fiscal 2019 as large and small fleet operators postponed their purchases due to the general elections in April-May 2019. The overall disbursements of the CVs experienced a de-growth of approximately 36% in Fiscal 2020 to reach ₹ 541 billion, with medium and heavy commercial vehicles experiencing a sharper decline in comparison with light commercial vehicles.

In Fiscal 2021, the demand decline is expected to continue given the macroeconomic challenges in view of the COVID-19 pandemic. Disbursements are expected to decline by approximately 38% to 40% in Fiscal 2021, which will be the most significant decline in the past five Fiscals. The overall CV disbursements is expected to increase at a CAGR of approximately 5% to 7% during Fiscal 2020 and Fiscal 2023.

OUR BUSINESS

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section “Forward-Looking Statements” on page 21 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations” on pages 23 and 321, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our Bank’s Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Statements included in this Draft Red Herring Prospectus. References to “we”, “us”, “our”, “the Bank” or “our Bank” refers to Utkarsh Small Finance Bank Limited.

Unless otherwise indicated, industry and market data used in this section has been derived from the report “Report on Small Finance Banks and various loan products” dated January 2021 (the “CRISIL Report”) prepared and released by CRISIL Limited and commissioned by us in connection with the Offer. Neither we, nor the BRLMs, any of their affiliates or advisors, nor any other person connected with the Offer has independently verified such information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. For further information, see “Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data” on page 18.

Overview

We are among the most profitable SFBs in India and among the leading SFBs in terms of return on assets and had the highest return on equity among SFBs in India in Fiscal 2020. (Source: CRISIL Report). Our Promoter, UCL, commenced its operations as a NBFC in Fiscal 2010 and was focused on providing microfinance to unserved or underserved segments and in particular in the states of Uttar Pradesh and Bihar. We are headquartered in Varanasi, Uttar Pradesh and have over the years expanded our SFB operations strategically in states where we have been able to leverage the prior microfinance experience of UCL.

On October 7, 2015, UCL received the RBI In-Principle Approval to establish an SFB, following which it incorporated Utkarsh Small Finance Bank Limited as a wholly-owned subsidiary on April 30, 2016. Subsequent to us obtaining the RBI Licence on November 25, 2016 to establish and carry on business as an SFB, UCL transferred its business of providing microfinance, as a going concern to our Bank, which commenced its operations from January 23, 2017. We were included in the second schedule to the RBI Act as a scheduled commercial bank pursuant to a notification dated October 4, 2017 issued by the RBI and published in the Gazette of India (Part III - Section 4) dated November 7, 2017.

Our operations are spread across India and are present in 18 States and Union Territories with 528 Banking Outlets and 8,729 employees, as of September 30, 2020. As of September 30, 2020, 27.08% of our Banking Outlets were located in Unbanked Rural Centres (“URCs”) as against the regulatory requirement of 25% of banking outlets of SFBs to be located in URCs. Our operations are focused in rural and semi-urban areas and as of September 30, 2020, we had 2.74 million customers (both deposit and credit) majorly located in rural and semi-urban areas primarily in the states of Bihar, Uttar Pradesh and Jharkhand that have showcased strong economic growth but with low credit penetration (Source: CRISIL Report). As of September 30, 2020, these states constituted 41.91%, 27.32% and 6.74% of our total Gross Loan Portfolio (based on location of the Banking Outlet), respectively. We are also focused on further strengthening our presence in newer geographies and also in existing states where we operate by entering into arrangements with business correspondents (“BCs”) and direct selling agents (“DSAs”) and as of September 30, 2020, we had tie-ups with seven BCs to source customers and 74 DSAs to grow our asset portfolio.

Given the legacy of UCL as a NBFC-MFI, microfinance remains a focused business segment for our Bank. We have been diversifying our product portfolio to include non-micro banking loans allowing us to reduce dependence on our microfinance business and grow our secured loan portfolio. We offer a range of financial products and services that address the specific requirements of our customer segments and while assessing factors including income profile and the type of security available. Our asset products include (i) microbanking loans that include joint liability group loans, individual loans and two-wheeler loans; (ii) retail loans that includes unsecured loans,

such as business loans and personal loans, and secured loans, such as loans against property (“LAP”) and vehicle loans; (iii) wholesale lending that includes short term and long-term loan facilities to SMEs, mid and large corporates and institutional clients; and (iv) housing loans with a focus on affordable housing. On the liabilities side, we offer savings accounts, current accounts and a variety of term and recurring deposit accounts. In addition, 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. Our deposits have grown at a CAGR of 54.48% from ₹ 21,938.67 million as of March 31, 2018 to ₹ 52,352.12 million as of March 31, 2020 and were ₹ 59,692.98 million as of September 30, 2020. Our total number of deposit customers, that include microbanking customers to whom we also offer JLG loans, were 0.54 million, as of September 30, 2020. Our retail deposits comprised 43.81% of our total deposits while CASA as a percentage of overall deposits was 14.46%, as of September 30, 2020. We have been focusing on growing a stable and sustainable CASA base and our CASA was ₹ 8,630.15 million as of September 30, 2020.

Our 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 and as of September 30, 2020, 4,244 employees used handheld devices/ digital services for onboarding 23,070 saving account customers.

We are led by our Managing Director and chief executive officer, Mr. Govind Singh, who has over 25 years of experience in the banking and financial services sector. Our Board comprises individuals having diverse experience across industries and our Independent Directors provide strategic guidance to help improve and grow our operations. Our senior management team also has significant experience in the banking and financial services industry. Our Promoter, UCL, is an NBFC-CIC in India and is backed by a number of institutional investors including CDC Group PLC, International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, Housing Development Finance Corporation Limited, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Limited and Faering Capital India Evolving Fund.

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

Metric	As of and for the years ended March 31,			As of and for the six months ended September 30, 2020
	2018	2019	2020	
	(₹ million, except percentages)			
Gross Loan Portfolio	32,100.49	47,415.50	66,599.99	66,432.68
Disbursements	36,716.12	45,405.57	65,592.47	10,391.19
Deposits	21,938.67	37,913.87	52,352.12	59,692.98
Credit to Deposit Ratio	141.38%	123.13%	119.99%	110.68%
Capital + Reserves	3,948.89	7,727.56	10,194.99	10,973.67
Net Interest Income	2,511.58	5,170.85	7,282.24	4,194.05
Net Interest Margin	8.21%	10.78%	10.13%	8.64%* [4.32%]
Operating Profit (After provisions, excluding tax provisions)	(1,098.77)	1,667.24	2,504.16	1,043.32
Profit After Tax	(774.23)	1,108.67	1,867.43	778.69
Return on Average Assets	(2.38)%	2.21%	2.51%	1.52%* [0.76%]
Return on Average Equity	(23.25)%	15.97%	20.32%	14.64%* [7.32%]
Average Yield	16.38%	18.76%	18.19%	16.20%* [8.10%]
Cost of Funds	8.85%	9.28%	9.40%	8.50%* [4.25%]
CASA + Retail Term Deposit Ratio (as percentage of total deposits)	15.26%	31.79%	48.16%	58.27%
CASA Ratio	5.31%	10.01%	13.50%	14.46%
Provision Coverage Ratio (including technical write off)	83.79%	97.49%	95.64%	100.34%
Cost to Income Ratio	79.23%	57.07%	57.63%	52.41%
Gross NPA	1.85%	1.39%	0.71%	0.64%

Metric	As of and for the years ended March 31,			As of and for the six months ended September 30, 2020
	2018	2019	2020	
(₹ million, except percentages)				
Net NPA	1.04%	0.12%	0.18%	(0.01)%

*Annualized. Figures in square brackets represent unannualized figures

As of March 31, 2018, 2019 and 2020 and as of September 30, 2020 our CRAR was 16.96% (Tier I capital of 12.46%), 24.14% (Tier I capital of 20.34%), 22.19% (Tier I capital of 19.41%) and 24.87% (Tier I capital of 19.02%), respectively. Our Bank's provisioning and write-off policy is more stringent than norms prescribed by the RBI.

We have the lowest gross and net NPA ratios among SFBs in India, as of March 31, 2020 (*Source: CRISIL Report*). As of September 30, 2020, our gross NPAs were ₹ 426.61 million and accounted for 0.64% of our Gross Advances, while our net NPAs were ₹ (8.53) million and accounted for (0.01)% of our net advances. As of September 30, 2020, gross NPAs in our microbanking, MSME, wholesale and housing loan segments accounted for 0.58%, 2.62 %, 0.00% and 0.68% of our Gross Advances, respectively. Our low NPA ratios have resulted in us obtaining high credit ratings from rating agencies and our certificate of deposit programme has the highest rating of "[ICRA] A1+" by ICRA and non-convertible debentures, long term – tier II bonds and long term bank facilities have a rating of "CARE A (Stable)" by CARE and "[ICRA] A (Stable)" from ICRA.

Our endeavour is to be a retail focused bank with the aim of providing financial services and quality products and solutions. We intend to develop and offer a comprehensive suite of assets and liabilities products that will help us attract new customers and deepen our relationship with our existing customer base. We intend to continue to grow our asset portfolio by offering new products that cater to all customer segments. We also intend to scale up our liabilities franchise by focussing on newer geographies including targeting top 100 cities in terms of overall deposits, including tapping metropolitan and urban areas by promoting our savings accounts and other deposit products. We expect technology to be a key enabler for our operations and we will look to enhance our digital capabilities through our internet and mobile banking application and other digital channels and undertake data analytics to gain deeper insights into customer trends and develop customized products for our customer segments. We intend to further the growth through diversification of product our offerings, customer segments and geography supported by technology, process and data analytics.

Strengths

Deep understanding of microfinance segment and strong rural and semi-urban franchise

UCL, originally commenced operations as a NBFC in Fiscal 2010 and later converted to a NBFC – MFI. UCL has a history of serving customers in the microfinance segment with a particular focus on financial inclusion for unserved or underserved customer segments in rural/ semi-urban areas of Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh and Uttarakhand. The erstwhile business of UCL was primarily based on the joint liability group-lending model for providing collateral-free, small ticket-size loans to economically active poor women for income generation purposes. UCL also offered micro enterprise loans to the economically poor segments. Following the commencement of our SFB operations, we have further strengthened our engagement with borrowers by continuing to focus on microfinance and by diversifying our product offerings to include savings accounts, deposit products and other loan products.

As of March 31, 2020, there were about 640,000 villages in India, inhabited by about 893 million people, comprising about 66% of the country's population. About 47% of India's GDP comes from rural areas. The share of total credit outstanding is about 10% in rural areas and 90% in urban areas. The divergence in the rural areas' share of India's GDP and banking credit services compared with urban areas is as an indicator of the extremely low penetration of large banks in rural areas. Uttar Pradesh and Bihar are the most populous states in India, accounting for 17% and 9% respectively of overall population in India. There is wide credit variation across states and within various districts in the same state as well, which indicates latent opportunity for offering loans to unserved or underserved customers. Based on bank credit accounts in rural areas, Bihar and Uttar Pradesh have more than 47% of total credit accounts in rural areas as of March 31, 2020. Further, Bihar and Uttar Pradesh have a portfolio at risk greater than 90 days of 0.8% and 3.4%, respectively, which is better compared to pan-India portfolio at risk greater than 90 days of 5.0% in the three months ended June 30, 2020 (*Source: CRISIL Report*).

These areas offer potential for growth on account of being under penetrated and we believe that our deep understanding of the customer segments in rural and semi-urban areas and under-penetrated geographies coupled with our significant presence in these areas allows us to cater to the financing requirements of potential customers. As of March 31, 2018, 2019 and 2020 and as of September 30, 2020, our microbanking portfolio constituted 88.55%, 85.98%, 87.92% and 85.44% of our total Gross Loan Portfolio and were to our microbanking loan customers primarily present in rural and semi-urban areas across 134 districts.

Our total customers (both deposit and credit) have been continuously increasing and our customer base grew from 1.65 million customers as of March 31, 2018 to 2.75 million customers as of March 31, 2020 and were 2.74 million customers as of September 30, 2020. As of September 30, 2020, we generated 71.12% of our Gross Loan Portfolio from rural and semi-urban areas. We believe that our focus on lending to customers in rural and semi-urban areas helps improve our risk profile. Our customers in the microbanking segment include women entrepreneurs and we believe that the loans we disburse to such customers in multiple cycles helps them grow their business and contributes towards women empowerment. For our microbanking customers, we offer life insurance products where the spouse is covered up to the value of the loan that ensures that in the event of an adverse event, the loan is automatically repaid and balance amount can be used to support to the family of the deceased. We also offer *Swacchata Loans* to our existing JLG customers for construction/ repair/ renovation of toilets.

Our focus on the microbanking segment is also reflected in our lending towards 'priority sectors'. As of March 31, 2018, 2019 and 2020 and as of September 30, 2020, 91.91%, 89.35%, 91.32% and 89.22% of our adjusted net bank credit qualified as 'priority sector lending', as compared to the regulatory requirement of 75% for SFBs. We also stand to benefit from the recent re-classification norms prescribed by the RBI pursuant to which, from Fiscal 2022 onwards, our incremental priority sector credit to certain districts (where the credit flow is comparatively lower) will be eligible for a PSL weightage of 125% and 100%, respectively. As of September 30, 2020, these districts accounted for 50.35% and 38.96% of our JLG portfolio, respectively.

Fast growing deposits with strong retail liability franchise

We offer a variety of demand and time deposit products and other services through which our customers can address their savings and transactional needs. Our product suite includes a range of deposit products including saving accounts, salary accounts, current accounts, recurring and fixed deposits (with callable and non-callable options) and locker facilities. We offer diversified liabilities products at competitive rates targeted primarily at retail customers from all segments led by senior citizens, middle-class individuals and self-employed and salaried individuals.

Our total deposits have grown at a CAGR of 54.48% from ₹ 21,938.67 million as of March 31, 2018 to ₹ 52,352.12 million as of March 31, 2020, and were ₹ 59,692.98 million as of September 30, 2020, while our deposit only customers have increased from 0.03 million as of March 31, 2018 to 0.23 million as of March 31, 2020, and were 0.28 million as of September 30, 2020. The percentage of our non-callable deposit to our total deposits was 33.85% while the average tenor of our term deposits is 1.76 years and the average ticket size of our deposits based on number of deposit accounts is ₹ 91,105.80 each as of September 30, 2020. Our CASA franchise has witnessed a CAGR of 146.26% from ₹ 1,165.28 million as of March 31, 2018 to ₹ 7,066.64 million as of March 31, 2020 and was ₹ 8,630.15 million as of September 30, 2020. Our CASA to total deposits ratio has improved from 5.31% as of March 31, 2018 to 13.50% as of March 31, 2020 and was 14.46% as of September 30, 2020. Our CASA ratio and large percentage of retail deposits provide us with stable access to low cost funding and longer tenure resources profile. As a result, our Cost of Funds has reduced from 8.85% in Fiscal 2018 to 8.50% (annualized) / 4.25% (unannualized) in the six months ended September 30, 2020.

A continuous growth in our customer base has led to diversification of our deposit franchise and our retail deposit base has grown at a CAGR of 188.29% from ₹ 2,183.32 million as of March 31, 2018 to ₹ 18,145.19 million as of March 31, 2020 and was ₹ 26,154.17 million as of September 30, 2020. The ratio of our retail term deposits to total deposits in Fiscal 2018, 2019 and 2020 and the six months ended September 30, 2020 was 9.95%, 21.78%, 34.66% and 43.81%, respectively. Retail deposits offer greater opportunities for cross-selling and up-selling a variety of products which includes assets and third party products, therefore meeting the life cycle of our customers' requirements. We believe that a well curated product suite and multi-channel delivery mode aids in customer retention and helps in reducing the cost of customer acquisition.

Our deposit base comprises customers across segments and geographies. As of September 30, 2020, 58.45%, 37.41%, 3.17% and 0.97% of our total deposit base were in metropolitan, urban, semi-urban and rural areas, respectively based on location of Banking Outlets. As of September 30, 2020, our deposit base was spread across

18 States and Union Territories in India, with 64.46%, 15.47%, 1.33% and 18.73% of our deposits in the Northern, Eastern, Southern, and Western regions of India, respectively.

Diversified distribution network with significant cross-selling opportunities

We have an extensive physical network of Banking Outlets and as of September 30, 2020, we had 528 Banking Outlets across 18 States and Union Territories covering 179 districts in India of which 350 Banking Outlets were located in rural and semi-urban areas (combined). Our network of Banking Outlets allows us to service our existing customers and attract new customers as a result of relationships cultivated through proximity and frequent interaction by our employees. Our network also reduces reliance on a particular region in India and allows us to replicate best practices developed in one region to other regions.

As of September 30, 2020, 66.29% of our total Banking Outlets were located in rural and semi-urban areas. In order to further financial inclusion and provide comprehensive financial services to the underserved and unserved customer segments, we have also opened Banking Outlets that have been classified by the RBI as URCs in 54 districts. As of September 30, 2020, 27.08% of our Banking Outlets were located in URCs against the minimum requirement of 25% as stipulated by the RBI. Our Banking Outlets have grown from 164 Banking Outlets as of March 31, 2018 to 528 Banking Outlets as of September 30, 2020. Of our 528 Banking Outlets, we have internally classified 406 Banking Outlets to focus on growing our microbanking portfolio. Our footprint in the states of Uttar Pradesh and Bihar has enabled us to build a significant microbanking franchise in these states. We have also leveraged BCs and DSAs and their network to grow our asset portfolio. As of September 30, 2020, we have arrangements with seven BCs to grow our asset portfolio and had tie-ups with 74 DSAs to primarily source retail loan against properties across various locations.

Besides our Banking Outlets, our multi-channel delivery also include ATMs, micro-ATMs, mobile and internet banking, corporate internet banking services. As of September 30, 2020, we had a network of 160 on-site and 36 off-site ATMs. We have also set-up five micro-ATMs on a pilot basis, as of September 30, 2020. To facilitate ease of transaction for account holders, we offer a range of transaction and payment channels that include domestic and international ATM cum debit cards (RuPay and Mastercard), payment gateways, integrated bill payment system facility, money transfer service scheme and door step banking services. We are able to serve our existing as well as potential customers through our large employee base and through the use of technology as part of our operations.

Our relationship with our microbanking customers presents significant opportunities to cross sell our other asset products that cater to the entire customer lifecycle. For instance, in Fiscal 2020 we launched individual loans and also loans for two-wheelers for such customers. We have also recently launched a loan product that is customized specifically to address the financial requirements of street vendors. We offer our graduating customers with a variety of asset products including individual loans, micro-enterprise loans, two-wheeler loans. Given our large customer base of microbanking customers, we have initiated opening of savings accounts for these customers and as of March 31, 2018, 2019 and 2020 and as of September 30, 2020, 0.43%, 3.57%, 9.06% and 11.64% of our JLG loan accounts also had savings accounts with our Bank, respectively. This helps inculcate savings behavior through the savings products we offer, including recurring deposits and fixed deposits.

Focus on robust risk management and effective operations resulting in superior asset quality

Risk management is at the core of our operations and we have over the years focused on robust and comprehensive credit assessment and risk management framework. Our framework identifies, monitors and manages risks inherent in our operations and in particular manages credit, market, liquidity, IT and operational risks. We believe that we are custodians of our customers' funds and ensure that we maintain high standards of integrity. Our risk function has a system of measuring, monitoring and implementing risk parameters including real time monitoring of regulatory updates and trends in national and international markets, framing guidelines, policies and products in accordance with industry practices, defining admissible portfolio at risk for each product, an early warning system to provide signals for sector performance and limits on extending funds to a particular industry. For retail loans, NPAs are tracked based on how a particular employee sources such loan. If delinquency levels are high for a particular employee, an enquiry is initiated. Credit norms are made stringent for Banking Outlets that show higher delinquencies. Our credit risk policy outlines the broad framework within which policies and products are to be conceptualized. Our policy requires that the credit officer in the microfinance business is mandatorily rotated every six months and the risk department undertakes regular and surprise visits and interacts with zonal and regional managers to understand any matters of concern. We also have a robust IT system in place to monitor and control operational risk including fraud detection and incident reporting. Credit management is crucial to our business since a significant number of our customers are from the unserved or underserved financial segment and

primarily first-time purchasers of financial products. We have implemented credit management models such as decentralized loan sanctioning for certain segments and stringent credit history checks. We also use solutions from credit bureaus to detect application frauds in our retail segment.

We continually use technology and data analytics to manage credit risks and follow a risk-based lending approach where we have developed a credit application scorecard to identify the credit worthiness of customers and make informed decisions on lending. To manage our disbursements, reduce human intervention and improve turn-around time, our credit assessment process is automated. We have developed a scorecard for secured and unsecured retail loans and are in the process of integrating with our loan originations system. We have a software to analyze statements of our retail and housing loans customers. For our microbanking loans, all credit officers use handheld device to record collection data on a real-time basis. We also track delinquency data based on pin codes.

Our risk management framework is driven actively by our Board through its Risk Management Committee and at the management level by the Asset and Liability and Market Risk Management Committee and Credit Risk Management Committee, Operational Risk Management Committee which are comprised and supported by members of our senior management team. Our compliance function strives to follow best-in-class compliance practices and acts as a focal point for receipt and timely dissemination of all statutory, regulatory and internal guidelines and instructions in matters of compliance among all our departments. We have defined compliance management processes in place that cover dissemination, tracking of regulatory circulars till implementation, approval of new products/ processes, assessment of compliance risk through compliance testing and transaction monitoring towards managing and mitigating compliance risk that we may face. Our Risk Containment Unit (“RCU”) ensures that all loan accounts, other than microbanking loans, are vetted and thoroughly checked prior to any disbursement. Our internal audit department is responsible for monitoring and evaluating internal controls and ensuring statutory and regulatory compliances at our Banking Outlets, Asset Centers and regional offices as well as at our head office. Our vigilance and security department educates our employees on preventive vigilance, punitive actions, surveillance and fraud identification. Our information security group addresses information and cyber security related risks.

We believe our risk management policies and conservative provisioning policy has helped us successfully navigate through industry wide one-off events such as demonetization and COVID-19. For instance, our business continuity plan ensured that our operations are not impacted as a result of the lockdown measures imposed by the government due to COVID-19. Our effective credit risk management is also reflected in our portfolio quality indicators such low gross and net NPA ratios. As of March 31, 2018, 2019 and 2020 and as of September 30, 2020, our percentage of gross NPAs to Gross Advances was 1.85%, 1.39%, 0.71% and 0.64%, respectively, while our percentage of net NPAs to Net Advances was 1.04%, 0.12%, 0.18% and (0.01)%, respectively. We have the lowest gross NPAs and net NPA ratios amongst SFBs in India, as of March 31, 2020 (*Source: CRISIL Report*). Our provision coverage ratio (including technical write-offs) was 83.79%, 97.49%, 95.64% and 100.34% in Fiscals 2018, 2019 and 2020 and in the six months ended September 30, 2020, respectively.

Strong growth with strong financial and cost efficient operational performance

Our Gross Loan Portfolio has grown from ₹ 32,100.49 million as of March 31, 2018 to ₹ 66,599.99 million as of March 31, 2020 at a CAGR of 44.04%, and were ₹ 66,432.68 million as of September 30, 2020. Our on-book AUM growth between fiscal 2017 and 2020 was among the fastest among SFBs (*Source: CRISIL Report*). Our disbursements grew at a CAGR of 33.66% from ₹ 36,716.12 million as of March 31, 2018 to ₹ 65,592.47 million as of March 31, 2020 and were ₹ 10,391.19 million as of September 30, 2020. Our deposits have also grown consistently and were ₹ 21,938.67 million as of March 31, 2018 and grew to ₹ 52,352.12 million as of March 31, 2020, and were ₹ 59,692.98 million as of September 30, 2020.

We have a comfortable liquidity profile that is backed by shorter tenure microbanking lending and sufficient liquidity buffer and as of September 30, 2020, our LCR was 334.60% as against regulatory requirement of maintaining LCR of 90%. We are well above regulatory capital requirements, having a SLR, CRR and CAR of 40.87%, 3.21% and 24.87%, respectively, as of September 30, 2020. We believe that our strong capital base positions us well to grow our business. Our policy for provisioning follows more conservative norms than those prescribed by the RBI and we have made specific provisions for the potential impact of the COVID-19 pandemic on our operations, amounting to ₹ 964.01 million being 81.47% of our total provisions (excluding tax provision) in the six months ended September 30, 2020.

Our interest earned has been consistently growing and grew from ₹ 5,010.64 million in Fiscal 2018 to ₹ 13,076.87 million in Fiscal 2020 and was ₹ 7,867.27 million in the six months ended September 30, 2020. Our Net Interest

Income in Fiscal 2018, 2019 and 2020 and in the six months ended September 30, 2020 was ₹2,511.58 million, ₹ 5,170.85 million, ₹ 7,282.24 million and ₹ 4,194.05 million, respectively. Our Net Interest Margins in Fiscals 2018, 2019 and 2020 were 8.21%, 10.78% and 10.13%, respectively, and was 8.64% (annualized) / 4.32% (unannualized) in the six months ended September 30, 2020. Our profit after tax, as restated, for Fiscals 2018, 2019 and 2020 was ₹ (774.23) million, ₹ 1,108.67 million and ₹ 1,867.43 million, respectively and was ₹ 778.69 million in the six months ended September 30, 2020. As a result of our performance, our return on average assets and return on average equity was 2.51% and 20.32%, respectively, as of and for the year ended March 31, 2020 and was 1.52% (annualized) / 0.76% (unannualized) and 14.64% (annualized) / 7.32% (unannualized), respectively, as of and for the six months ended September 30, 2020 and we were among the leading SFBs in terms of return on assets and had the highest return on equity among SFBs in India in Fiscal 2020 (*Source: CRISIL Report*).

Our ability to provide our products and services in a cost efficient manner is among our core strengths and our cost-to-income ratio is among the lowest in SFBs (*Source: CRISIL Report*). Our cost efficient operations are attributable to our automation and digitization of various processes including disbursements of loans in the microbanking business. Our cost-to-income ratio has reduced from 79.23% in Fiscal 2018 to 57.63% in Fiscal 2020 and was 52.41% in the six months ended September 30, 2020. Our provision coverage ratio (including technical write off) was 83.79%, 97.49% and 95.64% in Fiscals 2018, 2019 and 2020, respectively, and was 100.34% in the six months ended September 30, 2020.

High standards of corporate governance with experienced leadership team

Our Promoter, UCL, has a number of institutional investors including CDC Group PLC, International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, Housing Development Finance Corporation Limited, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Limited and Faering Capital India Evolving Fund and believe that the diversified shareholding of our Promoter lends credibility to our business operations. We maintain high standards of corporate governance as part of our operations.

We have an experienced management team comprising qualified professionals. Our Managing Director and Chief Executive Officer, Mr. Govind Singh, has over 25 years of experience in the banking and financial services sector and in particular the microfinance industry. He has been associated with leading financial services organizations in India including ICICI Bank Limited, Surya Fincap Limited, UTI Bank Limited, Bank Internasional Indonesia, Allahabad Bank and State Bank of Patiala in various capacities.

Our Board comprises of individuals from various fields with varied and diverse experience. The experience of our Independent Directors helps to ensure transparency and accountability in our operations across diverse functional aspects and their inputs enhance quality of our operations.

We are also led by a professional senior management team each of whom have significant experience in the banking and financial services industry. Our group heads of functional groups, such as accounts and finance, operations, technology, compliance, internal audit, risk and human resources, enhance the quality of our management with their specific and extensive industry experience and we believe have been instrumental in implementing our business strategy and commitment to fair and transparent business practices. We also have independent risk, compliance, internal audit and secretarial functions to meet required control and compliance and corporate governance standards.

Strategies

Continue diversifying our retail asset portfolio

Our primary focus will be to continue to diversify our asset portfolio. We intend to leverage our 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, we intend to extend the offering from JLG loans to individual loans, two-wheeler loans, micro enterprise loans, affordable housing loans and other new products. We will also seek to increase visibility and penetration of our other assets products to achieve a well-diversified lending book along with the continued focus on financial inclusion.

Among our retail asset products, we are focusing on offering working capital and term loans to MSMEs, small and medium sized corporates, institutional clients such as NBFCs, besides other retail assets products like housing loans with a focus on affordable housing, business loans, personal loans, loan against properties, loans for purchase of commercial properties, two-wheeler loans and commercial vehicle and construction equipment loans.

Besides upselling to our existing customer base in rural and semi-urban locations we intend to continue to cross-sell to new clients on-boarded through our expanding network in urban and metro locations.

Grow retail deposits mix across geographies and customer segments to build stable funding source

We intend to strengthen our liability franchise by continuing our focus on CASA and retail deposit base in a steady manner. Our retail term deposits comprised 9.95%, 21.78%, 34.66% of our total deposits as of March 31, 2018, 2019 and 2020, respectively, and 43.81% of our total deposits as of September 30, 2020. As a result of our continued diversification of deposits across geographies and customer segments, our Cost of Deposits was 7.17%, 8.43%, 9.10% in Fiscals 2018, 2019 and 2020 and was 8.37% (annualized) / 4.19% (unannualized) in the six months ended September 30, 2020.

We intend to undertake the expansion of our deposit base through our Banking Outlets and our digital offerings. Our focus will be to continue to develop the physical infrastructure by opening additional Banking Outlets in existing and newer geographies. Our focus will be to enter newer geographies including top 100 cities in terms of overall deposits, to grow our deposit base. In order to strengthen our deposit base, increase our CASA ratio and offer multi-channel customer experience, we intend to enhance our digital offering at various touch points of customer life cycle, for instance, digital onboarding, self-onboarding, internet and mobile banking, corporate internet banking, micro-ATMs and customer relationship management.

In order to grow our retail deposits, we intend to focus on client acquisition through our existing and new Banking Outlets besides deepening relationships with our existing customers. We intend to follow a two-pronged strategy to expand our footprint (i) further penetration in the existing geographies; and (ii) expand our reach into newer states in Western and Southern India. We will expand our presence in a calibrated manner in new geographies through additional Banking Outlets in top 100 cities in terms of overall deposits, where we are not extensively present. We will expand our presence in a calibrated manner in new geographies through additional Banking Outlets and BC partnerships and in particular in rural and semi-urban areas where we are not extensively present. We also intend to cross-sell liabilities products to our retail asset and JLG customer base by assisting them with opening current and savings accounts and inculcating savings behavior by promoting our recurring deposits, fixed deposits and other products. We also intend to grow our deposit base by entering into arrangements with corporates and institutions by providing an array of services to meet their payment, collection and savings requirement besides offering salary accounts for their employees. Our relationship approach will be based on a 'total relationship value' which we believe will help in offering a personalized banking experience.

In order to cater to the requirements of all customer segments, we will continue to offer and develop liability products with differentiated offerings catering to each segment through platforms such as internet and Mobile Banking and supported by our wide network of Banking Outlets and ATMs and micro-ATMs. Besides offering Rupay debit cards for domestic use, we have recently commenced offering international Mastercard debit cards. To facilitate ease of transactions for our customer, we intend to offer a range of products and solutions including internet payment gateway, UPI payment solutions, e-NACH and public financial management system.

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

In order to create a robust revenue stream, we intend to further diversify our fee and non-interest based revenues. We intend to achieve this by generating fee income from our own products and cross-selling third-party products like distribution of mutual funds, life insurance and general insurance products, Atal Pension Yojana, National Pension Scheme, micro-insurance and introducing newer products and services. We are engaged with various partners in offering these products and intend to continue to develop newer partnerships.

We expect revenue from individual retail customers to be generated primarily from distribution of third-party products in addition to debit card fees and loans to individuals and remittances. Revenue stream for non-individual segment would comprise processing fees for advances, commission on issuance of letters of credit, bank guarantees, cash management services and other transaction banking services. We intend to provide various payment solutions through mobile and internet banking to increase the fee income generated from debit cards, bill payments, and money transfers. We also propose to focus on bancassurance channels to distribute various types of insurance products to existing customers. As of September 30, 2020, we had four bancassurance relationships including with insurance companies offering general insurance, life insurance and health insurance products. We intend to capitalize on these relationships to diversify and distribute our products by leveraging on our existing network of Banking Outlets to promote newer products to multiple customers.

On the liability side, we will continue to engage with customers in urban and metropolitan locations to promote our wealth management services such as mutual fund investments and strengthen distribution of such products to our existing customer base. We also seek to engage actively with our customer base to drive debit card and online spending behaviour through active promotions, in order to drive growth of our transaction fee income.

Increasing use of technology and digital offerings for last mile delivery to customers

The optimum use of advanced, cost-effective technology has significantly driven our operations, and going forward, we intend to strategically invest our resources for leveraging technology for efficient operations as we scale up. By furthering our digital and technology platform, our endeavour is to reduce our operating costs, increase efficiencies as well as encourage customers to migrate from an assisted model to a self-service delivery model. We therefore intend to continue to invest in technology as a means of improving our customers' experience and offer them a range of products tailored to their financial needs. We shall develop such tailored products with the help of data analytics. Data we have collected over the years and continue to collect relating to cash flows, credit and demographic behaviour of our customer segments shall be applied to derive a granular understanding of the banking needs of such customer segments. We shall increase our focus on applying the data we have gathered over the years by creating customized analytical decision models to enhance underwriting and collection procedures. Key initiatives we have launched towards this objective include implementation of data-lake, master data management, next generation internet and mobile banking, digital on-boarding and micro-banking platform. We have invested significantly to improve our data security infrastructure and cyber security components.

We are also building data center infrastructure to focus on high availability and a disaster recovery data centre. We are also in process of implementing maximum data availability through our near disaster recovery data centre. Towards this, we have commenced work on implementing applications and platform for business enablement. These upgrades and deployments are a part of our information security controls to provide safe and secure working environment and platform to our customers.

We intend to retain our focus on the unserved and underserved segment by focusing on introducing customized digital channels across all our product segments. These include launching tab-based account opening for savings account customers and installing micro-ATMs in our key markets. Greater adoption of our digital service delivery mechanisms will enable us to be more efficient and customer friendly. We shall focus on leveraging data analytics for targeting specific customer profiles, and develop customized and tailor-made products to suit the diverse requirements of our customers and improve customer satisfaction.

Recent Developments – Impact of COVID-19

The World Health Organization declared the 2019 novel coronavirus (“COVID-19”) outbreak a Public Health Emergency of International Concern on January 30, 2020, and a pandemic on March 11, 2020. Further, on March 14, 2020, India declared COVID-19 as a “notified disaster” and imposed a nationwide lockdown announced on March 24, 2020. The lockdown remains in force in many cities, with progressive relaxations being granted for movement of goods and people and cautious re-opening of businesses and offices, with a possibility that lockdowns may be re-introduced or extended in the future. However, banking services were determined to be operating in an essential industry, which allowed us to continue our operations at majority of our Banking Outlets during the nationwide lockdown with limited workforce and other safety measures. The COVID-19 pandemic has caused substantial disruption to the global economy and created significant volatility and disruption in financial markets.

In order to address the financial implications of the COVID-19 pandemic, central banks around the world, including India, have taken monetary, fiscal and administrative measures. The RBI has issued guidelines on March 27, 2020, April 17, 2020 and May 23, 2020 in an effort to contain the impact of the COVID-19 pandemic on the financial services sector. Under these guidelines, all term loans are eligible for moratoriums on instalments and working capital facilities on interest due during a period of six months, i.e., from March 1, 2020 until August 31, 2020 by the RBI, contingent on the lending institutions satisfying themselves that the same was necessitated on account of the economic fallout from COVID-19. Such moratorium period shall be excluded by the lending institutions (including SFBs) for calculating the number of days past-due for the purpose of asset classification under the income recognition and asset classification norms prescribed by the RBI, in respect of all accounts classified as standard as on February 29, 2020. In line with these guidelines, we have provided a moratorium to eligible borrowers, even if overdue, as on February 29, 2020, on the payment of all principal amounts and/ or interest, as applicable, falling due between March 1, 2020 to August 31, 2020, resulting in a decline in our collections during such period. As per the RBI's directions, interest accrues during the moratorium period on the outstanding portion of term loans. Litigation challenging the accrual of interest during the moratorium period on

principal repayments and interest payments is pending before the Supreme Court. The Supreme Court, vide an interim order dated September 3, 2020, has also directed banks that accounts that were not declared as NPAs as of August 31, 2020 shall not be declared as NPAs until further orders, pending disposal of the case by the Supreme Court. The Supreme Court, through its order dated December 17, 2020 has reserved its judgment on these matters. For further information on the moratorium benefit that has been extended in accordance with the COVID-19 Regulatory Package issued by the RBI, see “Financial Statements – Annexure 23 – Note 23.47” on page 302.

Collection Efficiencies and Moratorium Information

The following table sets forth information relating to our collection efficiencies for the months April 2020 through September 2020.

Collection efficiency is calculated as the aggregate EMI amounts collected (excluding prepayment) in the relevant period divided by the current month EMI due for collection (had there been no moratorium) in such period.

Asset Products/Channels	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020
Microbanking Loans	0.27%	7.31%	65.09%	70.12%	70.73%	78.30%
Retail Loans	31.79%	28.74%	57.89%	64.95%	69.04%	88.85%
Housing Loan	45.12%	44.85%	64.38%	64.96%	67.70%	91.53%
Wholesale Loan	84.13%	66.70%	96.03%	99.98%	100.00%	100.00%
BC	7.31%	18.70%	62.07%	69.95%	76.76%	73.75%
Total	3.34%	9.89%	66.12%	71.02%	71.82%	79.28%

In order to address the impact of the COVID-19 pandemic on our Bank’s business and in line with the RBI guidelines on COVID-19 regulatory package, our Bank made COVID-19 related provisions amounting to ₹ 499.57 million and ₹ 950.00 million, in Fiscal 2020 and the six months ended September 30, 2020, respectively. Our gross NPA ratio was 0.71% and 0.64%, respectively, as of March 31, 2020 and September 30, 2020.

Description of Our Business

Overview

Our Promoter, UCL, commenced operations as a NBFC in Fiscal 2010 and was focused on providing microfinance to unserved or underserved segments and in particular in the states of Uttar Pradesh and Bihar. On October 7, 2015, UCL received RBI In-Principle Approval to establish an SFB, following which it incorporated Utkarsh Small Finance Bank Limited as a wholly-owned subsidiary on April 30, 2016. Subsequent to us obtaining the RBI Licence on November 25, 2016 to establish and carry on business as an SFB, UCL transferred its business of providing microfinance, as a going concern to our Bank, which commenced its operations from January 23, 2017. We were included in the second schedule to the RBI Act as a scheduled commercial bank pursuant to a notification dated October 4, 2017 issued by the RBI and published in the Gazette of India (Part III - Section 4) dated November 7, 2017.

Product Portfolio

We offer a range of financial products and services that address the specific requirements of our customer segments. Our product portfolio includes asset products that we advance to customers located primarily in unbanked and underbanked areas; and liability products in the form of deposits that we source from customers across regions.

Asset Products

We categorize our asset products into (i) microbanking loans that include joint liability group loans, individual loans and two-wheeler loans; (ii) retail loans that includes unsecured loans, such as business loans and personal loans, and secured loans, such as loans against property (“LAP”) and vehicle loans; (iii) wholesale lending that includes short term and long-term loan facilities to SMEs, mid and large corporates and institutional clients; and (iv) housing loans with a focus on affordable housing. Categorization is largely determined by customer profile, type of security and end-use.

The table below sets forth our Bank’s Gross Loan Portfolio by product as of the dates indicated:

Products / Channels	As of March 31,						As of September 30,	
	2018		2019		2020		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Microbanking Loans	28,424.26	88.55%	40,769.93	85.98%	58,558.04	87.92%	56,760.12	85.44%
Retail Loans	1,035.24	3.22%	1,649.31	3.48%	2,461.39	3.70%	3,238.77	4.88%
Wholesale Lending	2,467.45	7.69%	2,725.47	5.75%	3,095.05	4.65%	3,738.82	5.63%
Housing Loans	152.25	0.47%	382.00	0.81%	854.91	1.28%	1,262.67	1.90%
BC	-	-	609.87	1.29%	1,233.46	1.85%	1,232.29	1.85%
Others*	21.29	0.07%	1,278.92	2.69%	397.14	0.60%	200.01	0.30%
Gross Loan Portfolio	32,100.49	100.00%	47,415.50	100.00%	66,599.99	100.00%	66,432.68	100.00%

* Others includes overdrafts and staff loans

Microbanking Loans

Microbanking provides a comprehensive package of financial inclusion products and business development services to underprivileged or low-income individuals or groups who have limited access to financial services. Microbanking loans are provided with tenor of 12 to 24 months. The interest rates on our microbanking loans are fixed and currently the rate of interest is 23% per annum. In the microbanking loan segment, our Bank offers loans through the 'joint liability group' ("JLG") model.

In Fiscal 2020 and the six months ended September 30, 2020, the average ticket size of these loans was ₹ 0.02 million (based on loan outstanding), and they were disbursed for an average tenure of 22.57 months and 22.95 months. The average yield for our microbanking segment was 23.04% and 22.10% (annualized) / 11.05% (unannualized) in Fiscal 2020 and the six months ended September 30, 2020, respectively. In Fiscals 2018, 2019 and 2020, and the six months ended September 30, 2020, disbursements under this segment were ₹ 32,867.88 million, ₹ 41,638.20 million, ₹ 60,052.47 million and ₹ 7,219.59 million, respectively. As of September 30, 2020, the Gross NPAs for this product segment were ₹ 329.04 million, representing 0.58% of our Gross Advances in this product segment.

As of September 30, 2020, microbanking customers were engaged primarily in agriculture and allied activities including animal husbandry, services and trading and other activities.

The number of new to bank customers for our microbanking segment as of the periods indicated:

	As of March 31,			As of September 30,
	2018	2019	2020	2020
Total Microbanking Loan Accounts	1,512,377	1,972,807	2,504,008	2,400,251
New to Bank Customers	628,449	692,025	697,043	20,347

Our Bank provides cashless disbursement in the microbanking segment and disburses all the loans in the bank account of the customer. We also provide microbanking loans through BC partners and as of September 30, 2020, our Bank was serving JLG customers through a network of seven BC partners.

We intend to move towards digital modes of collections in the microbanking segment which will significantly reduce the operational risk pertaining to physical cash as well as improve the efficiency of the field staff.

The following table provides certain information relating to the spread of our microbanking segment operations as of the periods indicated:

	As of March 31,			As of September 30,
	2018	2019	2020	2020
Number of States	10	10	11	11
Number of micro banking outlets	352	375	404	406
Total number of centres	92,052	120,608	154,030	154,085

JLG Loans

We provide group loans built on the peer-guarantee loan model (joint liability group), which enables individuals to take loans without having to provide collateral or security on an individual basis, while promoting credit discipline through mutual support within the group, prudent financial conduct among the group, and prompt repayment of their loans. Group loan products are offered to economically active, unserved and underserved customers to meet various requirements. The primary target customer segment for our microbanking business are women in households who are engaged in income-generating activities, or who intend to begin new income-generating activity on their own. As of September 30, 2020, all of our customers in the JLG loans segment are female. These loans range between ₹ 6,000 to ₹ 100,000 and primarily comprises, agriculture and allied activities related loan and loans for other income generating activities.

Women are formed into JLGs that are accessed and assisted by Banking Outlets to provide financial services. JLGs congregate at centres consisting of members ranging between 10 and 30, and the group-lending technique is used to extend loans to women members. We offer group loan products based on the knowledge of each other's credit worthiness. The maximum household income limit is ₹ 125,000 per annum for rural areas and ₹ 200,000 per annum for semi-urban and urban areas. The methodology includes fortnightly/ bi-fortnightly centre meetings and 'stepped-up' loans that can grow each time a client takes a loan and successfully repays, thereby demonstrating good creditworthiness and the need for higher amount of loan.

Credit Process and Evaluation

The first step towards lending is the identification of potential areas for operation. Accordingly, a specified area is allocated to credit officers. The process of credit evaluation is conducted by an assistant branch manager or a branch manager or above.

The JLG lending process involves the credit officer conducting a village or locality survey followed by a report to the branch manager. The credit officer also identifies potential clients who may be interested to form a lending group based on the information made available to them by the credit officer including group norms such as mutual guarantee, loan products, rate of interest, repayment schedule and documentation required. Once approved, disbursements are made to a bank account only.

We assess JLG lending proposals on the following criteria:

- Household should have a maximum income of ₹125,000 in rural areas and ₹ 200,000 in urban areas per year;
- Household assets should not exceed ₹ 50,000 in rural areas and ₹ 100,000 in urban areas;
- Value of livestock owned should not exceed ₹ 50,000 in rural areas and ₹ 100,000 in urban areas; and
- Rooms per household should not exceed two

Collection: Center meetings are conducted at a scheduled time and place every weekly/ fortnightly/ bi-fortnightly. Customers give an undertaking on center attendance, loan utilization, timely payment of instalments and on collective responsibility. At these meetings, if any member defaults in making payments or is absent, the other group members are responsible for such amount. The member is subsequently required to repay such amount to the group. Repayments are collected in cash at center meetings and the cash collected at center meeting is deposited by the customers, on rotation basis, at our Bank's branch. The loan to a client is recommended by the respective members' centre, which then takes collective responsibility for repayment of the loan. The supervisory team comprising the branch and divisional managers are involved promptly if the customers/ centers default in repaying dues. Key functions such as center attendance, receipt issuance, and location of the transaction are tracked along with the collections. In addition, we conduct surprise center visits through the branch manager on a daily basis.

We offer the following products for our JLG loan customers:

Utkarsh Pragati: These loans range between ₹ 6,000 to ₹ 30,000. The maximum repayment tenure for such loans is 12/24 months (loans above ₹ 20,000 are for 24 months). As of March 31, 2020, and September 30, 2020, the number of outstanding 'Utkarsh Pragati' loans were 516,803 and 445,875, respectively.

Utkarsh Kiran: These loans range between ₹ 40,000 to ₹ 75,000. The maximum repayment tenure for such loans is 24 months. As of March 31, 2020, and September 30, 2020, the number of outstanding ‘Utkarsh Kiran’ loans were 1,879,902 and 1,842,933, respectively.

Utkarsh Asha: These loans are for an amount of ₹ 100,000. The maximum repayment tenure for such loans is 24 months. As of March 31, 2020, and September 30, 2020, the number of outstanding ‘Utkarsh Asha’ loans were 7,699 and 7,593, respectively.

In addition, we offer the following loans to our existing JLG customers who have completed a certain number of loan cycles:

Swacchata Loan: We also offer ‘Swacchata Loan’ with single ticket size of ₹ 25,000 - ₹ 27,500 to the existing JLG customers for construction/ repair/ renovation of toilets. Customers who availed a loan of ₹ 25,000 or above in the second cycle or above must have completed eight months from the date of disbursement (second cycle loan or above) or customers who availed loan lesser than ₹ 25,000 in the second cycle or above must have completed three months from the date of disbursement (second cycle loan) are eligible to be eligible for the loan. As of March 31, 2020, and September 30, 2020, the number of outstanding ‘Swacchata Loans’ were 98,522 and 93,578, respectively.

Individual Business Loans: In order to meet the increasing funding requirement of customers who have completed multiple loan cycles and are matured borrowers, our Bank introduced individual business loans for amounts of ₹ 100,000, ₹ 150,000 and ₹ 200,000. We provide individual loans especially to those who have begun their formal credit under JLG. Our Bank identifies a subset from its JLG customers, who are eligible for individual loans through good credit behavior and relatively higher size fund requirement. We disburse the loan in the bank account of the customer and the collection is also routed through the bank account of the customer. As of March 31, 2020, and September 30, 2020, the number of outstanding individual business loans were 1,100 and 1,419, respectively.

Two Wheeler Loans: In Fiscal 2020, our Bank started providing two-wheeler loan products on pilot basis to existing microbanking customers, who had completed their two JLG loan cycles with a minimum repayment of 24 months or has completed six EMI payments of business loan. Customers should have satisfactory repayment track record and can be considered without meeting the existing JLG loans/business loan requirements provided cash flow assessment supports incremental obligations. Customers should be residing in their own house for the last three years and should be involved in running business or income generating activities for more than three years with one year or more in the current line of business. Business premises can be self-owned or rented. Either the borrower or the co-borrower needs to possess a valid two-wheeler driving license or supporting documentation to qualify for the program. The loan amount for two-wheeler loans ranges from ₹ 30,000 to ₹ 100,000 and is offered as a term loan. Loans are made available for purchase of new two-wheelers of approved manufacturers and includes motor cycles, scooters, mopeds or scooterettes, both geared and gearless. Repayment is to be done in either 24 or 36 EMIs and are offered at an interest rate between 23% per annum. The loan-to-value ratio in Fiscal 2020 and six months ended September 30, 2020 was 83.47% and 84.91%, respectively. As of March 31, 2018, 2019 and 2020, and September 30, 2020, the number of outstanding ‘Two-wheeler Loans’ were nil, nil, 12 and 13, respectively.

Further, on account of the COVID-19 pandemic, we recently introduced the following products:

Utkarsh Sambal: This product is designed to meet the customers’ livelihood support requirement on account of the COVID-19 pandemic. The loan is a need based loan and the quantum is decided based on the current credit assessments parameters applicable for our JLG customers. All existing JLG loan customers are eligible to such a loan, subject to certain conditions. These loans range between ₹ 6,000 and ₹ 10,000 with a tenor of 12 months and rate of interest of 15% per annum. This scheme was applicable until September 30, 2020. As of September 30, 2020, the number of outstanding Utkarsh Sambal loans were 8,771.

PM SVANidhi Loan Scheme: The Ministry of Housing and Urban Affairs has recently launched Prime Ministers Street Vendor’s Atmanirbhar Nidhi (“PM SVANidhi”), a special Micro Credit Facility Scheme for providing affordable loan to street vendors to resume their livelihoods that have been adversely affected due to the COVID-19 pandemic. PM SVANidhi loan product is designed to meet such customers’ current livelihood support requirement. The loan is for a maximum amount of ₹ 10,000 and the tenor of the loan is 12 months and rate of interest of 15% per annum. As of September 30, 2020, the number of outstanding loans under PM SVANidhi Loan Scheme were 69.

Retail Loans

We offer a combination of secured (such as, vehicle loans and loan against property) and unsecured loans (business and personal loans) to individuals and non-individual entities, such as micro, small and medium enterprises (“MSME”), which are engaged in business activities in the manufacturing and services sector, with flexible security requirements to make credit more accessible to the retail borrowers. We introduced our retail loan products in Fiscal 2017 and are intended to facilitate the establishment, expansion and modernization of businesses, including acquiring fixed assets and meeting working capital needs. Further, lending to certain categories of eligible borrowers engaged in manufacturing or providing or rendering services with investment in plant and machinery and/ or equipment up to a certain amount and turnover are considered as ‘priority sector advances’ under the relevant RBI regulations.

Our retail loans for individuals and non-individuals borrowers ranges between ₹ 50,001 and ₹ 250,000,000. In Fiscal 2020 and the six months ended September 30, 2020, the average ticket size of these loans was ₹ 0.37 million and ₹ 0.49 million (based on loans outstanding), and they were disbursed for an average tenure of 63.07 months and 73.44 months. The average yield for our retail loan segment was 18.05% and 16.07% (annualized) / 8.03% (unannualized) in Fiscal 2020 and the six months ended September 30, 2020. In Fiscals 2018, 2019 and 2020, and the six months ended September 30, 2020, disbursements under this segment were ₹ 938.92 million, ₹ 1,179.70 million, ₹ 1,557.09 million and ₹ 958.86 million, respectively. As of March 31, 2018, 2019 and 2020, and September 30, 2020, the number of outstanding retail loans were 13,214, 10,062, 6,603 and 6,596, respectively. As of September 30, 2020, the Gross NPAs for this business segment were ₹ 84.95 million representing 2.62% of our Gross Advances in this product segment. Non-individual entities, such as MSMEs, accounted for, 4.23% and 5.15% of our total retail loans segment in Fiscals 2020 and the six months ended September 30, 2020, respectively.

We have strategically focused on developing our retail loan business to ensure diversity in our customer base. In order to expand our reach to retail borrowers, our Bank is strengthening its DSA network. As of September 30, 2020, we had collaborated with 74 DSAs. We typically assess eligibility of these customers based on parameters including cash flows, past banking conduct and repayment track-record.

Collection: Repayments are in the form of equal monthly installments, which are collected through NACH/ SI mandate executed by the borrower in favour of our Bank. On the due date of each monthly installment, such NACH/SI mandates are sent to the banker of the customer. Any default is intimated to the concerned branch and a dedicated staff is assigned for field level follow up and collection. If the account becomes an NPA, in addition to field level follow up, the case is transferred to the legal team for appropriate legal action including initiation of recovery proceedings. We also monitor our collections branch-wise/ location wise on a daily basis. In addition, we have a dedicated retail loans third-party call-center in Noida for collections and sales activities for our Bank. The call center follows up with customers for recovery of overdue equal monthly installments and is involved in outbound calls to customer to provide reminders for keeping sufficient balance in their bank accounts on their respective due dates. Our recovery processes include follow-ups and collections are categorized based on the extent of delay in making repayments, i.e. repayments overdue by 30 days, 60 days and 90 days are each managed through different processes to ensure that delinquencies do not exceed the thresholds set out internally.

We have developed the following products to meet the specific needs of our retail customers, including MSME borrowers:

Unsecured Products

Micro Enterprise Loans: These loans range between ₹ 50,001 to ₹ 150,000. The repayment tenure for such loans is between 12 months to 24 months and are offered at an interest rate of 25% to 28% per annum.

Small Business Loans: These loans are provided to individuals and range between ₹ 150,001 to ₹ 1,000,000. The repayment tenure for such loans is between 12 months to 48 months and are offered at an interest rate between 17% to 28% per annum.

Business Loans: These loans are provided to non-individuals entities and range between ₹ 150,001 to ₹ 1,000,000. The repayment tenure for such loans is between 12 months to 48 months and are offered at an interest rate between 17% to 28% per annum.

Enterprise Loans: These loans are provided to non-individuals entities and range between ₹ 1,000,001 to ₹ 1,500,000. The repayment tenure for such loans is between 12 months to 48 months and are offered at an interest rate of 17% to 22% per annum.

Smart Enterprise Loans: These loans are provided to non-individuals entities and range between ₹ 1,500,001 to ₹ 2,000,000. The repayment tenure for such loans is between 12 months to 48 months and are offered at an interest rate of 14% to 17% per annum.

Personal Loans: We extend personal loans to salaried customers in government, private or public sector organizations that meet our eligibility criteria. These loans range between ₹ 100,000 to ₹ 1,000,000. The repayment tenure for such loans is between 12 months to 48 months and are offered at an interest rate between 14% to 28% per annum. The minimum net income criteria is ₹ 32,000 per month for customers. The loans are offered to customers in full time employment with good credit behaviour as well as new-to-credit customers.

Secured Products

BL Secured+: These loans are provided to non-individual entities to meet their business related working capital as well as fixed assets creation related requirement. These loans range between ₹ 1,000,001 to ₹ 10,000,000 and are secured against the property (residential, industrial and/ or commercial) offered as collateral. The repayment tenure for such loans is between 36 months to 120 months and are offered at an interest rate between 11% to 14% per annum.

LAP Retail: These loans are provided to salaried, self-employed professionals and self-employed non-professionals and range between ₹ 200,000 to ₹ 10,000,000 and are secured against the property (residential and/ or commercial) offered as collateral. The repayment tenure for such loans is between 36 months to 120 months and are offered at an interest rate between 11% to 17% per annum.

LAP Prime: These loans are provided to salaried, self-employed professionals, self-employed non-professionals and non-individual borrowers, and for a maximum amount of up to ₹ 50,000,000 and are secured against the property (residential and/ or commercial) offered as collateral. The repayment tenure for such loans is between 36 months to 180 months and are offered at an interest rate between 11% to 12% per annum.

Loan for Purchase of Commercial Property: These loans are provided to self-employed professionals and non-professionals that meet our eligibility criteria to purchase commercial property. These loans range between ₹ 1,000,000 to ₹ 10,000,000 and are secured against the property offered as collateral. The repayment tenure for such loans is between 3 years to 10 years and are offered at an interest rate between 11% to 16% per annum.

Utkarsh Biz Secure: These loans are offered to individuals primarily belonging to micro and small enterprise segment that meet our eligibility criteria. These loans range between ₹ 1,000,000 to ₹ 10,000,000 and are secured against the property offered as collateral. The repayment tenure for such loans is between 3 year to 10 years and are offered at an interest rate between 11% to 14% per annum.

Utkarsh GECL Scheme: These loans are offered our existing clients in line with RBI guidelines to address the liquidity crisis that arose due to COVID-19. Loans are limited up to 20% of a customers' loan that was outstanding as of February 29, 2020 and are covered by guarantee provided by National Credit Guarantee Trustee Company Limited. The repayment tenure for such loans is up to 4 years and are offered at an interest rate of 9.25% per annum.

Utkarsh Lease Secure: These loan are provided against discounted rental receipts and property. These loans are offered to individuals, proprietorship and partnership firms, companies and limited liability partnerships. These loans range between ₹ 500,000 to ₹ 250,000,000. The tenure of repayment is between 3 years and 15 years and are offered at an interest rate between 11% to 17% per annum.

Utkarsh Smart Business: This is a working capital facility in the form of a revolving credit where funding is provided in the form of overdraft and dropline overdraft limits. This is offered to non-individuals and entities for meeting their funding requirement for day-to-day business activities. The credit facility ranges between ₹ 1,000,000 to ₹ 10,000,000 and are secured against collateral. The limit is renewable every year for overdraft limits. The tenure is for a minimum of 3 years and up to 10 years for dropline overdraft are offered at an interest rate between 10.5% to 14.0% per annum.

Commercial Vehicle and Construction Equipment Loans: We recently commenced providing commercial vehicle and construction equipment loans to new customers and existing customers. These loans starts from ₹ 200,000 and are secured against the vehicle funded offered as collateral. The repayment tenure for such loans is between 12 to 60 months and are offered at an interest rate ranging between 10% - 15% per annum. Our commercial vehicle finance customers typically include fleet operators such as bus service providers, goods carriers, chemical

transporters, and vehicle transporters. As of September 30, 2020, there were no amounts outstanding under this segment.

Wholesale Lending

We provide short term and long-term loan facilities to SMEs, small and mid-corporates and institutional clients. The loans are offered to meet their on-lending, working capital and business expansion requirements. We also provide a non-fund based product in the form of a bank guarantee. The products offered along with their nature and purpose are as below:

Product	Nature	Purpose
Overdraft	Short Term	Working Capital
Dropline Overdraft	Long Term	Working Capital, business expansion
Term Loan	Short Term and Long Term	On-lending, business expansion
Bank Guarantee	Short Term and Long Term	Customer's specific requirement

As of September 30, 2020, our wholesale lending business had 32 customers spread across India.

Our wholesale facilities range between ₹ 10 million and ₹ 400 million and are offered at an interest rate ranging between 10.00% to 14.50% per annum with a tenor of 15 months to 60 months. In Fiscal 2020 and the six months ended September 30, 2020, the average ticket size of these loans was ₹ 67.28 million and ₹ 74.68 million (based on loans outstanding), and they were disbursed for an average tenure of 37.13 months and 33.67 months. The average yield for our wholesale lending segment was 10.72% and 11.32% (annualized) / 5.66% (unannualized) in Fiscal 2020 and the six months ended September 30, 2020. In Fiscals 2018, 2019 and 2020, and the six months ended September 30, 2020, disbursements under this segment were ₹ 2,780.00 million, ₹ 1,585.00 million, ₹ 2,171.00 million and ₹ 1,484.80 million, respectively. As of March 31, 2018, 2019 and 2020, and September 30, 2020, the number of outstanding wholesale loans were 20, 36, 46 and 50, respectively. As of September 30, 2020, there were no Gross NPAs for this product segment.

We source customers for our wholesale lending segment through various channels such as references from relationship managers, existing customers' references, empaneled channel partners and industry/segment conferences/seminars. The facilities are provided after due diligence on the entity and their business model, financial performance, security value, internal and external ratings and other necessary dedupes by our credit and risk departments.

Collection: Collections are handled by our relationship managers, and if a customer fails to pay on the due date, the relationship manager engages with the customer. If the account is overdue by more than 60 days, the account is handed over to the collections team. We are entitled to initiate issue of dunning/ collection notices under Section 138 of the Negotiable Instruments Act, 1881; commence arbitration proceedings for attachment of property if identified, and attachment and thereof followed by declaration of wilful defaulters as stipulated in the RBI guidelines. We are also entitled to take charge of book debts and/or receivables hypothecated to us for recovery of our dues. Our recovery processes include follow-ups and collections based on the extent of delay in making repayments, i.e. repayments overdue by 30 days, 60 days and 90 days are each managed through different processes to ensure that delinquencies do not exceed the thresholds set out internally.

Housing Loans

Our Bank focusses at providing affordable housing loans to self-employed and salaried and self-employed individuals. Our housing loan offerings are targeted towards formal, informal and semi-formal income segments and are provided for purchase/ construction of plots, purchase/ construction of house, improvement/ restoration/ extension of home. The loan amounts range between ₹ 200,000 and ₹ 10,000,000, and the repayment tenures for these loans range between three years and 30 years. These loans are offered at interest rates between 9.00% and 14.50% per annum.

In Fiscal 2020 and the six months ended September 30, 2020, the average ticket size of these loans was ₹ 0.96 million and ₹ 1.13 million (based on loans outstanding), and they were disbursed for an average tenure of 185.33 and 190.71 months. The average yield for our housing loan segment was 11.11% and 10.67% (annualized) / 5.34% (unannualized) in Fiscal 2020 and the six months ended September 30, 2020. In Fiscals 2018, 2019 and 2020, and the six months ended September 30, 2020, disbursements under this segment were ₹ 117.16 million, ₹ 266.33 million, ₹ 544.10 million and ₹ 443.5 million, respectively. As of March 31, 2018, 2019 and 2020, and September 30, 2020, the number of outstanding housing loans were 300, 554, 895 and 1,114, respectively. As of September

30, 2020, the Gross NPAs for this product segment were ₹ 8.54 million representing 0.68% of our Gross Advances in this product segment.

We largely assess the eligibility of the customers in this segment based on cash flows, business performance if self-employed, salary details including job stability, past banking conduct and repayment track-record. The subject property, which is also a security for the loan, is subject to a thorough legal and technical assessment to ascertain unambiguous title to the property and verify the valuation of the property.

Collection: Repayments are in the form of equal monthly installments, which are collected through NACH/ SI mandate executed by the borrower in the favour of our Bank. On the due date of each monthly installment, such NACH/SI mandates are sent to the banker of the customer. Any default is intimated to the concerned branch and a dedicated staff is assigned for field level follow up and collection. If the account becomes an NPA, in addition to field level follow up, the case is transferred to the legal team for appropriate legal action including initiation of recovery proceedings. We also monitor our collections branch-wise/ location wise on a daily basis. Our recovery processes include follow-ups and collections are categorized based on the extent of delay in making repayments, i.e. repayments overdue by 30 days, 60 days and 90 days are each managed through different processes to ensure that delinquencies do not exceed the thresholds set out internally.

We have developed the following products under housing loans:

Utkarsh Grih Saral: These loans range between ₹ 500,000 and ₹ 1,000,000, with a repayment tenure that ranges between 36 to 360 months. The rate of interest charged ranges between 13.00% and 14.00% per annum with the interest being charged on reducing balance.

Utkarsh Grih Suvidha: These loans range between ₹ 1,000,000 and ₹ 2,500,000, with a repayment tenure that ranges between 36 to 360 months. The rate of interest charged ranges between 9.00% and 13.00% per annum with the interest being charged on reducing balance.

Utkarsh Grih Unnati: These loans range between ₹ 2,500,000 and ₹ 6,000,000, with a repayment tenure that ranges between 36 to 360 months. The rate of interest charged ranges between 9.00% and 11.00% per annum with the interest being charged on reducing balance.

Utkarsh Grih Pride: These loans range between ₹ 6,000,000 and ₹ 10,000,000, with a repayment tenure that ranges between 36 to 360 months. The rate of interest charged ranges between 9.00% and 11.00% per annum with the interest being charged on reducing balance.

Utkarsh Grih Sudhar: These loans range between ₹ 200,000 and ₹ 5,000,000, with a repayment tenure that ranges between 36 to 240 months. The rate of interest charged ranges between 9.00% and 14.00% per annum with the interest being charged on reducing balance.

Utkarsh Grih Aadhar: These loans are offered to our existing customers for housing purposes. The loan amount ranges between ₹ 200,000 to ₹ 500,000 with a repayment tenure that ranges between 36 months to 360 months. Interest rate charged ranges between 13.00% and 14.00% per annum with interest being charged on reducing balance.

Home Loan Plus: These are top-up loans that are offered for any purpose other than housing. The loan amount ranges between ₹ 200,000 to ₹ 2,500,000 with a repayment tenure that ranges between 36 months to 180 months. Interest rate charged ranges between 9.50% and 14.50% per annum with interest being charged on reducing balance.

Utkarsh Awas Loan: These loans are offered for purchase/ construction/ extension/ improvement of home and is extended to borrowers belonging to economically weaker sections/ lower income group/ and middle income group segment. It is a credit linked subsidy scheme under the Pradhan Mantri Awas Yojna whereby eligible borrowers are provided a subsidy by the government on the interest component of the loan to make the home loan affordable to borrowers.

Home Loan Balance Transfer: We offer the facility to transfer the balance of an existing home loan through the home loan takeover facility. The new loan new loan after takeover is for an amount ranging from ₹ 500,000 to a maximum of ₹ 10,000,000. The tenure for such loans range from three years and maximum of 30 years. Interest rate starts from 9% per annum with interest being charged on reducing balance.

Others

These include overdraft facilities and staff loans.

Overdraft facilities: Extended to individuals, proprietorships, private limited companies that have open fixed deposits with us for meeting their short-term liquidity requirements. Overdraft limit is renewed annually unless specified otherwise. Overdraft facilities are offered at interest spread of up-to 2.00% above fixed deposit rates.

Staff loans: Extended to individuals employed with our Bank and/ or their immediate relatives to meet their short-term liquidity requirements, typically at an interest rate of 7% to 10% per annum.

Collections

We collect repayments in the form of cash/ sending instructions, NACH, post-dated cheques and through various online portals. We also monitor our collections branch-wise/ location wise on a daily basis. Our collection processes are set out in our policies and procedures that are in compliance with RBI guidelines. For instance, we issue dunning/ collection notices under Section 138 of the Negotiable Instruments Act, 1881; and declare wilful defaulters as stipulated in the RBI guidelines. We also have the option to commence proceedings under the SARFAESI Act, 2002. For overdraft facilities in particular, we adjust the due amount against the fixed deposit which acts as a security for the overdraft facility. Our recovery processes including follow-ups and collections are categorized based on the extent of delay in making repayments, i.e. repayments overdue by 30 days, 60 days and 90 days are each managed through different processes to ensure that delinquencies do not exceed the thresholds set out internally.

Network of Business Correspondents

We started the Business Correspondent or BC model in Fiscal 2018 primarily to expand in geographies where we did not have presence through our Banking Outlets. Our BCs acquire, manage and service customers as an extended arm of our Bank by following all the policies and procedures laid out as per our internal governance structure. As of September 30, 2020, our BCs were responsible for sourcing and/or servicing customers for 1.85% of our Gross Loan Portfolio, respectively. Our BCs have partnerships with various banks and financial institutions and are not exclusive to us. However, we have exclusive arrangements with certain of our BCs at district level and for certain products with respect to specific geographies.

Further, our BC department is responsible for building our Bank's asset portfolio through various partnerships with partners having relevant geographical and product domain experience. Our BC department undertakes various functions, such as, (i) identification of geography and experience of the entities in such catchment; (ii) assessing the financial and operational performance of the entities proposed to partner with our Bank; and (iii) undertaking end-to-end operations of onboarding the customers.

As of September 30, 2020, our Bank had entered into partnership with seven BCs in Madhya Pradesh, Chhattisgarh, Haryana, Punjab, Rajasthan, Maharashtra, Telangana and West Bengal. As of September 30, 2020, the portfolio under the BC segment amounted to ₹ 1,232.29 million.

Liability Products

We meet our funding requirements primarily through the savings accounts, current accounts and a variety of term and recurring deposit accounts that we source from customers across regions in India:

Savings Accounts

Saving accounts are demand deposits for customers that accrue interest. As of September 30, 2020, we had 510,645 savings accounts. The interest rate for our domestic savings account ranges from 5.00% to 7.25% per annum on the daily balance kept in the savings account. We offer the following types of interest-bearing savings account to our customers:

Standard Savings Account: An average quarterly balance of ₹ 5,000 in metro/ urban Banking Outlets. Certain unique features of our standard savings account, include, free unlimited domestic transactions at any ATM. The interest is calculated on daily product basis and credited quarterly.

Premium Savings Account: An average quarterly balance of ₹ 50,000 is required to be maintained or minimum composite total relationship value of ₹ 500,000 is required to be maintained collectively in the current, savings

and term deposit accounts, linked to the Premium Savings Account. Customers are offered unlimited free domestic transactions at any ATM. A Platinum Rupay debit card with an accidental policy cover of up to ₹ 200,000, is also offered to the account holder. The interest is calculated on daily product basis and credited quarterly.

Gen-Nex Savings Account: An average quarterly balance of ₹ 2,500 in metro/ urban Banking Outlets and ₹ 750 in semi-urban/ rural Banking Outlets is required to be maintained. This account can be opened jointly with a guardian and can be operated by the parent/ guardian until the minor becomes a major and further, the account can be converted into a regular savings account when the minor becomes a major. Customers are offered unlimited free domestic transactions at any ATM. The interest is calculated on daily product basis and credited quarterly.

Corporate Salary Standard Account: This account provides a variety of features and primarily caters to the 'blue-collar' employees of an organization. No minimum balance is required to be maintained and there are no charges for non-maintenance of minimum balance. A Classic Rupay debit card is issued with no annual maintenance charges for the first year. A corporation is required to have a minimum of 20 employees with an average salary of ₹ 10,000 per month with a minimum monthly salary upload of ₹ 200,000 to qualify for various features of this account. Customers are offered unlimited free domestic transactions at any ATM. The interest is calculated on daily product basis and credited quarterly.

Corporate Salary Premium Account: No minimum balance is required to be maintained and there are no charges for non-maintenance of minimum balance. An EMV Platinum Rupay debit card is offered with no annual maintenance charges for the first year. A corporation is required to have a minimum of 20 employees with an average salary of ₹ 50,000 per month with a minimum monthly salary upload of ₹ 1,000,000 to qualify for various features of this account. Customers can undertake unlimited domestic transactions at any ATM. The interest is calculated on daily product basis and credited quarterly.

Basic Savings Bank Deposit Accounts ("BSBDA")/ BSBDA Small: No average monthly balance is required to be maintained and there are no charges for non-maintenance of minimum balance. A Classic Rupay debit card is offered with no annual maintenance charges for the first year. The various facilities provided with this account, include, free unlimited domestic cash withdrawal at all ATMs. The interest is calculated on daily product basis and credited quarterly.

Institutional Savings Account Standard: No average monthly balance is required to be maintained, however, an initial deposit of ₹ 25,000 is required for opening the account. In addition, other services include, unlimited number and amount of deposit and withdrawals at our Banking Outlets, competitive charges for NEFT/ RTGS and internet banking facilities. The interest is calculated on daily product basis and credited quarterly.

Institutional Savings Account Premium: No average monthly balance is required to be maintained, however, an initial deposit of ₹ 100,000 is required for opening the account. In addition, other services include, unlimited number and amount of deposit and withdrawals at our Banking Outlets, competitive charges for NEFT/ RTGS and internet banking facilities. The interest is calculated on daily product basis and credited quarterly.

Institutional Saving Account Government: This account is specifically designed for Government institutions. No average balance is required to be maintained. In addition, other services, include, unlimited Banking Outlet cash transactions, free demand draft facility and unlimited free RTGS/ NEFT.

Current Accounts

Our current accounts are demand deposits for customers that do not accrue interest. We offer various types of current accounts which are equipped with a variety of services, including banking solutions, such as, corporate internet banking, to cater to the various requirements of entities/ customers to manage their businesses. We do not pay interest on our current accounts. As of September 30, 2020, we had 15,850 current accounts.

We offer the following current accounts to our customers:

Business Standard Account: An average quarterly balance of ₹ 10,000 at metro/ urban Banking Outlets and ₹ 5,000 at semi-urban/ rural Banking Outlets is required to be maintained. We provide free cash deposit of ₹ 200,000 per month and unlimited cash withdrawal at the home Banking Outlet. In addition, other features, include, free 150 transactions per quarter, no debit card annual charges on Rupay Classic debit card for the first year and competitive charges on digital transactions.

Business Premium Account: An average quarterly balance requirement of ₹ 50,000 is required to be maintained. We provide free cash deposit of ₹ 1,000,000 per month and unlimited cash withdrawal at the home Banking

Outlet. In addition, other features, include free unlimited transactions at any of ATMs, free RTGS/ NEFT, no debit card annual charges for the first year on Rupay Platinum debit card.

Institutional Current Account Basic: No average monthly balance is required to be maintained, however, an initial deposit of ₹ 25,000 is required for opening the account. In addition, other services include, unlimited number and amount of deposit and withdrawals at our Banking Outlets, competitive charges for NEFT/ RTGS and internet banking facilities.

Institutional Current Account Premium: No average monthly balance is required to be maintained, however, an initial deposit of ₹ 100,000 is required for opening the account. In addition, other services include, unlimited number and amount of deposit and withdrawals at our Banking Outlets, and free NEFT/ RTGS and internet banking facilities.

Institutional Current Account Government: This account is specifically designed for Government Institutions. No average balance is required to be maintained. In addition, other services, include, unlimited Banking Outlet cash transactions, free demand draft and unlimited free RTGS/ NEFT.

Term Deposits

As of September 30, 2020, 128,710 accounts had maintained term deposits with us. We offer the following types of deposits to our customers:

Fixed Deposits: Fixed deposit is offered for a minimum amount of ₹ 1,000. Fixed deposits can be placed for a minimum period of seven days to a maximum of 10 years. Interest payment options are monthly, quarterly and at maturity. The rate of interest paid for fixed deposits varies based on tenure and amount, and higher interest rates are offered to senior citizens. Premature closure is permitted.

Fixed Deposits Plus: Fixed deposits plus is offered for a minimum amount of more than ₹ 1,500,000 and less than ₹ 20,000,000. Fixed deposits can be placed for a minimum period of seven days to a maximum of 10 years, however, premature withdrawal is not allowed for these deposits. Interest payment options are monthly, quarterly and at maturity. The rate of interest paid for fixed deposits varies based on tenure and amount, and higher interest rates are offered to senior citizens.

Recurring Deposits: Recurring deposits require a minimum monthly deposit amount of ₹ 100 for a minimum period of six months to a maximum of 10 years. Interest payment is quarterly and at maturity. The rate of interest paid for fixed deposits varies according to tenure and amount, and higher interest rates are offered to senior citizens. Premature closure is permitted.

Tax Saver Fixed Deposit: Tax saver fixed deposit is offered for a minimum amount of ₹ 1,000 up to a maximum of ₹150,000. However, these deposits are subject to a five-year lock-in and auto renewal and premature withdrawal are not permitted. Further, only Indian resident individual and HUFs are eligible for this type of deposit where tax exemptions on these deposits can be claimed under Section 80C of the Income Tax Act, 1961. Interest payment is monthly, quarterly or at maturity.

In addition, we offer overdraft against fixed deposit to Indian resident individuals, HUFs and public and private limited companies that have opened fixed deposits with us for meeting their short-term liquidity requirements. Overdraft limit is renewed annually unless specified otherwise. Overdraft facilities are offered at interest spread of up to 2.00% above fixed deposit rates.

Other Products and Services

As of September 30, 2020, we offered a range of third-party products, including (i) distribution of life insurance, health, motor, accidental and other general insurance products, and mutual funds schemes; (ii) money transfer services – inward remittances; (iii) integrated bill payment system; and (iv) distribution and facilitation of accounts under the certain Government schemes.

Sale of third party (including insurance and mutual fund products). We have obtained corporate agency license from IRDAI, post obtaining a no-objection certificate from the RBI to undertake the activity of distribution of third party insurance products on a non-risk sharing basis without any commitment of our own funds. We have entered into an agreement with HDFC ERGO General Insurance Company Limited for the distribution of health insurance, motor, accidental and other general insurance policies. Our life insurance partners include HDFC Life

Insurance Company Limited, ICICI Prudential Life Insurance Company Limited and Shriram Life Insurance Company Limited. We are also engaged in the distribution of mutual fund schemes of select AMCs.

Safe Deposit/Locker Facilities. We offer various locker facilities to our customers at competitive rates.

Money Transfer Services - Inward Remittances. Our Bank has been approved by Ebix Money Express Private Limited to undertake money transfer service scheme business. We act as a sub-representative of Ebix Money Express Private Limited for money transfer services. While no outward remittances from India is permissible, we intend to target individuals Indian resident abroad, existing clients and prospective customers.

Integrated bill payment system. We offer our customers access an integrated bill payment system through the internet, which is a one-stop payment solution for all bills across India. It is an interoperable and accessible bill payment service for utility services and also other categories, such as school/ university fees, insurance and municipal taxes.

Distribution and facilitation of accounts under certain Government schemes. We are also licensed by the PFRDA for distribution and facilitation of accounts under the Atal Pension Yojana.

Distribution Channels

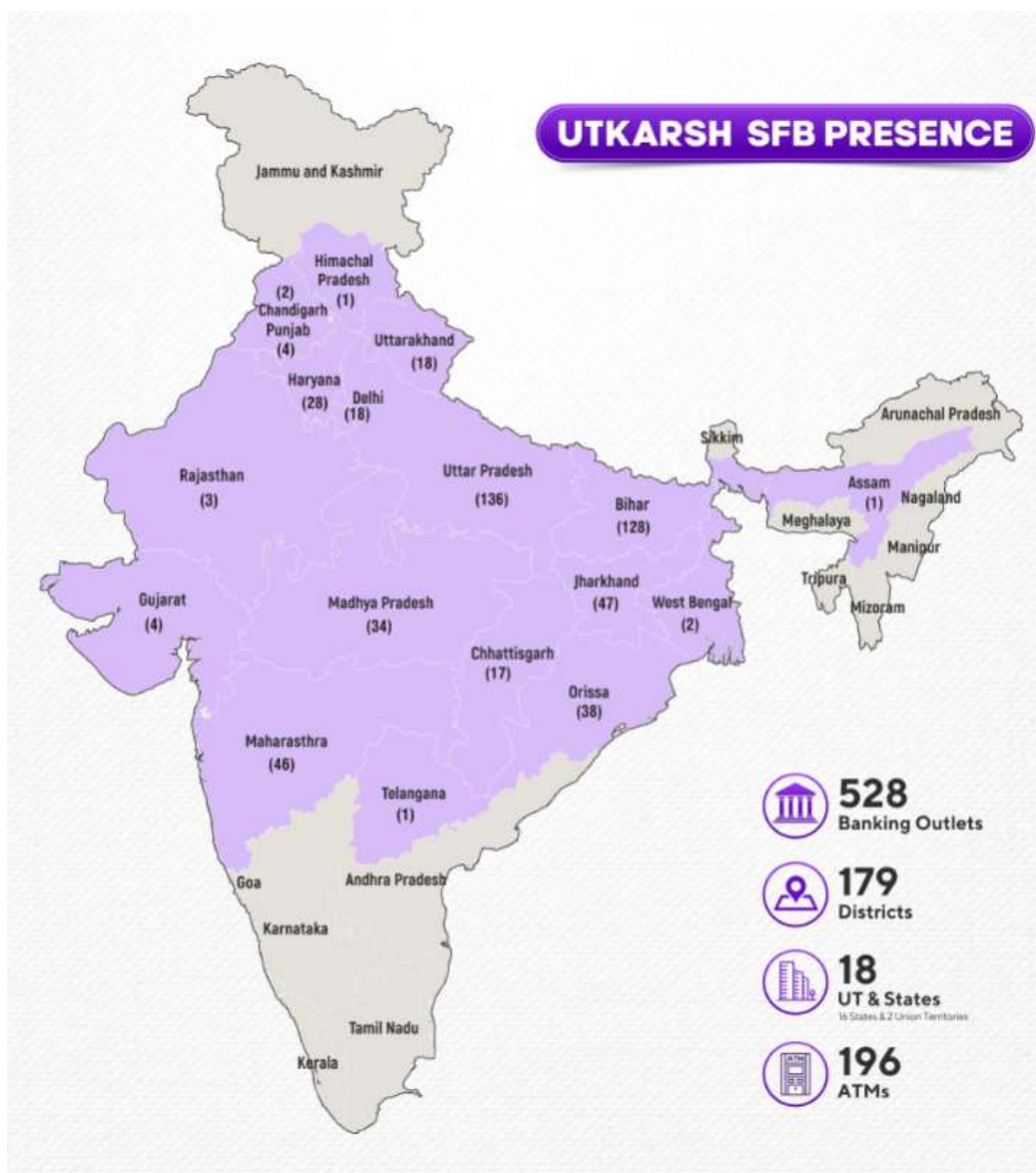
We carry out our operations through Banking Outlets, ATMs both off-site and on-site, micro-ATMs, POS terminals and various digital channels including internet banking through our website, phone banking through our call center, and mobile banking through the application besides BCs and DSAs for asset products. As of September 30, 2020, we operated 528 Banking Outlets that included 143 URCs across 18 States and Union Territories, as well as a network of seven BCs and had arrangements with 74 DSAs.

Network of Banking Outlets

Our branch network comprises micro-Banking Outlets and general Banking Outlets.

Our micro-Banking Outlets have cost-effective and lean infrastructure and are located in primarily rural and semi-urban areas that have growth potential targeting the disbursement of credit to low and middle income individuals and micro businesses giving us access to relatively less competitive markets. Our general Banking outlets are spread across semi-urban, urban and metro locations amongst the top 100 cities in terms of overall deposits, for growing our liabilities business and other retail asset products. All our Banking Outlets are optimally equipped in terms of personnel, infrastructure and product offerings, and we intend to offer customers a standardized experience across all Banking Outlets.

The map below sets out certain information on our Banking Outlets as of September 30, 2020:



[Map not to scale]

As of September 30, 2020		
Region	Banking Outlets	Number of States/ Union Territories
North ⁽¹⁾	261	10
West ⁽²⁾	50	2
South ⁽³⁾	1	1
East ⁽⁴⁾	216	5
Total	528	18

Notes:

(1) Northern region comprises the following Chandigarh, Chhattisgarh, Haryana, Himachal Pradesh, Madhya Pradesh, New Delhi, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand.

(2) Western region comprises Gujarat and Maharashtra.

(3) Southern region comprises Telangana.

(4) Eastern region comprises Assam, Bihar, Jharkhand, Odisha and West Bengal.

For further information on our state-wise deposit mix, see “Selected Statistical Information” on page 199.

ATMs and Debit Cards

We typically deploy onsite ATMs at our Banking Outlets for the convenience of our customers. Our customers can perform cash withdrawal, mini-statements, balance enquiry, PIN change and update mobile number at our ATMs. In addition, we have recently started micro ATMs, in line with our financial inclusion model. Our Bank has deployed 160 onsite ATMs and 36 offsite ATMs as of September 30, 2020. In Fiscal 2020, we recorded an

average of 598 transactions per month per ATM, and an average of 85.71% of such transactions were by customers of other banks, while in the six months ended September 30, 2020, we recorded an average of 527 transactions per month per ATM, and an average of 87.10% of such transactions were by customers of other banks. Further, in Fiscals 2018, 2019 and 2020, and the six months ended September 30, 2020, average debit card spend (ATM per transaction) was ₹ 3,521, ₹ 3,130, ₹ 3,362 and ₹ 3,022 and average point of sale and e-commerce spend (per transaction) was ₹ 1,182, ₹ 1,292, ₹ 1,040 and ₹ 1,031, respectively.

We currently offer various types of Rupay debit cards, including classic debit card and Utkarsh Platinum debit card, to all of our liabilities customers. The cards can be used to withdraw cash through our ATMs and the ATMs of any other bank in India and for purchase transactions at POS/Online terminals in India. During the six months ended September 30, 2020, 32.00% of our customers used the Utkarsh Bank Rupay Card over 0.89 million times transacting ₹ 2,224.98 million. In addition, we have recently started offering Mastercard debit cards.

SMS Alerts

Our SMS alerts facility provides alerts, account information and transactional services via SMS on both smartphones and feature phones. Our SMS alerts facility helps alerting customers on probable unauthorized access to their accounts.

Digital Channels

Internet Banking

We offer a variety of internet banking services, allowing our customers to conduct banking operations at any time, on any day and from anywhere in the world. Our internet-banking platform is equipped to handle basic remittance services, such as, IMPS, NEFT and RTGS. In Fiscal 2020 and the six months ended September 30, 2020, transactions carried out through internet banking amounted to ₹ 3,087.71 million and ₹ 3,087.15 million, respectively.

We have put in place a corporate internet banking platform for business users to aid customer acquisition and build current account balances. The corporate internet banking platform offers specialized services, such as, bulk payments, multi-fund transfers, multiple user authorization, standing instructions and schedule transfers.

Mobile Application

The Utkarsh Mobile Banking application is compatible with both Android and iOS operating systems, and provides facilities, such as fund transfer, access to bank accounts, enquiries and access to deposits and portfolio, opening of fixed/ recurring deposits, and cheque book requests. In Fiscal 2020 and the six months ended September 30, 2020, transactions carried out through mobile application banking amounted to ₹ 136.43 million and ₹ 136.62 million, respectively. As of September 30, 2020, the total number of registered users of Utkarsh Mobile Banking application was 0.064 million and of which 54.17% were active users.

Digi On-Boarding

Our Bank has launched 'Digi On-Boarding', a 'tab' based application assisted model for customer on-boarding. 'Digi On-Boarding' has provided digital end-to-end onboarding of customers with instant savings bank account opening with limited documentation through handheld devices. We believe the digitization of end-to-end process has helped us reduce the turn-around time and manual errors. 'Digi On-Boarding' provides an integrated online real-time system with bio-metric enabled customer on-boarding with e-KYC linked to Aadhaar/UID.

Customer Service

We utilize third parties' services to manage call centres. Call centres agents manage our customers' queries and can assist our customers in English and Hindi. Our call centre facility is available to our customers 24x7. All calls made to our call centre are recorded and these recordings are available to us for monitoring, quality control and reference purposes. Our customer service quality department routinely conducts a review of the calls to discuss areas of improvement to ensure the efficient resolution of customer complaints.

Loan Pricing

Our asset liability committee approves the interest rates across loan types and retail deposits besides providing indicative range for interest rate to be quoted for bulk deposits. Our loan pricing framework is based on (a) internal marginal cost of funds known as marginal cost of funds based lending rate; or (b) external market benchmarks.

We have a defined risk based pricing for all our loans. Each loan product is given a specified risk band and interest rate range. This is discussed and decided by Asset Liability Management Committee. Rates are reviewed from time to time, depending on prevailing market conditions and our operating and funding costs at that time. All of our loans are denominated in Indian Rupees. Our MCLR is displayed at all our Banking Outlets and on our website. In setting interest rates for loans, we take into consideration various factors including RBI guidelines on advances, the prevailing MCLR/ external borrowing rates, the interest rates charged by our competitors at the time, the credit rating of the customers wherever applicable, our own cost of funds, the nature of collateral offered, if any, the credit risk premium and the business strategy premium.

Collection

Our collection process is in the form of sending instructions for easy monthly installment collection in the form of standing instruction on the accounts maintained with us or NACH on the accounts maintained with other banks. In case of non-realization of repayment instrument (standing instruction/ post dated cheque), collection is done in cash as well. The manner of collection depends on the kind of customer. We continuously aim to strengthen our underwriting, collection processes and systems. Collections are carried out through personnel engaged by the Bank only once the customer fails to make payments by the due date. Our collection processes are set out in our policies and procedures that are in compliance with RBI guidelines.

Our collection department discharges various functions for collection and recovery of delinquent loans, including, (i) sending SMS to all customer to ensure that sufficient funds are maintained in their accounts in order for them to clear their monthly instalments; (ii) pre and post calling through call center to ensure maximum resolution on due dates; (iii) collecting monthly instalments in cash from customers who have not submitted post-dated cheques / standing instructions / NACH mandates; (iv) allocating data based on demand file wherever loans are already delinquent.

In Fiscal 2020 and the six months ended September 30, 2020, an aggregate amount of ₹ 90.17 million and ₹ 7.71 million, respectively, was collected from written-off clients.

Treasury Department

Our treasury team focuses primarily on the management of our funds, maintenance of statutory reserves (cash reserve ratio and statutory liquidity ratio), asset liability gaps, interest rate risks, liquidity positions, investments and trading activities. Our Treasury also has access to the priority sector lending certificate platform for the sale, if any, of excess portfolios under the priority sector. We have a Board-approved investment policy framed in accordance with RBI guidelines and a standard operating procedure for carrying out treasury transactions and governing investments in various instruments such as bonds, treasury bills, commercial papers, certificate of deposits, mutual funds, debentures and other products.

Our Bank is a member of the market infrastructure in reporting and settlement systems, such as, NDS-Call, NDS-OM, TREPS and FTRAC. In its role to manage liquidity, our treasury department ensures availability of adequate liquidity to meet the needs of asset growth, operational expenses and payment obligations. Further, in order to manage liquidity mismatches, our treasury department actively participates in money market operations, such as, call/notice/term money, certificate of deposits, commercial papers and IBPC. In addition, it also raises liability resources through refinance, IBPC, issue of certificate of deposits and bulk FDs. Our resource mobilization strategy plays a vital role in managing our sources of funds with an optimal mix of term deposits and interbank term money.

Capital Adequacy Ratios

Under the SFB Operating Guidelines, we are required to maintain a minimum capital adequacy of 15% of credit risk weighted assets only, to be computed as per the Basel II norms prescribed by RBI, including a minimum Tier I capital of 7.5%, and the Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, we are not required to maintain any capital conservation buffer or any counter-cyclical capital buffer.

Our CRAR was 16.96%, 24.14%, 22.19% and 24.87%, as of March 31, 2018, 2019 and 2020, and September 30, 2020, respectively. Our Tier I capital ratio was 12.46%, 20.34%, 19.41% and 19.02% as of March 31, 2018, 2019 and 2020, and September 30, 2020, respectively. For further information, see “*Selected Statistical Information*” on page 199.

Compliance

We have an independent compliance function and a compliance department which is responsible for monitoring and reporting compliance. Our compliance department functions as an independent unit to assist the senior management in the identification of compliance risks. This involves providing compliance-related training to employees, framing and providing necessary guidance on various policies, updating management on new compliance requirements and ensuring that compliance standards are followed at all levels. Our Managing Director and chief executive officer, Mr. Govind Singh, is the designated director and chief compliance officer, Mr. Sachin Shamkant Patange, is the principal officer of our Bank under PMLA, 2002.

Our KYC and AML department aims to follow the relevant best practices including adherence to recommendations of the Financial Action Task Force, and accordingly, undertakes sanctions screening, FATCA-CRS compliance, updation of beneficial ownership along with transaction monitoring and statutory reporting (CTR, NTR, CCR and STR) under PMLA, 2002 to Financial Intelligence Unit - India.

Risk Management

Our business operations require us identify, measure, control, monitor and report risks effectively. The key components of our risk management rely on the risk governance structure, comprehensive processes and internal control mechanism based on approved policies and guidelines. Our Bank has implemented policies relating to management of credit risk, market risk, operational risk, information security risk, fraud risk and asset-liability. We operate based on our Board-approved risk management and governance policies and manage our risks under the enterprise-wide risk management framework.

Internal Audit

Our internal audit department follows a risk-based internal audit approach. We have developed audit checklists based on RBI's Framework for Risk-Based Internal Audit. We use an integrated audit software for preparation and execution of internal audits. The internal audit team is responsible for systematically reviewing the audit findings and reporting various audit related MIS on a monthly basis to the management and on quarterly basis to the Audit Committee of the Board. The internal audit department conducts various audit including periodic risk based internal audit of branch, central functions, information system and cyber security, management, outsourced vendors and concurrent audit of the Bank's assets and liabilities business, treasury function, centralized account opening process, centralized disbursement, centralized payments, office accounts and data center.

Vigilance

The vigilance and security department undertakes investigation of fraud, corruption cases and addresses grievances, including those under our Bank's whistle-blower policy. The department educates staff on preventive vigilance, punitive actions, surveillance and identification areas. The vigilance and security team conducts a variety of inquiries relating to fraud, cash theft and serious employee abuse and undertakes surprise and regular branch visits and liaises with local authorities.

Finance

Our finance department focuses primarily on preparing financial plans, monitoring and analysis of financial performance, planning and raising of capital and investor relations. The finance department monitors priority sector target achievement and financial inclusion performance of our Bank and computes MCLR for the Bank on a monthly basis. The team also manages the Bank's credit ratings and interacts with credit rating agencies.

Accounts

Our accounts department is responsible for publishing financial results, substantiation and reconciliations of all accounts, reporting to the RBI and tax compliance.

Company Secretarial

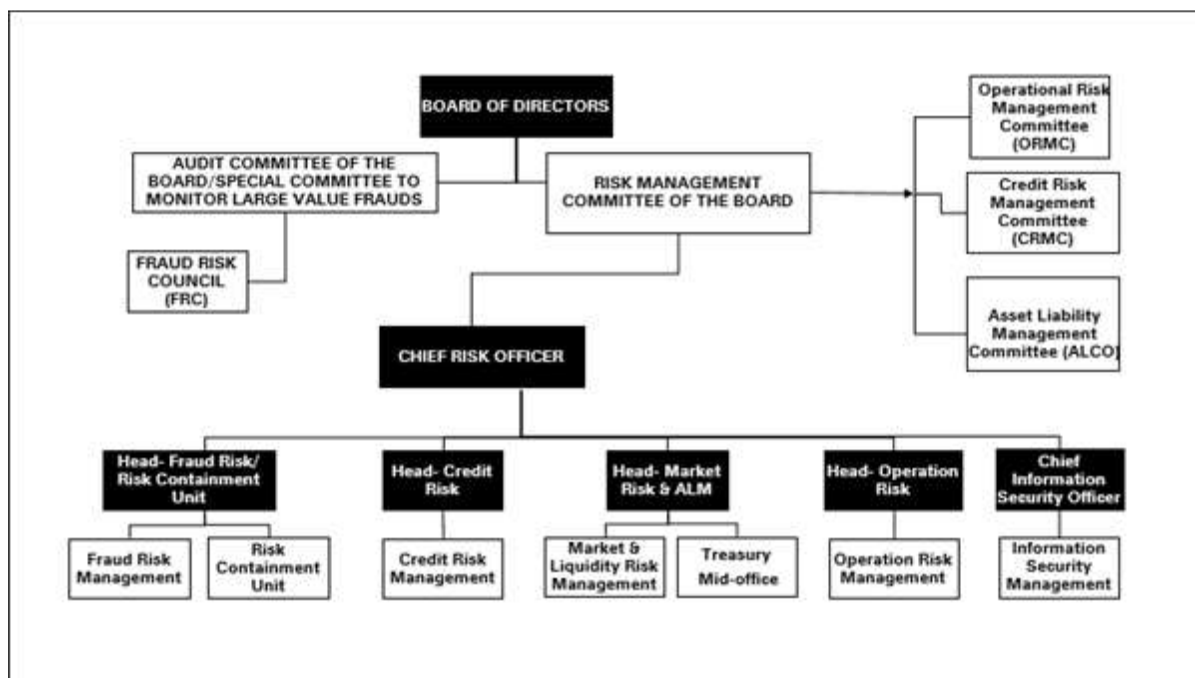
Our company secretarial function is to update, monitor, report and comply with the requirements of the applicable laws. The department is also responsible for the conduct of meetings of the Board and committees.

Risk Governance Structure

Our Bank has established a system for directing and controlling the management of risk within our Bank. The risk governance model defines three key roles: (i) businesses that take, manage and monitor risk; (ii) risk management to provide policy, guidance and analysis; and (iii) internal audit to provide independent assurance.

We have an independent risk management team reporting to the Chief Risk Officer. We have a Risk Management Committee of the Board supported by management-level risk management committees, i.e. Operational Risk Management Committee, Credit Risk Management Committee and Asset Liability Management Committee. The risk teams primarily focus on independently analyzing and providing guidance on managing the risk at regular intervals.

The following chart highlights our independent risk governance structure:



Board of Directors: Our Board is the highest authority in our Bank to lay down the policies. In addition, our Board has committees to oversee, among other key activities, the risk management processes, procedures and systems in our Bank.

Risk Management Committee: Our Risk Management Committee is a Board level sub-committee. The role of the Risk Management Committee is to provide advice and recommendations on matters relevant to risk management including risk management practices. The Risk Management Committee comprises three members of the Board.

Management Level Committees: At management level, five separate committees for credit risk management, operational risk management, asset liability management, information system security committees and fraud risk council meet at regular intervals to support our Board level committees in executing their respective responsibilities.

Credit Risk

Credit risk is possibility of losses due to the outright default arising from the inability or unwillingness of a customer or counterparties to meet commitments in relation to lending, trading, settlement and other financial transactions due to deterioration in credit quality of borrowers or counterparties. Our Bank has implemented various policies, including credit risk management policy, investment policy, credit policy, NPA management, provisioning and restructuring policy and collection policy, which facilitates the management of credit risks. Based on the pre-evaluation methods and sanction from respective authorities, credit approvals and follow-ups are reported in time to respective authorities. Further, our Bank has adopted internal capital adequacy assessment process and stress testing framework. The purpose of the internal capital adequacy assessment process is to provide detailed information on the on-going assessment of our Bank's entire spectrum of risks, how our Bank

intends to mitigate such risks and to establish a well-defined internal assessment process within our Bank. It also ensures that adequate capital is held towards the material risks to which our Bank is exposed. As per our policy, all loans more than 365 days of being considered as NPAs are eligible for write-off. Based on collections in the recent past, a final decision to write-off such loan is taken.

Our Bank has an approved delegation of authorities including various credit committees for credit approvals. Our credit risk management committee at the management level proactively assess portfolio quality, prudential limits and inherent risks. In addition, our credit risk management committee also frames policies and sets limits to mitigate identified risk.

Liquidity Risk

Liquidity risk arises out of maturity mismatch between its assets and liabilities. Our Bank has developed a comprehensive ALM policy that incorporates RBI guidelines. The asset liability committee is responsible for the overall formulation of the asset liability strategies and oversight of asset liability management. Our Bank has also set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowing, deposits and placements, which is presented to the asset liability committee on a monthly basis. Treasury is responsible for managing day-to-day liquidity as per the liquidity risk management framework. Our Bank monitors liquidity position on a daily basis and ensures that adequate liquidity is available all the time. We typically maintain adequate liquidity with a buffer to mitigate the risk of unanticipated large premature withdrawal of deposits or to meet any other large unanticipated outflows. As of September 30, 2020, we maintained excess liquidity of ₹ 21,159.00 million in addition to mandatory SLR and CRR requirement and deployed primarily in 'Liquidity Adjustment Facility' with RBI, SLR securities and other liquid and marketable (non-SLR) securities.

Operational Risk

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. We have a dedicated team within the risk management function which is responsible for assessment, monitoring and reporting of operational risk exposures across our operations. A Board approved operational risk management framework has been implemented along with processes to collect the operational risk loss/ event data from all the business units and analyze the same to ascertain the process gaps and take steps to avoid the recurrence of such events. We review all the new products and processes, and changes to the existing products and processes, to assess risks and suggest suitable controls for risk mitigation.

Fraud Risk Management and Risk Containment Unit

The basic role of the risk containment unit is to examine the applications/ documents on the basis of dynamic triggers and online checks to detect and prevent fraudulent applications from entering into the system at the onboarding stage. The fraud risk management unit is responsible for external fraud investigations, internal reporting to various committees, such as, special committee of the Board to review high value frauds and Audit Committee, regulatory reporting through XBRL and transaction monitoring on near to real time basis. Our Bank is also working on various digital initiative for prevention of fraud in the asset business by implementing certain tools to check the probable frauds for identification of fake/ forged documents. Our Bank is currently using the transaction monitoring - NPCI fraud risk management tool for monitoring of fraudulent debit card based transactions on ATM channel only. The alerts for suspicious transactions are generated in near to real time basis with a predefined risk score and actions are initiated based on the risk score.

Market Risk

Market risk is defined as risk to the bank's earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange and equities, as well as the volatilities of those changes. Investment committee and asset liability committee of our Bank oversees the investment and market risks and approves the framework for market risk and thresholds. A monthly comprehensive market risk and liquidity risk dashboard is circulated to senior management which provides all relevant information related to investment portfolio, liquidity position, depositors and borrowing.

The market risk for the Bank is governed by the 'market risk management policy' and 'investment policy', which are approved by the Board. These policies ensure that transactions in debt and capital markets are conducted in accordance with acceptable business practices and are as per the extant regulatory guidelines.

Business Continuity

Our Bank has implemented a business continuity policy and formed a crisis management team to ensure that our operations continue with minimum disruption. Our business continuity plan involves the creation and implementation of strategies that recognize threats and risks that we may be subject to, with a focus on the protection of personnel and assets, while maintaining continued operations in the event of a disaster. Further, our crisis management team is responsible for taking remedial action in case of any breakdown or failure of critical systems, occurrence of natural disasters or accidents or any other events affecting business continuity.

Since the onset of the COVID-19 pandemic in March 2020, our Bank has responded swiftly by implementing various processes to ensure our operations and services to our customers continue seamlessly. Our Bank has efficiently managed to run its Banking Outlets with reduced manpower and also manage its other banking channels such as ATMs, internet and mobile banking, and call centre without any disruptions. We maintain a robust VPN infrastructure, which has enabled and equipped our employees to work from home to ensure no service disruptions and provide support to our customers. We have also deployed security systems to safeguard assets and customer data as well as issued detailed work from home protocols to enable secure usage. Our central processing centres at Mumbai and Varanasi have continued their daily operations, in accordance with the safety guidelines provided by the Government of India, to ensure timely settlement of all transactions. We have also undertaken additional safety measures, such as, regular temperature checks, regular sanitization, and compulsory use of masks and hand sanitization. We continue to closely monitor the impact that COVID-19 may have on our business and results of operations. Also, see *“Risk Factors – The extent to which the recent coronavirus (COVID-19) pandemic impacts our Bank’s business, cash flows, results of the operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.”* on page 23.

Information Technology

We believe that information technology is one of the key differentiators for improving customer experience. The use of technology, over the years, has enabled us to scale up our operations in an efficient manner. We have collaborated with third party software solution providers and software service providers in order to automate our backend operations which are supported by a core banking system and loan management function. Our various technology platforms support major functions, such as, customer experience, enterprise accounting, expense management and human resources, process management, risk management, and governance are also supported by various technology platforms. We also provide digital end-to-end onboarding with quick savings bank account opening with limited documentation through handheld devices. In addition, we have enabled digital facilities including internet banking, mobile banking, corporate internet banking, bill payments, and debit cards.

We aim at leveraging technology to better serve our customers, identify opportunities, deliver innovative products and services and advance on our goal of financial inclusion. We have introduced robotics process automation to increase efficiency and improve operational productivity. We have recently started new data-lake and analytics projects for better understanding of core customers and decision taking in real time. We believe this will increase our ability to deliver improved customer experience and facilitate customer acquisition and deepen our relationship with customers.

Data Security

We have a dedicated team to manage the information systems security. Our security operations centre operates on a 24x7 basis to protect our assets. We are regulated by the RBI and we conduct assessments of our compliance with the RBI’s Cyber Security Framework in Banks, RBI’s Guidelines on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds, and the Information Technology Act, 2000. We also have a Board approved cyber crisis management plan in place, in line with the guidelines of the RBI. An incident response team has also been constituted which is responsible to promptly and correctly handle a cyber-security incident, in order for it to be promptly contained, investigated and recovered from.

We also conduct periodically ‘IS and Cyber Security Audit’ to ensure that relevant data security controls are present including masking/ encryption of critical data fields at rest, in motion and in use, role-based access control, segregation of duties, least privileges and effective user access management. In addition, we conduct periodic vulnerability assessments and penetration testing exercises on our applications and infrastructure components. All applications have to mandatorily undergo security testing before going live.

Intellectual Property

We have obtained various trademark registrations in India, including for our logo  and name 'Utkarsh Small Finance Bank Limited' with the trademark registry under classes 16 and 36. We have also applied for registration

of our tag line “” and “”. We have also entered into agreements with our Promoter and Group Company for usage of the 'Utkarsh' brand and logo. We have also registered the domain name www.utkarsh.bank in India. For further information, see “Government and Other Approvals” on page 349.

We believe our intellectual property has significant value and is materially important to our business. We are proactive about protection of our intellectual property by taking appropriate action where any other entity uses or attempts to use any mark similar to trademarks owned by our Bank or makes attempts to secure registration of marks similar to trademarks owned by the Bank. Also, see “Risk Factors – Our intellectual property rights may be subject to infringement or we may breach third party intellectual property rights. If we fail to successfully enforce our intellectual property rights, our business, results of operations and cash flows would be adversely affected.” on page 46.

Marketing

Our marketing objective is to build brand awareness and create a brand identity as the ‘trusted and preferred’ banking partner. We focus on establishing relationships and creating a strong community connect to build trust and credibility. Our marketing strategy is focused on leveraging digital media through our social media handles, websites and other online platforms, and offline media, such as outdoor displays, newspaper advertisements and radio, to reach out to our desired audience in an effective and efficient way.

We regularly launch campaigns and undertake different activities to increase brand visibility and awareness of our products and services in the communities we serve. Our marketing efforts are focused on three broad areas of brand building, brand and product recall and lead generation activities, both through digital and other means. Our focus is to increase branch level community activities to spread awareness and community connect besides digital medium for larger audiences across locations. We also use newspaper advertisements, radio campaigns, local sponsorship events, branch inauguration activities, client engagement events, email and SMS campaigns. We also focus on encouraging the use of digital banking channels, particularly individuals in unbanked and underbanked segments on the use of digital channels. Our communication medium is both in English and vernacular languages to strength community connect. Our marketing initiatives are aimed at acquiring new customers while strengthening our relationships with our existing customers. We conduct projection meetings and centre meetings in villages to create a contact between villages and our Bank to explain new products and their features.

Competition

We operate in a highly competitive environment and face significant competition from other small finance banks, scheduled commercial banks and NBFCs as well as local moneylenders in rural areas and unorganized, small participants in the market across all our product segments. There are several successful microfinance institutions functioning in India, and we regularly compete with them for business throughout India. We seek to compete with these entities through value added services, faster customer service response, quality of service, a growing inter-connected Banking Outlet network, and delivery capabilities based on enhanced technology. Our primary competitors include AU Small Finance Bank, Equitas Small Finance Bank, Fincare Small Finance Bank, ESAF Small Finance Bank and Ujjivan Small Finance Bank (Source: CRISIL Report). Our competitors in the organized sector may have a better brand recognition, greater business experience, more diversified operations, a greater customer and depositor base, a larger branch network and better access to funding and at lower costs than we do. Furthermore, certain requirements that are applicable to small finance banks in terms of the SFB Operating Guidelines and other banking laws and regulations are significantly more stringent in comparison to scheduled commercial banks and NBFCs. Ensuring compliance with these laws and regulations has and will continue to limit our revenue, thereby making it more difficult to compete with other players in the organized sector.

Further, the RBI issued Guidelines for On-Tap Licensing of SFBs in the Private Sector on December 5, 2019, which permits applicants to apply for SFB license to the RBI at any time, subject to fulfilment of certain eligibility criteria and other conditions. We anticipate that this will increase competition within small finance banks operating in India, including our Bank.

If the number of scheduled commercial banks including small finance banks, public sector banks, private sector banks, payment banks, and foreign banks with branches in the country increases, or if such existing entities expand their operations, we will face increased competition across product segments, which could have a material adverse effect on our financial condition and results of operations. Also see, “*Risk Factors – The Indian banking industry is very competitive and if we are unable to compete effectively it would adversely affect our business, financial condition, results of operations and cash flows.*” on page 39.

Insurance

We maintain insurance policies that we believe are customary for banks. These include standard fire and special perils policy, burglary insurance policy, credit card package insurance policy, public liability, group micro insurance policy and bankers indemnity policy. Further, our Bank has obtained certain insurance policies for our employees, including, group term insurance policy and group mediclaim policy. In addition, we also maintain a directors and officers liability insurance policy.

We believe that our insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance. Our policies are subject to standard limitations and, in the case of business interruption insurance, among other things, limitations apply with respect to the length of the interruption covered and the maximum amount that can be claimed. Therefore, insurance might not necessarily cover all losses incurred by us and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. See “*Risk Factors – Our insurance coverage may be inadequate to cover claims. If we incur substantial uninsured loss or loss that exceeds our insurance coverage, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.*” on page 47.

Human Resources

As of September 30, 2020, we had 8,729 employees, as set forth below:

S. No.	Function/ Department	Number of Employees
1.	Admin	31
2.	Branding and Marketing	10
3.	Branch Operations and Support	133
4.	Collection	148
5.	Compliance	22
6.	Corporate Centre	1
7.	Corporate Communication and Strategy	3
8.	Credit	140
9.	Finance /Accounts	52
10.	HR and Training	73
11.	Internal Audit	137
12.	Internal Ombudsman	1
13.	IT	80
14.	JLG / Micro Banking	5,623
15.	Liabilities	1,540
16.	MD and MD Office	8
17.	Operations/CPC	216
18.	Project/Corporate Support and Services	17
19.	Retail Assets (MSME)	250
20.	Retail Assets (HL)	129
21.	Retail Assets (Wheels)	15
22.	Risk Management	49
23.	Treasury	3
24.	Vigilance and Security	12
25.	Wholesale Lending	36
Total		8,729

As part of our customer-centric approach, we recruit employees locally, which assists us in gaining a better understanding of customers in that region and their requirements. We have a focused approach on enabling a diverse and inclusive workforce. We believe in cultivating talent and providing growth opportunities to our employees through learning, development and career progression programmes. We also have well-defined HR policies in place. These policies are implemented through our corporate HR structure that comprises recruitment, HR operations and employee engagement and training verticals, supported by a Zonal HR structure providing

‘last-mile’ connect. We develop our internal human resources to help them meet the organisational goals apart from offering individual progression and growth for competent employees. We provide training programmes, such as, induction training, functional training, coaching and mentoring, which we believe enhances the technical, functional and soft skills of our employees. We also provide online learning platforms. The Bank has adopted a technology enabled and automation focused approach towards delivering HR services to employees. The Bank provides real time access to key HR services through its mobile enabled online human resource management system. Our ‘Performance Management System’ is online and all related activities including goal setting, appraisals are done using the online platform. We have a mechanism in place to mitigate risk emanating from adverse employee behavior and acts of omission or commission.

We have also engaged third parties for providing recruiting services, human resource management, consultancy and outsourcing, employability assessment modules, employment related information, executive search and other allied services. In addition, we have also entered into agreements with various third parties for providing training and development for our employees, and deployment of learning management system.

Corporate Social Responsibility

We have adopted a Corporate Social Responsibility (“CSR”) policy in compliance with the requirements of the Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014 notified by the Central Government. We have a board approved CSR policy that aims to contribute to the social and economic development of underprivileged and underserved community in low income geographies. Our Bank’s strategy is to integrate its activities in community development, social and environment responsiveness and encourage each business unit/ function to include these considerations into its operations. We also have a CSR Committee which is responsible for administering and executing the CSR policy. Our CSR Committee identifies specific areas which need focus and recommends them for implementation and reviews these activities at regular intervals.

We carry out CSR activities through Utkarsh Welfare Foundation, a Group Company, which is a company incorporated under Companies Act, 1956 and our recent CSR activities have focused on education, financial literacy, health initiatives, skill and entrepreneurship development programs, and supported elderly care centres and orphanages. Annually, we spend 2% of our average net profits of the previous three years as per our CSR policy. We believe that our CSR initiatives contribute to our overall strategy of engaging with our target customers.

Properties

Our Registered and Corporate Office is situated at S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi, Uttar Pradesh, and is held by the Bank on leasehold basis from a third-party. As of September 30, 2020, our operations were spread across 18 States and Union Territories, and through 528 Banking Outlets, all of which are located on leased premises. In addition, we are in the process of constructing our new headquarters at Sehmalpur, Varanasi on land that is owned by us.

KEY REGULATIONS AND POLICIES

The following is a brief overview of certain specific Indian laws and regulations, which are relevant to our Bank's business. The information detailed below has been obtained from various legislations, including rules, regulations, guidelines and circulars promulgated and issued by regulatory bodies that are available in the public domain. The overview set out below is not exhaustive and is only intended to provide general information, and is neither designed, nor intended, to be a substitute for professional legal advice. For details of the government approvals obtained by our Bank in compliance with these regulations, see "Government and Other Approvals" beginning on page 349. The statements below are based on the current provisions of Indian law, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Banking Regulation Act, 1949, as amended ("Banking Regulation Act")

Banks in India are required to obtain a license from the RBI to carry on banking business in India. Such license is granted to the bank subject to compliance with certain conditions some of which include that: (i) the bank has or will have the ability to pay its present and future depositors in full as their claims accrue; (ii) the affairs of the bank are not or are not likely to be conducted in a manner detrimental to the interests of the present or future depositors; (iii) the bank has adequate capital structure and earnings prospects; (iv) public interest will be served if such a license is granted to the bank; and (v) the general character of the proposed management of the company will not be prejudicial to public interest or the interests of the depositors. The RBI has the power to cancel the license if a bank fails to meet the conditions or if the bank ceases to carry on banking operations in India. Additionally, the RBI has issued various reporting and record-keeping requirements for such commercial banks. The appointment, re-appointment or termination of the auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in public interest, or in the interest of the banking company, or in the interest of its depositors. It also sets out the provisions in relation to the loan granting activities of a banking company. The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities. As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks. Pursuant to amendments to the Banking Regulation Act in January 2013, private sector banks are permitted, subject to the guidelines framed by the RBI, to issue perpetual, redeemable or irredeemable preference shares in addition to ordinary equity shares.

Further, the Banking Regulation Act, requires any person to seek prior approval of the RBI, to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by himself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in aggregate shareholding of such person to be 5% or more of the paid-up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, the RBI may, by passing an order, restrict any person or persons acting in concert with him, holding more than 5% of the total voting rights of all the shareholders of the banking company from exercising voting rights on poll in excess of the said 5%, if such person is deemed to be not fit and proper to hold shares or voting rights, by the RBI. Under the RBI (Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks) Directions, 2015, as amended, an existing shareholder who has already obtained prior approval of RBI for having a "major shareholding" in a private sector bank, need not obtain approval for an additional fresh acquisition resulting up to 10% aggregate shareholding in such bank. However, if the additional acquisition results in an aggregate shareholding that is in excess of 10%, the prior approval of RBI must be obtained. Further, persons with 'major shareholding' shall also periodically report to the concerned bank on continuing to be fit and proper.

Further, the RBI requires the banks to create a reserve fund to which it must transfer not less than 25% of the net profit before appropriations. In terms of Section 17(2) of the Banking Regulation Act, if there is an appropriation from this account or the share premium account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation. However, in terms of the RBI circular bearing number DBOD.BP.BC No. 31 / 21.04.018/ 2006-07 dated September 20, 2006, banks are advised in their own interest to take prior approval from the RBI before any appropriation is made from the statutory reserve or any other reserves.

Certain amendments also permit the RBI to establish a 'Depositor Education and Awareness Fund', which will take over any credit balances in any account in India with a banking company which has not been operated upon for a period of 10 years or any deposit or any amount remaining unclaimed for more than 10 years.

The amendments also confer power on the RBI (in consultation with the central government) to supersede the board of directors of a banking company for a period not exceeding a total period of 12 months, in public interest

or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company.

The appointment, re-appointment, or termination of the appointment of a chairman, managing director or whole-time director, manager, chief executive officer of a bank shall have effect only if it is made with the prior approval of the RBI. Further, no amendment in relation to the maximum number of permissible directors, remuneration of the chairman, managing director, whole-time director or any other director, manager, chief executive officer shall have effect unless approved by the RBI. RBI is also empowered to remove a chairman, director, chief executive officer or other officer or employee from office on the grounds of public interest, interest of depositors or securing the proper management. Moreover, RBI may order meetings of the board of directors to discuss any matter in relation to the bank, appoint observers to such meetings, make such changes to the management as it may deem necessary, and may also order the convening of a general meeting of the bank's shareholders to elect new directors. Banking companies are restricted from granting loans or advances on the security of its own shares, enter into any commitment for granting any loan or advance to or on behalf of (i) any of its directors; (ii) any firm in which any of its directors is interested as partner, manager, employee or guarantor; or (iii) any company which is not a subsidiary of the banking company, a company registered under Section 25 of the Companies Act, 1956, a government company, a subsidiary or a holding company of which any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which the director holds substantial interest; or (iv) any individual in respect of whom any of its directors is a partner or a guarantor.

The RBI may impose penalties on banks, directors and its employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in the contravention. The penalty may also include imprisonment of the concerned director or employee. Banks are also required to disclose the penalty in their annual report.

The Reserve Bank of India Act, 1934, as amended ("RBI Act")

The RBI Act provides a framework for supervision of banking firms in India. The RBI Act was passed to constitute a central bank to, *inter alia*, regulate the issue of bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country. RBI may, subject to certain conditions, direct the inclusion or exclusion of any bank from the second schedule of the RBI Act. Scheduled banks are required to maintain cash reserves with the RBI. In this regard, RBI may stipulate an average daily balance requirement to be complied with by such banks and may direct that such banks regard a transaction or class of transactions as a liability. Further, RBI may direct any banking company to submit returns for the collection of credit information and may also furnish such information to a banking company upon an application by such company. RBI has the power to impose penalties against any person for, *inter-alia*, failure to produce any book, account or other document or furnish any statement, information or particulars which such person is duty-bound to produce or furnish under the RBI Act, or any order, regulation or direction thereunder.

Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014 issued by the RBI ("SFB Licensing Guidelines")

The RBI issued the SFB Licensing Guidelines and clarifications dated January 1, 2015, for licensing of SFBs in the private sector. The following is an indicative list of guidelines applicable to our Bank:

1. **Registration, licensing and regulations:** The SFB is required to be registered as a public limited company under the Companies Act and licensed under Section 22 of the Banking Regulation Act. The SFB is required to use the words "Small Finance Bank" in its name. SFBs are governed by the provisions of the Banking Regulation Act, RBI Act, FEMA, Payment and Settlement Systems Act, 2007, Credit Information Companies (Regulation) Act, 2005, as amended, Deposit Insurance and Credit Guarantee Corporation Act, 1961, as amended, and other relevant statutes and the directives, prudential regulations and other guidelines/instructions issued by RBI and other regulators from time to time. The SFBs will be given scheduled bank status once they commence their operations, and are found suitable as per Section 42(6)(a) of the RBI Act.
2. **Eligible promoters:** Resident individuals/professionals with ten years of experience in banking and finance and companies and societies owned and controlled by residents will be eligible as promoters to set up SFBs. Existing NBFCs, MFIs and local area banks that are owned and controlled by residents can also opt for conversion into an SFB. However, joint ventures by different promoter groups for the purpose of setting up SFBs would not be permitted. Promoter/ promoter groups should be 'fit and proper', on the basis of their past record of their sound credentials and integrity, financial soundness and successful track

record of professional experience or of running their business for at least a period of five years in order to be eligible to promote an SFB.

3. Scope of activities: The SFB is required to primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections and supply of credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector entities, through high technology-low cost operations. It can also undertake other non-risk sharing simple financial services activities, not requiring any commitment of own fund, such as distribution of mutual fund units, insurance products, pension products, etc. with the prior approval of RBI and after complying with the requirements of the sectoral regulator for such products. The SFB can also become a Category II Authorised Dealer in foreign exchange business for its clients' requirements. It cannot set up subsidiaries to undertake non-banking financial services activities. Further, the other financial and non- financial services activities of the promoters, if any, should be kept distinctly ring-fenced and not comingled with the banking business. The annual branch expansion plans should be in compliance with the requirement of opening at least 25% of its branches in unbanked rural centres (having population of up to 9,999 as per the latest census). Further, there shall not be any restriction in the area of operations of an SFB, however, preference will be given to SFBs who in the initial phase to set up the bank in a cluster of under-banked states/ districts, such as in the North-East, East and Central regions of India. Such SFBs shall not have any hindrance to expand to other regions in due course. It is expected from the SFBs that it shall be primarily responsive to local needs.
4. Capital requirement: The minimum paid-up equity capital of an SFB is required to be ₹1,000 million. It shall be required to maintain a minimum capital adequacy ratio of 15% of its risk weighted assets on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time. The tier I capital should be at least 7.5% of the risk weighted asset. The tier II capital should be limited to a maximum of 100% of the tier I capital. Further, the capital adequacy ratio should be computed as per the Basel committee's standardised approaches.
5. Promoter's contribution: The promoter's minimum initial contribution to the paid-up equity capital of the SFB shall at least be 40% which shall be locked in for a period of five years from the date of commencement of business of the SFB. However, if an existing NBFC, MFI or local area bank has diluted the promoter's shareholding to less than 40% but above 26%, due to regulatory requirements or otherwise, the RBI may not insist on the promoter's minimum initial contribution. Further, the promoter's shareholding should be brought down in prescribed phases. If the initial shareholding of the promoters is more than 40%, it should be brought down to 40% within a period of five years and thereafter to 30% within 10 years and to 26% within 12 years from the date of commencement of business of the SFB. Further, if an SFB reaches the net worth of ₹5,000 million, listing will be mandatory within three years of reaching that net worth.
6. Foreign shareholding: Foreign shareholding would be as per the FDI Policy for private sector banks, as amended from time to time. As per the current FDI Policy, foreign direct investment is permitted up to 49% under the automatic route and up to 74% under government route in a private sector Indian bank.

With effect from April 1, 2020, the aggregate limit for FPI investments has become the sectoral caps applicable to our Bank (i.e. up to 49% under the automatic route and up to 74% under the government approval route).
7. Voting rights and transfer/ acquisition of shares: As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks. This will also apply to SFBs.
8. Prudential norms: The SFB will be subject to all prudential norms and regulations of RBI as applicable to existing commercial banks. Further, the SFB will have to comply with additional conditions/ norms such as extending 75% of its adjusted net bank credit to sectors eligible for classification as priority sector lending by RBI, while 40% of its adjusted net bank credit shall be allocated to different sub-sectors under priority sector lending as per the extant priority sector lending prescriptions, the SFB can allocate the balance of 35% to any one or more sub-sectors under priority sector lending where it has competitive advantage, maximum loan size and investment limit exposure to a single and group obligor being restricted to 10% and 15% of its capital funds, respectively, at least 50% of its loan portfolio should constitute loans and advances of up to ₹2.5 million, etc. However, after the initial stabilisation period of five years, and after a review, RBI may relax the above exposure limits. The SFB is also precluded from

having any exposure to its promoters, major shareholders (who have shareholding of 10% of paid-up equity shares in the bank), and relatives (as defined in Section 2 (77) of the Companies Act, 2013 and rules made thereunder) of the promoters as also the entities in which they have significant influence or control (as defined under Accounting Standards AS 21 and AS 23).

9. Corporate Governance: The Board of the SFB should have a majority of independent directors. Further, the SFB will have to comply with the corporate governance guidelines including ‘fit and proper’ criteria for directors as issued by RBI from time to time.

10. Others:

- Individuals (including relatives) and entities other than the promoters will not be permitted to have shareholding in excess of 10% of the paid-up equity capital. In case of NBFCs or MFIs converting to an SFB, for shareholding of entities (other than the promoters) in the NBFC is in excess of 10% of the paid-up equity capital, RBI may consider providing time up to three years for the shareholding to be brought down to 10%.
- An SFB cannot be a Business Correspondent (“BC”) for another bank. However, it can have its own BC network.
- A promoter of an SFB cannot be granted licenses for both universal bank and small finance bank even if the proposal is set to them up under the non-operative financial holding company structure.
- If an SFB wishes to transit into a universal bank, it would have to apply to the RBI for such conversion and fulfil the minimum paid-up capital / net worth requirement as applicable to universal banks and also comply with other criteria prescribed in this regard.
- The operations of the bank should be technology driven from the beginning, conforming to generally accepted standards and norms; while new approaches (such as for data storage, security and real time data updating) are encouraged, a detailed technology plan for the same shall be furnished to RBI.
- The compliance of terms and conditions laid down by RBI is an essential condition of grant of licence. Any non-compliance will attract penal measures including cancellation of licence of the SFB.

Operating Guidelines for Small Finance Bank dated October 6, 2016 issued by the RBI (“SFB Operating Guidelines”)

The SFB Operating Guidelines are supplementary to SFB Licensing Guidelines. The SFB Operating Guidelines came into force considering the differentiated nature of business and financial inclusion focus of SFBs. The SFB Operating Guidelines set out the following:

1. Prudential Regulation: The prudential regulatory framework for the SFBs will be largely drawn from the Basel standards. However, given the financial inclusion focus of these banks, it will be suitably calibrated:
 - (a) *Capital adequacy framework*: The minimum capital requirement is 15%;
 - (b) *Leverage ratio*: The leverage ratio is 4.5%, calculated as percentage of Tier 1 capital to total exposure; and
 - (c) *Inter-bank borrowings*: SFBs are allowed exemption from the existing regulatory ceiling of interbank borrowings till the existing loans mature or up to three years, whichever is earlier. Afterwards, it will be on par with scheduled commercial banks. However, the borrowings made by the SFBs after the commencement of its operations shall be subject to inter-bank borrowing limits.
2. Corporate governance:
 - (a) *Constitution and functioning of board of directors*: The extant provisions as applicable to

banking companies shall be applicable to SFBs as well. Specifically, in case of entities being converted into SFBs, the existing terms and conditions of appointment of directors will be grandfathered till completion of their present term; and

- (b) *Constitution and functioning of committees of the board, management level committees, and remuneration policies:* The extant provisions in this regard as applicable to private sector banks, shall be applicable to SFBs as well.

3. Banking Operations:

- (a) *Branch authorization policy:* SFBs should follow the extant instructions pertaining to the branch authorization policy applicable to scheduled commercial banks as laid down in the Rationalisation of Branch Authorisation Policy - Revision of Guidelines issued by the RBI on May 18, 2017. SFBs are required to have 25% of their branches in unbanked rural centres within one year from the date of commencement of business. The SFBs are given three years from the date of commencement of the business to align with this requirement, however, during these three years, at least 25% of total number of branches opened by SFBs in a financial year should be in unbanked rural centres.
- (b) *Regulation of Business Correspondents:* The SFBs may engage all permitted entities including the companies owned by their business partners and own group companies on an arm's length basis as business correspondents; and
- (c) *Bank charges, lockers, nominations, facilities to disabled persons:* The extant provisions applicable to scheduled commercial banks shall be applicable to SFBs as well.

- 4. KYC requirements: At their discretion, SFBs may (like all other banks) decide not to take the wet signature while opening accounts, and instead rely upon the electronic authentication/ confirmation of the terms and conditions of the banking relationship or account relationship keeping in view their confidence in the legal validity of such authentications or confirmations. However, all the extant regulations concerning KYC including those covering the Central KYC registry, and any subsequent instructions in this regard, as applicable to commercial banks, would be applicable to SFBs.

Master Directions – Priority Sector Lending – Targets and Classification dated September 4, 2020 (“Priority Sector Lending Regulations”)

The Priority Sector Lending Regulations shall apply to every commercial bank, including a small finance bank, licensed to operate in India by the RBI. In terms of the Priority Sector Lending Regulations, the sectors categorised as priority sectors are agriculture, micro, small and medium enterprises (“MSME”), export credit, education, housing, social infrastructure, renewable energy and other sectors. Further, the Priority Sector Lending Regulations stipulate that small finance banks will have to allocate 75% of the adjusted net bank credit to priority sector lending or credit equivalent of off-balance sheet exposures, whichever is higher. Further, for agriculture sector, micro enterprises and advance to weaker sections, the targets are 18%, 7.5% and 12% of the adjusted net bank credit or credit equivalent of off-balance sheet exposures, whichever is higher, respectively.

Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff dated November 4, 2019 issued by the RBI (“RBI Compensation Guidelines”)

The Financial Stability Board Principles for Sound Compensation Practices, 2009, as amended (“FSB Principles”) aim to ensure effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement in compensation. The FSB Principles have been endorsed by the G-20 countries and the Basel Committee on Banking Supervision (“BCBS”) which has published remuneration related reports and disclosure requirements. Pursuant to the stipulations in the reports and disclosure requirements published by BCBS, RBI issued the RBI Compensation Guidelines, which are based on the FSB Principles and are applicable to all private sector banks (including SFBs) and foreign banks operating in India. In line with the FSB Principles, banks are required to take steps to implement certain guidelines by putting in place necessary policies/systems. These guidelines include, *inter alia*, formulation of a compensation policy, constitution of nomination and remuneration committee, alignment of compensation of whole-time directors / chief executive officers and material risk takers with prudent risk taking, etc. All applications for approval of appointment/re-appointment or approval of remuneration/revision in remuneration of whole time directors/chief executive officers shall be submitted to the RBI with the details as prescribed in the guidelines. These guidelines shall be applicable for pay cycles beginning from/after April 1, 2020.

Guidelines on Compensation of Non-executive Directors of Private Sector Banks dated June 1, 2015 issued by the RBI

The board of directors of a private sector bank, in consultation with its remuneration committee of the bank, is required to formulate and adopt a comprehensive compensation policy for non-executive directors (other than part-time non-executive chairman), subject to the requirements prescribed under the Companies Act. The Board may, at its discretion, provide for in the policy, payment of compensation in the form of profit related commission to the non-executive directors, subject to bank making profits. Such compensation, however, shall not exceed ₹1 million per annum for each non-executive director. In addition to the directors' compensation, the bank may pay sitting fees to the non-executive directors and reimburse their expenses for participation in the board and other meetings. Further, all private sector banks are required to obtain prior approval of RBI for granting remuneration to the part-time non-executive chairman under Section 10B(1A)(i) and 35B of the Banking Regulation Act.

Master Circular - Mobile Banking Transactions in India- Operative Guidelines for Banks dated July 1, 2016 ("Mobile Banking Transaction-Operative Guidelines")

The Mobile Banking Transaction-Operative Guidelines contains all rules, regulations and procedures prescribed to be followed by banks for operationalizing mobile banking in India. Banks which are licensed, supervised and have physical presence in India, are permitted to offer mobile banking services after obtaining one-time RBI approval. Only banks who have implemented core banking solutions are permitted to provide mobile banking services. Banks are required to put in place a system of registration of customers for mobile banking. Further, to meet the objective of a nation-wide mobile banking framework, facilitating inter-bank settlement, a robust clearing and settlement infrastructure operating on a 24x7 is mandated. Pending creation of such a national infrastructure, banks may enter into bilateral or multilateral arrangement for inter-bank settlements, with express permission from the RBI, unless such arrangements have been authorized by the RBI under the Payment and Settlement System Act, 2007, as amended.

Master Directions - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016, as amended on April 20, 2020 ("KYC Directions")

KYC Directions are applicable to every entity regulated by RBI specifically, scheduled commercial banks, regional rural banks, local area banks, primary (urban) co-operative banks, all India financial institutions, NBFCs, miscellaneous non-banking companies and residuary non-banking companies, amongst others. In terms of the KYC Directions, every entity regulated thereunder is required to formulate a KYC policy which is duly approved by the board of directors of such entity or a duly constituted committee thereof. The KYC policy formulated in terms of the KYC Directions is required to include four key elements, being customer acceptance policy, risk management, customer identification procedures and monitoring of transactions. The regulated entity shall be required to carry out risk assessment for money laundering and terrorist financing periodically to identify, assess and take effective measures to mitigate such risks. The KYC Directions also prescribe detailed instructions in relation to, *inter alia*, the due diligence of customers, record management and reporting requirements (such as the details of the person designated by the board of directors as a designated director etc.) to the Financial Intelligence Unit – India.

Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015("Prudential Norms")

The RBI, pursuant to the Prudential Norms, classifies NPAs into (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. The circular also specifies provisioning requirements specific to the classification of the assets.

In July 2005, the RBI issued guidelines on sales and purchases of NPAs between banks, financial institutions and NBFCs. However, as per SFB Operating Guidelines, while SFBs are permitted to sell NPAs, they are not permitted to purchase NPAs. These guidelines require that the board of directors of a bank must establish a policy for purchase and sale of NPAs. An asset must have been classified as non-performing for at least two years by the seller bank to be eligible for sale. In October 2007, the RBI issued guidelines regarding valuation of NPAs being put up for sale.

Reserve Bank of India's Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions dated May 30, 2013

The RBI revised the "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" on May 30, 2013. Banks are required to make a provision of certain per cent on restructured standard accounts for different periods depending on the way an account is classified as restructured standard account, *i.e.* either ab

initio or on upgradation or on retention of asset classification. Pursuant to the revised guidelines the provisioning requirement has been increased to 5% in respect of new restructured standard accounts (flow) with effect from June 1, 2013 and in a phased manner for the stock of restructured standard accounts as of March 31, 2013 as follows:

- a) 3.50% with effect from March 31, 2014 (spread over the four quarters of 2013-2014);
- b) 4.25% with effect from March 31, 2015 (spread over the four quarters of 2014-2015); and
- c) 5% with effect from March 31, 2016 (spread over the four quarters of 2015-2016).

Reserve Bank of India's "COVID-19 – Regulatory Package" circulars (i) dated March 27, 2020; and (ii) dated April 17, 2020 titled "COVID19 Regulatory Package - Asset Classification and Provisioning" ("Covid Package Circulars")

In terms of the Covid Package Circulars lending institutions were permitted to offer a moratorium of three months on the payment of all term loan instalments due between March and May 2020. However, the interest on such term loans would continue to accrue during such deferred period. Further, any non-payment during aforementioned deferred period shall not qualify for reporting to credit bureaus, and correspondingly, the credit history of borrowers shall not be affected during such time. RBI has clarified that in respect of all accounts classified as standard assets as on February 29, 2020, even if overdue, the moratorium period (where granted) shall be excluded from the number of days past-due for the purpose of asset classification under the prudential norms on income recognition and asset classification. In respect of accounts where default has occurred but the account is classified as a standard asset, and where the asset classification benefit is extended, the lenders are required to make general provisions of not less than 10% of the total outstanding amount in respect of such accounts, to be phased over the quarter ended March 31, 2020 (5%) and the quarter ending June 30, 2020 (5%).

Master Circular – Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015 ("Prudential Norms for Investment Portfolio")

The Prudential Norms for Investment Policy requires banks to frame an internal investment policy guidelines and obtain the approval from its board of directors. The investment policy may be suitably framed/ amended to include primary dealer activities. The overall framework of the investment policy should limit the primary dealer business to dealing, underwriting and market-making in Government securities. The investment policy guidelines should strictly observe the detailed instructions from the RBI regarding Separate Trading of Registered Interest and Principal Securities (STRIPS), ready forward deals in government securities, transaction through subsidiary general ledger account, use of bank receipts, retailing of government securities, internal control systems, dealing through brokers and audit, review and reporting. The entire investment portfolio of the bank is required to be classified in three categories – (i) held to maturity; (ii) available for sale; and (iii) held for trading.

Master Directions – Ownership in Private Sector Banks, Directions, 2016 dated May 12, 2016

The RBI issued master directions for ownership in private sector banks in May 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, shareholders are now categorized as natural persons (individuals) and legal persons (entities/institutions) for the purposes of ownership limits in the longer run. Non-financial and financial institutions, and among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding.

The limits for shareholding are as follows: (i) in the case of individuals and non-financial entities (other than promoters/promoter group), the limit shall be 10% of the paid-up capital. However, in case of promoters being individuals and non-financial entities in existing banks, the shareholding shall be 15%, (ii) for entities in the financial sector, other than regulated or diversified or listed, the limit shall be at 15%, (iii) in case of 'regulated, well diversified, listed entities from the financial sector' and shareholding by supranational institutions or public sector undertaking or Government undertaking, a limit of 40% is prescribed, and (iv) higher stake/strategic investment by promoters/non-promoters through capital infusion by domestic or foreign entities/institution shall be permitted on a case to case basis under circumstances such as relinquishment by existing promoters, rehabilitation/ restructuring of problem/ weak banks/ entrenchment of existing promoter or in the interest of the bank or in the interest of consolidation in the banking sector.

A period of 12 years from the date of commencement of business of the bank shall be available for the promoter and promoter group in cases where dilution to a lower level of shareholding is required for compliance with the specified limits. Acquisition of shareholding in a private sector bank shall be subject to the applicable FDI Policy,

with the aggregate foreign investment in private sector banks not exceeding 74% of the paid-up capital. The directions further prescribe that banks (including foreign banks having branch presence in India) shall not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding is 10% or more of the investee bank's equity capital. However, RBI may permit a higher level of shareholding by a bank in exceptional cases.

Master Direction – Issue and Pricing of shares by Private Sector Banks, Directions, 2016

The RBI issued master directions for issue and pricing of shares by private sector banks on April 21, 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, “private sector banks” have been defined as banks licensed to operate in India under the Banking Regulation Act other than urban co-operative banks, foreign banks and banks licensed under specific statutes. Under the directions, a private sector bank, both listed and unlisted, has general permission for issue of shares by way of public issues (initial public offer, further public offer), private placement (preferential issue, qualified institutional placement), rights issue and bonus issue, subject to compliance with applicable laws such as FEMA and extant foreign investment policy of the GoI for private sector banks, provisions of the Companies Act, and the relevant SEBI guidelines, the RBI master directions dated November 19, 2015 on Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks and reporting of complete details of the issue to RBI such as date of issue, details of the type of issue, issue size, details of pricing, number and names of allottees, post allotment shareholding position, etc., along with a copy of the board/ annual general meeting resolution and prospectus/ offer document in the prescribed format.

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended (“SARFAESI Act”)

The SARFAESI Act governs securitization of financial assets in India. The SARFAESI Act provides that any securitization or reconstruction company may acquire the financial assets of a bank or financial institution by either entering into an agreement with such bank or financial institution for the transfer of such assets to the company or by issuing a debenture or bond or any other security in the nature of a debenture, for consideration, as per such terms and conditions as may be mutually agreed between them. The SARFAESI Act further provides that if the bank or financial institution is a lender in relation to any financial assets acquired by the securitization/reconstruction company as stated above, then such company shall be deemed to be the lender in relation to those financial assets. Further, upon such acquisition, all material contracts entered into by the bank or financial institution, in relation to the financial assets, shall also get transferred in favour of the securitization/reconstruction company. The SARFAESI Act also enables banks and notified financial institutions to enforce the underlying security of an NPA without court intervention. Pursuant to an asset being classified as an NPA, the security interest can be enforced as per the procedure laid down in the Security Interest Enforcement Rules, 2002, as amended.

The Banking Ombudsman Scheme, 2006

The Banking Ombudsman Scheme, 2006, provides the extent and scope of the authority and functions of the banking ombudsman for redressal of grievances against deficiency in banking services concerning loans and advances and other specified matters, to provide for revised procedures for redressal of grievances by a complainant under the scheme and to broaden the scope of complaints addressed by the banking ombudsman.

Miscellaneous

In addition to the above, an SFB, as an entity operating in the banking sector in India, is required to comply with applicable banking and securities laws in India, including, amongst others, the master circulars and master directions issued by the RBI, from time to time, the SEBI Takeover Regulations, Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended, the PMLA, the SCRA and the Indian Contract Act, 1872. An SFB is also required to comply with the provisions of the Companies Act, FEMA, labour laws, and various state specific shops and establishment legislations, various tax related legislations and other applicable regulations, notifications, circulars and guidelines, and other applicable statutes and policies along with the rules formulated thereunder for its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief history of our Bank

UCL, our Promoter was granted the RBI In-Principle Approval to establish an SFB on October 7, 2015. 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 Bank was thereafter granted the RBI Licence to carry on business as an SFB on November 25, 2016.

Subsequently, our Promoter transferred its Business Undertaking comprising its lending and financing business to our Bank in accordance with the terms of the Business Transfer Agreement. For further details, see "*Key Terms of other Material Agreements*" on page 168 below. Our Bank commenced its business operations on January 23, 2017. Our Bank was included in the second schedule to the RBI Act pursuant to a notification bearing no. DBR.NBD.(SFB-UMFL).No.2689/16.13.216/2017-2018 dated October 4, 2017 issued by the RBI and published in the Gazette of India (Part III - Section 4) dated November 7, 2017.

Change in the registered office address

There has been no change in the address of the registered office of our Bank since the date of its incorporation.

Main objects of our Bank

The main objects of our Bank as contained in our MoA are:

1. *"To establish and carry on the business of banking in any part of India or outside India.*
2. *To carry on business of accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque draft, order or otherwise.*
3. *To carry on the business of:*
 - (a) *borrowing, raising or taking up of money;*
 - (b) *lending or advancing of money by way of a loan, overdraft or on cash credit or other accounts or in any other manner whether without or on the security or movable or immovable properties, bills of exchange, hundis, promissory notes, bills of lading, railway receipts, debentures, share warrants and other instruments whether transferable or negotiable or not;*
 - (c) *drawing, making, accepting, discounting, buying, selling, collecting, and dealing in bills of exchange, hundis, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrips and other instruments and securities whether transferable or negotiable or not;*
 - (d) *granting and issuing of letters of credits, travellers' cheques and circulars notes;*
 - (e) *buying, selling and dealing in bullion and specie;*
 - (f) *buying and selling of and dealing in foreign exchange including foreign bank notes;*
 - (g) *acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds;*
 - (h) *purchasing and selling of bonds, scrips or other forms of securities on behalf of itself, its constituents or others;*
 - (i) *negotiating of loans and advances;*
 - (j) *receiving of all kinds of bonds, scrips or valuables on deposits or for safe custody or otherwise;*
 - (k) *providing of safe deposit vaults;*
 - (l) *collecting and transmitting of money and all kinds of securities;*

- (m) issuing credit cards, debit cards, prepaid instruments, smart card or any similar instruments and extending any other credits;
 - (n) acting as aggregators, as may be permitted by the Pension Fund Regulatory and Development Authority ("PFRDA"), in connection with the National Pension System of the PFRDA;
 - (o) carrying on any other business specified in section 6(1)(a) to (n) of the Banking Regulation Act, 1949, as amended from time to time ("1949 Act"), and such other forms of business which the Central Government has pursuant to Section 6(1)(o) of 1949 Act specified or may from time to time specify by notification in the Official Gazette or as may be permitted by Reserve Bank of India ("RBI") from time to time as a form of business in which it would be lawful for a banking company to engage;
4. To carry on the business of merchant banking, investment banking, portfolio investment management, wealth management and investment advisors; to form, constitute, promote, act as managing and issuing agents, prepare projects and feasibility reports for and on behalf of any company, association, society, firm, individual and body corporate.
 5. To carry on the business of mutual fund distribution, equipment leasing and hire purchase.
 6. To act as corporate agents for insurance products for life and general insurance including but not limited to health, pension & employee benefit, fire, marine, cargo, marine hull, aviation, oil & energy, engineering, accident, liability, motor vehicles, transit and other products and to carry on the business of insurance, re-insurance and risk management as an insurance agent or otherwise as may be permitted under law.
 7. To carry on the business of factoring by purchasing and selling debts, receivables and claim including invoice discounting and rendering bill collection, debt collection and other factoring services.
 8. To carry on and transact the business of giving guarantees and counter guarantees and indemnities whether by personal covenant or by mortgaging or charging all or any part of the undertaking, property or assets of the Company, both present and future wherever situate or in any other manner and in particular to guarantee the payment of any principal moneys, interest or other moneys secured by or payable under debentures, bonds, debenture-stock, mortgages, charges, contracts, obligations and securities, and the repayment of that capital moneys and the payment of dividends in respect of stocks and shares or the performance of any such other obligations."

Amendments to the Memorandum of Association

Set out below are the amendments to the Memorandum of Association of our Bank since incorporation:

Date of shareholders' resolution/ Effective date	Details of amendment
September 1, 2016	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹500,000 divided into 50,000 Equity Shares to ₹1,000,000,000 divided into 100,000,000 Equity Shares
December 28, 2016	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹1,000,000,000 divided into 100,000,000 Equity Shares to ₹3,300,000,000 divided into 330,000,000 Equity Shares
August 31, 2017	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹3,300,000,000 divided into 330,000,000 Equity Shares to ₹4,500,000,000 divided into 450,000,000 Equity Shares
February 21, 2018	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹4,500,000,000 divided into 450,000,000 Equity Shares to ₹7,500,000,000 divided into 750,000,000 Equity Shares
December 1, 2018	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹7,500,000,000 divided into 750,000,000 Equity Shares to ₹10,000,000,000 divided into 1,000,000,000 Equity Shares

Date of shareholders' resolution/ Effective date	Details of amendment
May 1, 2020	Clause V of the MoA was amended to reflect the increase and reclassification in the authorized share capital of our Bank from ₹10,000,000,000 divided into 1,000,000,000 Equity Shares to ₹15,000,000,000 comprising ₹13,000,000,000 divided into 1,300,000,000 Equity Shares and ₹2,000,000,000 divided into 200,000,000 Preference Shares

Major events and milestones

The table below sets forth some of the major events and milestones in the history of our Bank.

Fiscal Year	Events and Milestones
2017	- Commenced our banking operations - Launched our mobile banking and internet banking facilities
2018	- Launched our wholesale lending business and personal loans - Launched our asset business through business correspondents - Our deposit base crossed ₹20,000 million - Our gross advances crossed ₹30,000 million - Launched bancassurance business with partners - Increase in savings accounts and active loan clients to over 200,000 and 2,000,000 respectively - Launched bill payment services
2019	- Launched cashless disbursements for microfinance loans - Conversion of microfinance branches to Banking Outlets
2020	- Our deposit base crossed ₹50,000 million - We crossed 500 banking outlets - Launched micro-banking business and two-wheeler loans - Our customer base crossed 2.5 million
2021	- Launched digital on-boarding of accounts - Launched non-fund based facility and working capital loans

Awards and Accreditations

Calendar Year	Awards and accreditations
2018	Award for "Implementing Outstanding Initiatives" in the category of Effective Grievance Redressal Systems at the MFIN Microfinance Awards 2018: In Pursuit of Excellence
2019	(i) Winner in the category of "Descriptions of Social Impact Initiatives" at the 5 th Eastern India Microfinance Summit 2019 (ii) Excellence award at the MiNE India 2019: Microfinance & NBFCs Exhibition cum Conference

Time/cost overrun

Our Bank has not experienced any instances of time / cost overrun in its business operations.

Defaults or rescheduling/restructuring of borrowings with financial institutions/banks

There have been no defaults or re-scheduling/ re-structuring in relation to borrowings availed by our Bank from any financial institutions or banks.

Details regarding material acquisitions or divestments of business/undertakings, mergers, amalgamation, any revaluation of assets, etc. in the last 10 years

Other than as disclosed below, our Bank has not acquired any business or undertaking and has not undertaken any merger, amalgamation or revaluation of assets in the last 10 years:

Our Bank and our Promoter have entered into the Business Transfer Agreement, pursuant to which the Business Undertaking of our Promoter was transferred to our Bank. For further details, see "Key terms of other material agreements" on page 168.

Holding company

UCL is our holding company. For details of UCL, see “Our Promoter and Promoter Group” beginning on page 192.

Subsidiaries and joint ventures of our Bank

Our Bank has no subsidiaries and / or joint ventures.

Significant strategic and financial partners

Our Bank has no strategic or financial partners.

Launch of key products or services, entry into new geographies or exit from existing markets

For details of key products or services launched by our Bank, entry into new geographies or exit from existing markets, see “Our Business” beginning on page 125.

Shareholders’ agreements

Key terms of subsisting shareholders’ agreements

Second restated and amended shareholders agreement dated March 1, 2021 entered into between Mr. Govind Singh, Ms. Revati Govind, RAAG Family Private Trust, our Promoter, other shareholders and the investors namely Aavishkaar Bharat Fund, Aavishkaar Goodwill India Microfinance Development Company II Limited, Aavishkaar Venture Management Services Private Limited, CDC Group Plc, Faering Capital India Evolving Fund II, Faering Capital India Evolving Fund III, HDFC Ergo General Insurance Company Limited, HDFC Life Insurance Company Limited, Housing Development Finance Corporation Limited, Hero Enterprise Partner Ventures, ICICI Prudential Life Insurance Limited, International Finance Corporation, Jhelum Investment Fund I, Lok Capital Growth Fund, NMI Frontier Fund KS, RBL Bank Limited, responsAbility Participations Mauritius, Sarva Capital LLC, Shriram Life Insurance Company Limited, Small Industries Development Bank of India and Sustainability - Finance - Real Economies SICAV- SIF (“Investors”) (“Promoter SHA”)

The Promoter SHA entered into between Mr. Govind Singh, Ms. Revati Govind, RAAG Family Private Trust, our Promoter, other shareholders (as set forth in Schedule 3 – Part A) and the Investors govern their *inter-se* relationship, rights and obligations in connection with their investment in our Promoter and the administration, management and certain other matters in that regard.

In accordance with the terms of the Promoter SHA, our Promoter is required to furnish, among other things, the annual and quarterly financial statements and the proposed annual business plan of our Bank to the Investors and provide details regarding material developments in or affecting our Bank’s business, as may be requested by the Investors. However, upon listing of our Bank, the sharing of information regarding our Bank under the Promoter SHA will be subject to compliance with applicable law including such information not constituting unpublished price sensitive information under applicable law and/ or the information being publicly available.

Further, pursuant to the provisions of the erstwhile shareholders agreement at UCL, Mr. Govind Singh or RAAG Family Private Trust was entitled to receive securities in our Promoter or our Bank totalling up to 3% of the paid up share capital of our Promoter on a fully diluted basis. Thereafter, on January 14, 2020, employee stock options were approved to be granted to Mr. Govind Singh under the MD & CEO ESOP Plan. As per the terms of the Promoter SHA, Mr. Govind Singh shall not transfer 50% of the Equity Shares issued to him pursuant to the exercise of the employee stock options granted to him under the MD & CEO ESOP Plan until the earlier of: (a) five years from such exercise; or (b) the completion of the merger of UCL with our Bank.

Also, our Promoter is required to, on a best effort basis and subject to applicable law and approval of the RBI and other authorities (to the extent such approval is required) a) undertake the IPO of equity shares of our Bank by September 30, 2023 or any other date as permitted by the RBI; b) initiate the process for undertaking the merger of UCL with our Bank within three months from the date on which UCL and our Bank are eligible under applicable law to undertake such a merger or by any such date as permitted by RBI, on such terms as may be acceptable to all parties under the Promoter SHA.

Key terms of other material agreements

Investment Agreement

Olympus ACF Pte. Ltd., responsAbility Participations Mauritius, Aavishkaar Bharat Fund, Triodos Sicav II - Triodos Microfinance Fund, Legal Owner Triodos Funds B.V. (in its capacity as legal owner of Triodos Fair Share Fund) and Growth Catalyst Partners LLC (collectively, as the **"Incoming Investors"**) have entered into an investment agreement dated February 10, 2021 (**"Investment Agreement"**) with our Bank. Pursuant to the Investment Agreement, the Incoming Investors have agreed to subscribe to 89,061,647 Equity Shares of our Bank, in aggregate, for a consideration of ₹ 27 per Equity Share aggregating to ₹2,404.66 million and our Bank has agreed to issue and allot such Equity Shares to raise additional funds for expanding its business.

Upon receipt of a subscription notice along with the requisite documents from our Bank, confirming the satisfaction of the conditions of subscription, which includes, among other things, adoption of restated Articles, application made to RBI for adoption of restated Articles, delivery of executed acknowledged and consent letter by our Promoter, receipt of consents from various parties as stated in the Investment Agreement and other conditions, to the Incoming Investors on or before March 10, 2021 or at such later date as may be decided with mutual written consent of our Bank and the Incoming Investors (**"Cut-Off Date"**), the Incoming Investors are required to confirm to our Bank, *vide* a written notice along with a completed application form appended to the form PAS – 4, on their ability to transfer the consideration to our Bank on the subscription date (*as defined in the Investment Agreement*), pursuant to which allotment of such Equity Shares shall be completed. The Investment Agreement shall terminate automatically in the event the subscription conditions are not satisfied (or waived or deferred in writing) on or prior to the Cut-Off Date in the manner set out under the Investment Agreement, unless agreed mutually by the parties in writing.

In the event our Bank, within two years from February 10, 2021 or prior to listing of Equity Shares, whichever is earlier, proposes to issue any new securities at a valuation of our Bank which is less than ₹27 per security, then each Incoming Investor shall be entitled to an anti – dilution protection from our Bank and will be issued additional Equity Shares at the lowest price permissible under the applicable law and in accordance with the terms set forth in the Investment Agreement.

Except in relation to the Offer and issuance of Equity Shares to the Incoming Investors, until the issuance of Equity Shares to the Incoming Investors pursuant to the Investment Agreement, our Bank is not permitted to, among other things, increase its authorised share capital, change the par value of, or rights attached to, any of its Equity Shares of any class or any share equivalents, declare, pay or make a dividend or distribution, establish or set up of subsidiaries, sell, lease, transfer or assign any of its assets, except in the ordinary course of business and consistent with past practice or create any lien over any assets except in the ordinary course of business.

The proposed allotment of Equity Shares to the Incoming Investors will be completed prior to the filing of the Red Herring Prospectus with the RoC.

Business transfer agreement dated January 21, 2017 entered into between our Promoter and our Bank ("Business Transfer Agreement")

In accordance with the terms of the RBI Licence, our Promoter entered into the Business Transfer Agreement with our Bank, pursuant to which the business of providing microfinance of our Promoter, as a going concern, including the assets, liabilities, contracts, receivables, licenses, employees, books and records, tax benefits, etc. (**"Business Undertaking"**) and excluding certain statutory assets and liabilities, as on January 21, 2017 (**"Closing Date"**), was transferred to our Bank, on a slump sale basis, for a lump sum consideration of ₹ 1,070.89 million (**"Lump Sum Consideration"**). The Lump Sum Consideration was arrived at on the basis of the provisional unaudited financial statements of our Promoter as on Closing Date and was subsequently, in accordance with the terms of the Business Transfer Agreement, adjusted to ₹ 685.10 million based on the audited financial statements of our Promoter.

Pursuant to the Business Transfer Agreement, (a) all business contracts of our Promoter by way of assignment and/or novation in effect and in force as on the Closing Date, have been transferred in favour of our Bank in order for our Bank to assume and perform all obligations under such contracts; (b) all business licenses of our Promoter have been transferred and assigned to our Bank; (c) all business assets and books and records identified in connection with the Business Undertaking of our Promoter have been transferred and delivered to our Bank; and (d) the employees of our Promoter have been taken over and employed by our Bank on terms and conditions of service and emoluments which were no less favourable than those at which such employees were employed with

our Promoter. However, all salaries, liabilities and entitlements arising in connection with the employees prior to the Closing Date remained the responsibility of our Promoter.

In accordance with the terms of the Business Transfer Agreement, on and from the Closing Date (a) all income, revenue and/ or profits accruing from the Business Undertaking shall belong to our Bank; (b) all costs and expenses arising in connection with the Business Undertaking shall be borne and paid by our Bank; and (c) all outstanding loans and advances, bank balance and deposits along with the right to recover or realize them shall be transferred to our Bank except certain accounts on which our Promoter had done a technical write-off in FY 2016-17 on account of demonetisation impact. Further, from the Closing Date, all liabilities, duties and obligations of our Promoter transferred in connection with the Business Undertaking shall be the responsibility of our Bank. However, recovery of amounts by our Bank, on certain technical-write offs by our Promoter during FY 2016-17 (on account on demonetisation impact), was and continues to be collected by our Bank and transferred to our Promoter in exchange for a service charge of 1% of the amount collected against the written-off accounts in accordance with the terms of the service agreement dated October 19, 2019 (with effect from April 1, 2019).

Other information

Under the Articles of the Bank, subject to compliance with the provisions of the Companies Act and applicable law, any Shareholder who (along with its affiliates) owns at least 9% or more Equity Shares on a fully diluted basis (excluding: (i) any employee stock options granted by our Bank; and (ii) any Equity Shares issued by our Bank pursuant to an exercise of such employee stock options), shall have the right to nominate one Director on our Board. In addition to the above, our Promoter shall have the right to appoint such number of Directors which is one more than the total number of Directors appointed pursuant to aforementioned provision. However, this right of our Promoter to appoint such additional Directors shall cease and terminate upon the earlier of the merger of our Promoter with our Bank or our Promoter ceasing to hold more than 40% of the Equity Shares.

Guarantees given by our Promoter Selling Shareholder

Our Promoter Selling Shareholder has not given any guarantees to third parties.

Agreements with Key Managerial Personnel, Director, Promoter or any other employee

There are no agreements entered into by a Key Managerial Personnel or Director or Promoter or any other employee of our Bank, either by themselves or on behalf of any other person, with any Shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of our Bank.

OUR MANAGEMENT

Under our Articles of Association, our Bank is authorised to have a minimum of three and maximum of 15 Directors. As on the date of this Draft Red Herring Prospectus, our Board comprises nine Directors including one executive Director, three non-executive Directors including one nominee director each, of our Promoter and SIDBI, respectively and five Independent Directors. One of our nominee Directors and one of our Independent Directors are women Directors.

Our Board

The following table sets forth details regarding our Board as on the date of this Draft Red Herring Prospectus.

Name, date of birth, designation, address, occupation, period and term of directorship and DIN	Age (years)	Other Directorships
Mr. Puranam Hayagreeva Ravikumar <i>Date of birth:</i> July 20, 1951 <i>Designation:</i> Part time non – executive chairman and Independent Director <i>Address:</i> 501, 5th Floor, Yashowan Towers, TH Kataria Marg, Mahim (West), Mumbai 400 016, Maharashtra, India <i>Occupation:</i> Financial services professional <i>Period and term:</i> For a period of five years with effect from May 25, 2019, i.e. until May 24, 2024 ⁵ as an Independent Director and as a part time non – executive chairman with effect from September 11, 2020 until July 19, 2021 <i>DIN:</i> 00280010	69	<i>Indian Companies</i> 1. Bharat Forge Limited; 2. Aditya Birla Capital Limited; 3. Escorts Limited; 4. IFFCO Kisan Finance Limited; 5. UTI Retirement Solutions Limited; 6. NSE Data & Analytics Limited; 7. Fintech Products and Solutions (India) Private Limited; 8. ICICI Prudential Trust Limited; 9. Mountain Managers Private Limited; 10. UTPL Corporate Trustees Private Limited; and 11. Finsec AA Solutions Private Limited
Mr. Govind Singh <i>Date of birth:</i> May 15, 1965 <i>Designation:</i> Managing Director and chief executive officer <i>Address:</i> Progressive Highness, Flat No 503, 504, Plot No 5, 6, Sector 16A, Navi Mumbai, Thane 400 705, Maharashtra, India <i>Occupation:</i> Service <i>Period and term:</i> Three years with effect from September 21, 2018, i.e. until September 20, 2021 <i>DIN:</i> 02470880	55	<i>Indian Company</i> Utkarsh Welfare Foundation
Mr. Kajal Ghose <i>Date of birth:</i> October 25, 1956 <i>Designation:</i> Independent Director <i>Address:</i> B – 1303, Crystal Court CHS, Plot 18, 27, Sector 7, Kharghar, Panvel, Raigarh 410 210, Maharashtra, India <i>Occupation:</i> Advisory Services <i>Period and term:</i> For a period of five years with effect	64	<i>Foreign Company</i> Afghan United Bank

Name, date of birth, designation, address, occupation, period and term of directorship and DIN	Age (years)	Other Directorships
from January 16, 2017, i.e. until January 15, 2022		
DIN: 07702190		
Ms. Anita Ramachandran	65	Indian Companies
<i>Date of birth:</i> April 28, 1955		1. Grasim Industries Limited;
<i>Designation:</i> Nominee Director ⁽¹⁾		2. Rane (Madras) Limited;
<i>Address:</i> 2401-2402, A Wing, Raheja Atlantis, Ganpat Rao Kadam Marg, Lower Parel, Mumbai 400 013, Maharashtra, India		3. Metropolis Healthcare Limited;
<i>Occupation:</i> Management consultant		4. Godrej And Boyce Manufacturing Company Limited;
<i>Period and term:</i> Appointed with effect from August 24, 2016 and is liable to retire by rotation		5. Essel Mining & Industries Limited;
<i>DIN:</i> 00118188		6. FSN E-Commerce Ventures Private Limited;
		7. Aditya Birla Housing Finance Limited;
		8. IDFC Asset Management Company Limited;
		9. Kotak Mahindra Life Insurance Company Limited;
		10. Happiest Minds Technologies Limited;
		11. Cerebrus Consultants Private Limited; and
		12. Oxfam India
Mr. Govindasamy Sampath Kumar	57	Nil
<i>Date of birth:</i> June 5, 1963		
<i>Designation:</i> Nominee Director ⁽²⁾		
<i>Address:</i> Flat No. 301, 3 rd Floor, SIDBI Officers' Apartments, 16, MMM Marg, Lucknow 226 001, Uttar Pradesh, India		
<i>Occupation:</i> Service		
<i>Period and term:</i> With effect from August 28, 2019 and not be liable to retire by rotation		
<i>DIN:</i> 03020254		
Ms. Kalpana Prakash Pandey	52	Nil
<i>Date of birth:</i> July 30, 1968		
<i>Designation:</i> Independent Director		
<i>Address:</i> 1025/26, Kohinoor City, Wing A, Building No.10, Kirol Road, Off LBS Marg, Kurla West, Mumbai 400 070, Maharashtra, India		
<i>Occupation:</i> Professional		
<i>Period and term:</i> Five years with effect from April 29, 2020, i.e. until April 28, 2025		
<i>DIN:</i> 06715713		
Mr. Nagesh Dinkar Pinge	62	Indian Companies
<i>Date of birth:</i> October 1, 1958		1. Goa Carbon Limited;
<i>Designation:</i> Independent Director		2. Arvind Fashions Limited;
<i>Address:</i> B-403, Rajkamal CHS, Subhash Road, Near Vile Parle Mahila Sangh School, Vile Parle East, Mumbai 400 057, Maharashtra, India		3. Inventia Healthcare Limited;
		4. Brahmani River Pellets Limited;
		5. Hero Housing Finance Limited;
		6. Multi Commodity Exchange Clearing Corporation Limited;

Name, date of birth, designation, address, occupation, period and term of directorship and DIN	Age (years)	Other Directorships
<i>Occupation:</i> Professional <i>Period and term:</i> Five years with effect from July 20, 2020, i.e. until July 19, 2025 <i>DIN:</i> 00062900	59	7. Aditya Birla Sun Life Insurance Company Limited; 8. Automobile Corporation of Goa Limited; and 9. Bhushan Power & Steel Limited*
Mr. Muralidharan Rajamani <i>Date of birth:</i> May 31, 1961 <i>Designation:</i> Non - executive Director <i>Address:</i> A- 101 Sabari Aashiana Tiss Complex Annexe, Deonar Farm Road, Deonar, Mumbai 400 088, Maharashtra, India <i>Occupation:</i> Service <i>Period and term:</i> Appointed with effect from March 2, 2021 and liable to retire by rotation <i>DIN:</i> 01690363	59	<i>Indian Company</i> PGIM India Asset Management Private Limited
Mr. Ajay Kumar Kapur <i>Date of birth:</i> October 25, 1959 <i>Designation:</i> Independent Director <i>Address:</i> Flat No. 104, Pacific Apartments, Plot No. 39, Sector 10, Dwarka, South West Delhi 110 075, Delhi, India <i>Occupation:</i> Retired executive <i>Period and term:</i> Five years with effect from March 2, 2021, i.e. until March 2, 2026 <i>DIN:</i> 00108420	61	Nil

⁽¹⁾ Nominee of our Promoter, UCL.

⁽²⁾ Nominee of our lender, SIDBI.

*Bhushan Power and Steel Limited is undergoing corporate insolvency resolution process in accordance with the Insolvency and Bankruptcy Code, 2016, as amended and Mr. Nagesh Dinkar Pinge has been appointed on its board as an independent director on February 27, 2020 by the resolution professional.

³In accordance with applicable law, Mr. Puranam Hayagreeva Ravikumar's directorship will cease upon him attaining the age of 70 years.

Brief Profiles of our Directors

Mr. Puranam Hayagreeva Ravikumar is an Independent Director and part time non-executive chairman of our Bank. He holds a bachelor's degree in commerce and a senior diploma in French from Osmania University. He is a certified associate of the Institute of Bankers, London, certified associate of the Indian Institute of Bankers and a fellow of the Securities & Investments Institute, London. He has over 49 years of experience in the field of financial services. He has worked at the Bank of India and ICICI Bank Limited and also served as the managing director of National Commodity & Derivatives Exchange Limited, Invent Assets Securitisation and Reconstruction Private Limited and Capri Global Capital Limited. Prior to joining our Bank, he has also been associated with Fedbank Financial Services Limited, Bharat Financial Inclusion Limited, Vastu Housing Finance Corporation Limited, Eveready Industries India Limited, I G Petrochemicals Limited, The Federal Bank Limited, IDBI Federal Life Insurance Company Limited and L&T Investment Management Limited.

Mr. Govind Singh is the Managing Director and chief executive officer of our Bank. He holds a bachelor's degree in commerce from Delhi University. He is a certified associate of the Indian Institute of Bankers. He was

previously the assistant general manager at ICICI Bank Limited. He was the managing director and chief executive officer of our Promoter. He has also been associated with Surya Fincap Limited, UTI Bank Limited, Allahabad Bank, State Bank of Patiala and Bank Internasional Indonesia.

Mr. Kajal Ghose is an Independent Director of our Bank. He holds a bachelor's degree in commerce from Ranchi University and a diploma in human resources development from All India Institute of Management Studies, Chennai. He is a certified associate of the Indian Institute of Bankers. He previously worked as the chief general manager at State Bank of India, as a consultant with PayU Payments Private Limited and at Stratosphere IT Services Private Limited and Kovid Group Analytics India Private Limited. He has also been a member of the board of advisors of Datawise Management Services India Private Limited. He currently is a member of the investment committee of New Leaf Investment Advisors LLP.

Ms. Anita Ramachandran is a nominee Director of our Bank. She holds a bachelor's degree in commerce and a master's degree in management studies from the University of Mumbai. She has previously worked with A.F. Ferguson & Co. She founded Cerebrus Consultants in 1995.

Ms. Kalpana Prakash Pandey is an Independent Director of our Bank. She holds a bachelor's degree in science (chemistry, physics and mathematics) and master's degree in science (physics) from Garhwal University and a master's degree in technology (computer science and technology) from the University of Roorkee (now known as Indian Institute of Technology, Roorkee). She holds a post-graduate diploma in electronics and communication engineering from the University of Roorkee (now known as Indian Institute of Technology, Roorkee). She has previously served as the managing director and chief executive officer of CRIF High Mark Credit Information Services Private Limited, an RBI licensed credit bureau. Additionally, she has also been associated with IDBI Principal Asset Management Company, State Bank of India and HDFC Bank Limited.

Mr. Govindasamy Sampath Kumar is the nominee Director of our Bank. He holds a master's degree in business administration from Punjab Technical University. He holds post-graduate diplomas in business administration and financial management from Annamalai University and in computer applications from Bharathiar University. He has been associated with Future Financial Services Private Limited, Andhra Pradesh State Financial Corporation, APITCO Limited, Hyderabad Information Technology Venture Enterprises Limited, Cyberabad Trustee Company Private Limited and MPCON Limited. He currently serves as the chief general manager of SIDBI.

Mr. Nagesh Dinkar Pinge is an Independent Director of our Bank. He holds a bachelor's degree in law from the University of Mumbai and is a qualified chartered accountant registered with the ICAI. He was previously associated with Tata Motors Limited, JSW Energy Limited, Reliance Retail Limited, ICICI Bank Limited and NKGSB Co-op Bank Limited.

Mr. Muralidharan Rajamani is a non – executive Director of our Bank. He holds a bachelor's degree in science (mathematics) from the University of Madras and a master's degree in arts (branch III - economics) from the University of Madras. He has completed the management of managers program from Stephen M. Ross School of Business, University of Michigan and is a certified associate of the Indian Institute of Bankers. He was previously associated with Edelweiss Tokio Life Insurance Company Limited, Leadership Centre Private Limited, ICICI Bank Limited, Dhanlaxmi Bank Limited and L&T Finance Limited.

Mr. Ajay Kumar Kapur is an Independent Director of our Bank. He holds a bachelor's degree in engineering (industrial engineering) from University of Roorkee (now known as Indian Institute of Technology, Roorkee). He was previously associated with Punjab Tractors Limited, Industrial Development Bank of India, India SME Technology Services Limited and SIDBI.

Relationship between Directors and Key Managerial Personnel

None of our Directors and Key Managerial Personnel are related to each other.

Terms of Appointment of our Directors

Remuneration paid to executive Director

Mr. Govind Singh was paid a total remuneration of ₹ 14.20 million (excluding reimbursement of fuel expenses and gratuity) during Fiscal 2020. The details of remuneration governing his appointment as approved by our Board through resolution dated August 11, 2018, by our Shareholders through resolution dated August 5, 2019 and by the RBI vide its letter dated September 21, 2018 are stated below:

Particulars	Remuneration
Gross Salary	₹13.20 million per annum
Perquisites	Including free use of Bank's car up to ₹0.22 million per annum, provident fund aggregating to ₹0.63 million per annum, travelling and halting allowance, medical benefits (as per the mediclaim policy of our Bank), one club membership, one four wheeler for official/personal use, reimbursement of entertainment expenditure of ₹0.12 million per annum and leave fare concession (as per the policy adopted by the human resources department of our Bank from time to time)

Further, as on the date of the Draft Red Herring Prospectus, subject to receipt of approval from the RBI, our Board has approved the grant of options equivalent to 0.60% of the paid up share capital of our Bank as of March 31, 2020 constituting 4,555,633 Equity Shares to Mr. Govind Singh under the MD & CEO ESOP Plan.

Additionally, subject to the RBI approval, our Board through its resolution dated November 9, 2020 and our Shareholders through their resolution dated December 28, 2020 approved the revision in compensation payable to Mr. Govind Singh, including variable pay (i.e. cash and non-cash component) for Fiscal 2020 and fixed remuneration for Fiscal 2021 in the following manner:

- Cash component: ₹ 2.5 million of annual performance bonus to be paid in Fiscal 2021 and the balance ₹2 million to be paid in equal tranches in April 2021, April 2022 and April 2023;
- Non-cash component: Options equivalent to 0.30% of the outstanding share capital of our Bank worth ₹31.50 million as of November 6, 2020 constituting 2,248,394 Equity Shares at ₹ 14.01 per option for a face value of ₹ 10 each were granted to Mr. Govind Singh under the ESOP Scheme 1; and
- Fixed remuneration for Fiscal 2021 has been increased to ₹ 22 million.

Compensation paid to our non-executive Directors

Pursuant to the Board resolution dated March 14, 2020, our Directors (excluding nominee Directors, Managing Director and whole-time Director) are entitled to receive sitting fees of ₹80,000 per meeting for attending meetings of our Board, sitting fees of ₹60,000 per meeting for attending meetings of the Audit Committee of our Board and sitting fees of ₹45,000 per meeting for attending meetings of the other Board level or Board appointed committees within the limits prescribed under the Companies Act, 2013, and the rules made thereunder.

The details of remuneration paid to our Directors (excluding nominee Directors, Managing Director and whole-time Director) during Fiscal 2020 are as follows:

S. No.	Name of Director	Sitting fees paid (in ₹ million)	Remuneration (in ₹ million)
1.	Mr. Kajal Ghose	1.55	-
2.	Mr. Puranam Hayagreeva Ravikumar	1.28	-
3.	Mr. T.N. Thakur [#]	1.31	-
4.	Mr. Somnath Sengupta ^{##}	0.24	-
5.	Ms. Kalpana Prakash Pandey [*]	-	-
6.	Dr. Veeravalli Sampath Sundaram ^{###}	0.99	0.72
7.	Nagesh Dinkar Pingel ^{**}	-	-
8.	Mr. Muralidharan Rajamani ^{***}	-	-
9.	Mr. Ajay Kumar Kapur ^{***}	-	-
Total		5.37	0.72

[#]Ceased to be a director on our Board with effect from March 25, 2020

^{##}Ceased to be a director on our Board with effect from May 25, 2019

^{###}Ceased to be the part-time chairman and director on our Board with effect September 10, 2020

^{*}Not paid any sitting fee in FY 2020 as she was appointed on our Board on April 29, 2020

^{**}Not paid any sitting fee in FY 2020 as he was appointed on our Board on July 20, 2020

^{***}Not paid any sitting fee in FY 2020 as they were appointed on our Board on March 2, 2021

Additionally, as approved by the RBI vide its email dated September 8, 2020, Mr. Puranam Hayagreeva Ravikumar, our part time non-executive chairman and Independent Director, is also entitled to receive remuneration as below:

Particulars	Remuneration
Gross Salary	₹0.10 million per month*

**Excludes sitting fees, commission, travel, lodging and boarding expenses and other expenses for attending Board meetings and meetings of the committees of the Board and for representing our Bank in any forum.*

Bonus or profit sharing plan for the Directors

There is no bonus or profit sharing plan for our Directors.

Contingent and deferred compensation payable to Directors

Except as disclosed under “*Remuneration paid to executive Director*” on page 173, there is no contingent or deferred compensation payable to our Directors in Fiscal 2020, which does not form part of their remuneration.

Service contracts with Directors

There are no service contracts entered into by our Directors with the Bank which provide for benefits upon termination of employment.

Arrangement or understanding with major shareholders, customers, suppliers or others

Except for (i) Ms. Anita Ramachandran, who has been appointed as a nominee Director on our Board by our Promoter pursuant to the then prevailing provisions of the AoA read along with the letter from our Promoter dated August 23, 2016; and (ii) Mr. Govindasamy Sampath Kumar, who has been appointed by SIDBI as a nominee Director on our Board, pursuant to the letter from our Bank to SIDBI dated September 19, 2016 read along with letter from SIDBI dated February 12, 2021, there is no arrangement or understanding with our major Shareholders, customers, suppliers or others, pursuant to which any Director was appointed as a director on our Board.

Shareholding of our Directors

Other than as disclosed under “*Capital Structure –Shareholding of our Directors and Key Managerial Personnel*” on page 82, none of our Directors hold any Equity Shares.

Interest of Directors

Our Directors may be deemed to be interested to the extent of remuneration and reimbursement of expenses, if any, payable to them by our Bank and our Independent Directors may be deemed to be interested to the extent of sitting fees, if any, payable to them for attending meetings of our Board or committees thereof.

Our Directors may be interested to the extent of Equity Shares, if any, held by them or held by the entities in which they are associated as partners, or that may be subscribed by or allotted to the companies, firms, ventures, trusts in which they are interested as promoters, directors, partners, proprietors, members or trustees, pursuant to the Offer or options granted/ approved to be granted under the MD & CEO ESOP Plan or schemes formulated under the ESOP Plan 2020 (including the ESOP Scheme 1), as applicable, and Equity Shares allotted pursuant to exercise of such options, and any dividend and other distributions payable in respect of such Equity Shares.

No sum has been paid or agreed to be paid to our Directors or to firms or companies in which they may be members, in cash or shares or otherwise by any person either to induce him/ her to become, or to qualify him/ her as, a Director, or otherwise for services rendered by him/ her or by such firm or company, in connection with the promotion or formation of our Bank.

Interest in land and property

None of our Directors have any interest in any property acquired by our Bank or proposed to be acquired by our Bank.

Interest in promotion or formation of our Bank

None of our Directors have any interest in the promotion or formation of our Bank.

Business interest

None of our Directors have any business interest in our Bank.

Directorships of our Directors in listed companies

None of our Directors are, or for the five years prior to the date of this Draft Red Herring Prospectus, have been on the board of directors of any listed company whose shares have been/were suspended from being traded on any of the stock exchanges, during his/her tenure.

None of our Directors has been or is a director on the board of directors of any listed company which has been / was delisted from any stock exchange(s), during his/her tenure.

Changes in our Board during the last three years

The changes in our Board during the three years immediately preceding the date of this Draft Red Herring Prospectus are set forth below.

Name of Director	Date of Change	Reasons
Mr. Muralidharan Rajamani	March 2, 2021	Appointed as a non – executive Director****
Mr. Ajay Kumar Kapur	March 2, 2021	Appointed as an Independent Director****
Mr. Puranam Hayagreeva Ravikumar	September 11, 2020	Appointed as part time non – executive chairman
Mr. Veeravalli Sampath Sundaram	September 10, 2020	Cessation as a part- time chairman and Independent Director
Mr. Nagesh Dinkar Pinge	July 20, 2020	Appointed as an Independent Director****
Ms. Kalpana Prakash Pandey	April 29, 2020	Appointed as an Independent Director***
Mr. Tantra Narayan Thakur	March 25, 2020	Cessation as an Independent Director
Mr. Govindasamy Sampath Kumar	August 28, 2019	Appointed as a nominee Director
Mr. Prakash Kumar	July 5, 2019	Cessation as an additional Director (nominee)
Mr. Puranam Hayagreeva Ravikumar	May 25, 2019	Appointment as an Independent Director**
Mr. Arup Kumar	May 25, 2019	Cessation as a nominee Director
Mr. Somnath Juran Kumar Sengupta	May 25, 2019	Cessation as an Independent Director
Mr. Prakash Kumar	May 25, 2019	Appointment as an additional Director (nominee)
Mr. Govind Singh	September 21, 2018	Change in designation to Managing Director and chief executive officer*
Ms. Anita Ramachandran	June 26, 2018	Change in designation to nominee Director**
Mr. Arup Kumar	June 26, 2018	Change in designation to nominee Director**
Mr. Govind Singh	June 26, 2018	Change in designation to nominee Director**
Mr. Govind Singh	May 31, 2018	Appointment as an additional Director
Mr. Govind Singh	May 24, 2018	Resigned as Managing Director and chief executive officer

*Regularized pursuant to a resolution passed by our Shareholders on June 26, 2018.

**Regularized pursuant to a resolution passed by our Shareholders on August 5, 2019.

***Regularized pursuant to a resolution passed by our Shareholders on July 20, 2020.

****Regularized pursuant to a resolution passed by our Shareholders on March 3, 2021.

Borrowing Powers

Pursuant to our AoA and applicable provisions of the Companies Act, 2013 and pursuant to the special resolution passed by our Shareholders on August 5, 2019, our Board is entitled to borrow together with the monies already borrowed by our Bank (excluding temporary loans obtained from our Bank's banker in the ordinary course of business) up to such amount that may exceed the aggregate of the paid- up share capital of our Bank, its free reserves and securities premium, and determine, fix, arrange or agree to the terms and conditions of all such monies borrowed/to be borrowed whether in Indian or any other equivalent foreign currency, provided that the total amount so borrowed and the outstanding amount at any time shall not exceed ₹45,000 million.

Corporate Governance

The corporate governance provisions of the Listing Regulations will be applicable to us immediately upon the listing of the Equity Shares on the Stock Exchanges. We are in compliance with the requirements of the applicable regulations, including the Listing Regulations, the Companies Act and the SEBI ICDR Regulations, in respect of corporate governance including constitution of our Board and committees thereof and formulation and adoption of policies.

The composition of our Board is also in compliance with the Banking Regulation Act, SFB Licensing Guidelines and conditions stipulated under the RBI Licence and RBI In-Principle Approval. Further, the RBI has, by way of its letters and e-mail listed below, pertaining to the constitution of our Board as on date of the Draft Red Herring Prospectus:

- a) Approved the nomination of Ms. Anita Ramachandran as a director on our Board *vide* its letter dated January 16, 2017.
- b) Approved nomination of Mr. Kajal Ghose as a director on our Board *vide* its letter dated September 6, 2017.
- c) Approved the appointment of Mr. Govind Singh as the Managing Director and chief executive officer of our Bank for a period of three years from the date of his taking charge *vide* its letter dated September 21, 2018.
- d) Approved the appointment of Mr. Puranam Hayagreeva Ravikumar as the part time non – executive chairman of our Bank from September 11, 2020 till July 19, 2021 *vide* its e-mail dated September 8, 2020.

Further, our Bank has intimated RBI in relation to the appointment of (a) Mr. Govindasamy Sampath Kumar and Mr. Nagesh Dinkar Pinge *vide* its letters dated September 30, 2019 and July 29, 2020, respectively; (b) Mr. Muralidharan Rajamani and Mr. Ajay Kumar Kapur *vide* its letter dated March 3, 2021; and (c) Ms. Kalpana Prakash Pandey *vide* its e-mail dated May 19, 2020.

Board committees

Audit Committee

Our Audit Committee was constituted by a resolution of our Board dated September 27, 2016 and was last reconstituted pursuant to the meeting of our Board held on March 3, 2021. Our Audit Committee is in compliance with Section 177 of the Companies Act 2013 and Regulation 18 of the Listing Regulations. Our Audit Committee currently consists of:

- (a) Mr. Nagesh Dinkar Pinge (*chairperson*);
- (b) Ms. Anita Ramachandran (*member*);
- (c) Mr. Kajal Ghose (*member*); and
- (d) Ms. Kalpana Prakash Pandey (*member*).

Scope and terms of reference: The terms of reference of our Audit Committee shall include the following:

- i. Recommendation for appointment, remuneration and terms of appointment of auditors of the Bank.
- ii. Review and monitoring the auditor's independence and performance, and effectiveness of audit process.
- iii. Examination of the financial statement and the auditors' report thereon.
- iv. Approval or any subsequent modification of transactions of the Bank with related parties.
- v. Scrutiny of inter-corporate loans and investments.
- vi. Valuation of undertakings or assets of the Bank, wherever it is necessary.
- vii. Evaluation of internal financial controls and risk management systems.
- viii. Monitoring the end use of funds raised through public offers and related matters.
- ix. Providing direction and to oversee the operation of the audit function.
- x. Review of the internal audit system with special emphasis on its quality and effectiveness.
- xi. Review of internal and concurrent audit reports of large branches with a focus on all major areas of housekeeping, particularly inter branch adjustment accounts, arrears in the balancing of the books, un-reconciled entries in inter-company accounts and frauds.
- xii. Discussion on the matters related to frauds.

- xiii. Discussion and follow up for the audit observations relating to long form audit report.
- xiv. Discussion and follow up for the observations relating to inspection report / risk assessment report of the RBI.
- xv. Review the system of appointment of concurrent auditors and external auditors.
- xvi. Review of our Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- xvii. Approval of payments to statutory auditors for other services rendered by them.
- xviii. Review with the management, the annual financial statements and auditor's report thereon before submission to our Board for approval with particular reference to modified opinion(s) in the draft audit report.
- xix. Review and approval of matters required to be included in the director's responsibility statement in our Board's report in terms of clause (5) of Section 134 of the Companies Act and changes, if any, in accounting policies and practices and reasons for the same.
- xx. Review of major accounting entries involving estimates based on the exercise of judgment by the management.
- xxi. Review of significant adjustments made in the financial statements arising out of audit findings.
- xxii. Review of compliance with statutory and legal requirements relating to financial statements.
- xxiii. Review of disclosure of any related party transactions.
- xxiv. Review and discuss qualifications in the draft audit report.
- xxv. Review, with the management, the quarterly financial statements before submission to our Board for approval.
- xxvi. Review, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to our Board for taking steps in the matter.
- xxvii. Review with the management, performance and independence of statutory and internal auditors, adequacy of the internal control systems and effectiveness of audit process.
- xxviii. Obtain and review quarterly / half yearly reports of the Compliance Officer.
- xxix. Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing, seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- xxx. Discuss with internal auditors any significant audit findings and follow up thereon.
- xxxi. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to our Board.
- xxxii. Discuss with statutory auditors, before the commencement of audit, the nature and scope of audit as also conduct post-audit discussion to ascertain any area of concern.
- xxxiii. Analysis of the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- xxxiv. Review of the functioning of the whistle blower-cum-vigil mechanism.

- xxxv. Approval of the appointment of the head of internal audit / chief internal audit officer before finalization of the same by the management. While approving the appointment, Audit Committee shall assess the qualifications, experience & background etc. of the candidate.
- xxxvi. Approval or any subsequent modification of transactions of the company with related parties.
- xxxvii. Evaluation of internal financial controls and risk management system. Valuation of undertakings or assets of the Bank, wherever it is necessary.
- xxxviii. Review of information system audit and cyber security audit reports.
- xxxix. Discussion and follow up for audit observations relating to Information System audit and Cyber Security Audit.
- xl. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to our Board for approval, with particular reference to modified opinion(s) in the draft audit report.
- xli. Approving the appointment of the chief financial officer or any other person heading the finance function or discharging that function after assessing the qualifications, experience and background, etc. of the candidate.
- xlii. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by our Board and/or specified/provided under the Companies Act or the Listing Regulations or by any other applicable law.
- xliii. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.

The Audit Committee shall mandatorily review the following information:

- i. Management's discussion and analysis of financial condition and results of operations;
- ii. Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management;
- iii. Management letters/ letters of internal control weaknesses issued by the statutory auditors;
- iv. Internal audit reports relating to internal control weaknesses;
- v. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee; and
- vi. Statement of deviations:
 - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of the Listing Regulations; and
 - b) annual statement of funds utilised for purposes other than those stated in the document/prospectus/notice in terms of the Listing Regulations.

Nomination and Remuneration Committee

Our Nomination and Remuneration Committee was constituted by a resolution of our Board dated September 27, 2016 and was last reconstituted pursuant to the meeting of our Board held on October 23, 2020. Our Nomination and Remuneration Committee is in compliance with Section 178 of the Companies Act 2013 and Regulation 19 of the Listing Regulations. Our Nomination and Remuneration Committee currently consists of:

- (a) Mr. Kajal Ghose (*chairperson*);
- (b) Mr. Puranam Hayagreeva Ravikumar (*member*); and
- (c) Ms. Anita Ramachandran (*member*).

Scope and terms of reference: The terms of reference of our Nomination and Remuneration Committee shall include the following:

- i. Review the structure, size, composition, diversity of our Board and make necessary recommendations to our Board with regard to any changes as necessary and formulation of policy thereon.
- ii. Evaluate the skills that exist, and those that are absent but needed at our Board level, and search for appropriate candidates who have the profile to provide such skill sets.
- iii. Examine vacancies that will come up at our Board on account of retirement or otherwise and suggest course of action.
- iv. Advise criteria for evaluation of Independent Directors and our Board and carry out evaluation of every directors' performance.
- v. Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a director on our Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
- vi. Review the composition of committees of our Board, and identify and recommend to our Board the Directors who can best serve as members of each Board Committee.
- vii. Review and recommend to our Board for approval the appointment of managing Director and chief executive officer and other whole-time Directors and the overall remuneration framework and associated policy of our Bank (including remuneration policy for directors and key managerial personnel) the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of our Bank including the Managing Director and chief executive officer, other whole time Directors and senior managers one level below our Board.
- viii. Review and recommend to our Board for approval the total increase in manpower cost budget of our Bank as a whole, at an aggregate level, for the next year.
- ix. Recommend to our Board the compensation payable to the chairman of our Bank.
- x. Review the code of conduct and human resources strategy, policy and performance appraisal process within our Bank, as well as any fundamental changes in organization structure which could have wide ranging or high risk implications.
- xi. Review and recommend to our Board for approval the talent management and succession policy and process in the Bank for ensuring business continuity, especially at the level of Managing Director and chief executive officer, the other whole time Directors, senior managers one level below our Board and other key roles and their progression to our Board.
- xii. Review and recommend to our Board for approval:
 - a. the creation of new positions one level below Managing Director and chief executive officer; and
 - b. appointments, promotions and exits of senior managers one level below the Managing Director and chief executive officer.
- xiii. Set the goals, objectives and performance benchmarks for our Bank and for Managing Director and chief executive officer, the other whole time directors for the financial year and over the medium to long term.
- xiv. Review the performance of the Managing Director and chief executive officer and other whole time Directors at the end of each year.
- xv. Review organization health through feedback from employee surveys conducted on a regular basis.
- xvi. Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, RBI or by any other regulatory or statutory body.

- xvii. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to our Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees.
- xviii. Formulating of criteria for evaluation of the performance of the Independent Directors and our Board.
- xix. Devising a policy on Board diversity.
- xx. Identifying persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to our Board their appointment and removal, and carrying out evaluations of every director's performance.
- xxi. Determining whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- xxii. Performing such functions as are required to be performed by the committee under the SEBI SBEB Regulations.
- xxiii. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:
 - a. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
 - b. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.
- xxiv. Performing such other activities as may be delegated by our Board and/or specified/provided under the Companies Act or the Listing Regulations, or by any other regulatory authority.
- xxv. Recommend to our board, all remuneration, in whatever form, payable to senior management.
- xxvi. Performing such other functions as may be required for the performance of any of the above duties.

Stakeholders' Relationship Committee

Our Stakeholders' Relationship Committee was constituted by a resolution of our Board dated December 26, 2016 and was last reconstituted pursuant to the meeting of our Board held on October 23, 2020. Our Stakeholders' Relationship Committee is in compliance with Section 178 of the Companies Act 2013 and Regulation 20 of the Listing Regulations. Our Stakeholders' Relationship Committee currently consists of:

- (a) Ms. Kalpana Prakash Pandey (*chairperson*);
- (b) Mr. Nagesh Dinkar Pinge (*member*); and
- (c) Mr. Govind Singh (*member*).

Scope and terms of reference: The terms of reference of our Stakeholders' Relationship Committee shall include the following:

- i. Considering and resolving grievances of shareholder's, debenture holders and other security holders.
- ii. Redressal of grievances of the security holders of our Bank, relating to non-receipt of dividend/interest, refund order/redemption, transfer/ transmission, non-receipt of annual report and all other grievances as may arise.
- iii. Allotment of Equity Shares, approval of transfer or transmission of Equity Shares, debentures or any other securities.
- iv. Issue of duplicate certificates and new certificates on split/consolidation/renewal etc.
- v. Overseeing requests for dematerialization and rematerialization of securities.

- vi. Spreading awareness amongst security holders for protection of their rights and interest(s).
- vii. Carrying out any other function as assigned by our Board from time to time related with security holders of our Bank.
- viii. Investigating complaints relating to allotment of shares, approval of transfer or transmission of shares, debentures or any other securities.
- ix. Review of measures taken for effective exercise of voting rights by shareholders.
- x. Review of adherence to the service standards adopted by our Bank in respect of various services being rendered by the Registrar and Share Transfer Agent.
- xi. Review of the various measures and initiatives taken by our Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of our Bank.
- xii. Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time.
- xiii. Ensure proper and timely attendance and redressal of investor queries and grievances.
- xiv. Carrying out any other functions contained in the Companies Act, 2013, the Listing Regulations and/or equity listing agreements (if applicable), as and when amended from time to time.
- xv. To further delegate all or any of the power to any other employee(s), officer(s), representative(s), consultant(s), professional(s), or agent(s).

Corporate Social Responsibility Committee

Our Corporate Social Responsibility Committee was constituted by a resolution of our Board dated January 9, 2017 and was last reconstituted pursuant to the meeting of our Board held on October 23, 2020. Our Corporate Social Responsibility Committee is in compliance with Section 135 of the Companies Act 2013. Our Corporate Social Responsibility Committee currently consists of:

- (a) Mr. Puranam Hayagreeva Ravikumar (*chairperson*);
- (b) Ms. Kalpana Prakash Pandey (*member*); and
- (c) Mr. Govind Singh (*member*).

Our Corporate Social Responsibility Committee is authorized to perform the following functions:

- i. Formulation and recommendation to our Board, the Corporate Social Responsibility (CSR) strategy of the Bank including the CSR Policy and its implementation.
- ii. Formulation and recommendation to our Board, the CSR activities to be undertaken by our Bank, either directly or through Utkarsh Welfare Foundation or through any other entity working for the welfare of society and determining the CSR projects / programmes which our Bank plans to undertake during the year of implementation, specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same.
- iii. Recommendation to our Board, the amount of expenditure to be incurred on the CSR activities.
- iv. Review and monitoring the compliance of initiatives undertaken and evaluate performance of the activities against the agreed targets.
- v. Conducting an impact-assessment of the various initiatives undertaken in terms of the CSR Policy at periodic intervals.
- vi. Instituting a transparent monitoring mechanism for ensuring implementation of the projects / programmes / activities proposed to be undertaken by our Bank.

- vii. Reviewing and recommending the annual CSR report for our Board's approval and for public disclosure.
- viii. Performing such other duties with respect to CSR activities, as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, RBI or by any other regulatory or statutory body.
- ix. Our Corporate Social Responsibility Committee shall:
 - a. formulate, review and recommend to our Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by our Bank as specified in Schedule VII;
 - b. recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
 - c. monitor the Corporate Social Responsibility Policy of our Bank from time to time.
- x. To consider and review the CSR Initiatives of our Bank with as per Section 135 of the Companies Act, 2013, Schedule VII of the Act and related circulars issued by the Ministry of Corporate Affairs from time to time.
- xi. To review annual CSR policy of our Bank and suggest changes within the purview of section 135 of the Companies Act, schedule VII of the act and related circulars issues by Ministry of corporate affairs.
- xii. To undertake the CSR activities to be undertaken by our Bank through Utkarsh Welfare Fund/ Identified CSR Implementing Partner.
- xiii. To undertake CSR programmes/ projects with the approval of our Boards on the recommendations of their CSR Committees. Changes, if any, in the programme / project should also be undertaken only with the approval of the Committee / Board.
- xiv. Performing such other duties with respect to CSR activities, as may be required to be done under any law, statute, rules, regulations, notifications etc. enacted or issued by Ministry of Corporate Affairs, Government of India, RBI or by any other regulatory or statutory body applicable to Bank.
- xv. To consider and review the thematic areas under CSR initiatives of our Bank which currently comprises of Financial Awareness, Primary education, Health Camps, Health Awareness Programme, Skill development and Vocational Training, Supporting Orphanages and Support to Elderly Care.

Capital Structuring and Fund Raise Committee

Our Capital Structuring and Fund Raise Committee was constituted by a resolution of our Board dated August 5, 2019 and was last reconstituted pursuant to the meeting of our Board held on October 23, 2020. The Capital Structuring and Fund Raise Committee currently consists of:

- (a) Mr. Puranam Hayagreeva Ravikumar (*chairperson*);
- (b) Mr. Nagesh Dinkar Pinge (*member*); and
- (c) Mr. Govind Singh (*member*).

The Capital Structuring and Fund Raise Committee is authorized to perform the following functions:

- i. To make applications, seek clarifications, obtain approvals and seek exemptions from, where necessary, the RBI, SEBI, the RoC and any other governmental, statutory or regulatory authorities as may be required in connection with the Offer and accept on behalf of our Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required and wherever necessary, incorporate such modifications / amendments as may be required in the draft red herring prospectus, the red herring prospectus and the prospectus, as applicable.
- ii. To finalize, settle, approve, adopt and file in consultation with the Selling Shareholder(s) and BRLMs where applicable, the draft red herring prospectus, the red herring prospectus, the prospectus, the preliminary and final international wrap and any amendments, supplements, notices, addenda or

corrigenda thereto, and take all such actions as may be necessary for the submission and filing of these documents including incorporating such alterations/corrections/ modifications as may be required by SEBI, the RoC or any other relevant regulatory, governmental and statutory authorities or in accordance with Applicable Laws.

- iii. To decide in consultation with the Selling Shareholder(s) and /or the BRLMs on the actual Offer size, timing, pricing, discount, reservation and all the terms and conditions of the Offer, including the price band (including offer price for anchor investors), bid period, offer price, and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Offer including to make any amendments, modifications, variations or alterations in relation to the Offer.
- iv. To appoint and enter into and terminate arrangements with the BRLMs, Underwriters to the Offer, Syndicate Members to the Offer, brokers to the Offer, escrow collection bankers to the Offer, Sponsor Bank, Refund Bankers to the Offer, registrars, legal advisors, auditors, and any other agencies or persons or intermediaries to the Offer and to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLMs and negotiation, finalization, execution and, if required, amendment of the offer agreement with the BRLMs.
- v. To negotiate, finalise and settle and to execute and deliver or arrange the delivery of the draft red herring prospectus, the red herring prospectus, the prospectus, offer agreement, syndicate agreement, underwriting agreement, share escrow agreement, escrow and sponsor bank agreement, agreements with the Registrar to the Offer and all other documents, deeds, agreements and instruments whatsoever with the Registrar to the Offer, legal advisors, auditors, stock exchange(s), BRLMs and any other agencies/intermediaries in connection with the Offer with the power to authorise one or more officers of our Bank to execute all or any of the aforesaid documents or any amendments thereto as may be required or desirable in relation to the Offer.
- vi. To seek, if required, the consent and/or waiver of the lenders of our Bank, customers, parties with whom our Bank has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents and/or waivers that may be required in relation to the Offer or any actions connected therewith.
- vii. To open and operate bank accounts in terms of the escrow and sponsor bank agreement and to authorize one or more officers of our Bank to execute all documents/deeds as may be necessary in this regard.
- viii. To open and operate bank accounts of our Bank in terms of Section 40(3) of the Companies Act, and to authorize one or more officers of our Bank to execute all documents/deeds as may be necessary in this regard.
- ix. To authorize and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Offer.
- x. To accept and appropriate the proceeds of the Offer in accordance with the Applicable Laws.
- xi. To approve code of conduct as may be considered necessary by the CSFR Committee or as required under Applicable Laws, regulations or guidelines for our Board, officers of our Bank and other employees of our Bank.
- xii. To approve the implementation of any corporate governance requirements that may be considered necessary by our Board or the CSFR Committee or as may be required under the Applicable Laws or the Listing Regulations and listing agreement(s) to be entered into by our Bank with the relevant stock exchanges, to the extent allowed under law.
- xiii. To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of our Bank with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more recognised stock exchanges in India, with power to authorize one or more officers of our Bank to sign all or any of the aforesaid documents.
- xiv. To authorize and approve notices, advertisements in relation to the Offer in consultation with the relevant intermediaries appointed for the Offer.

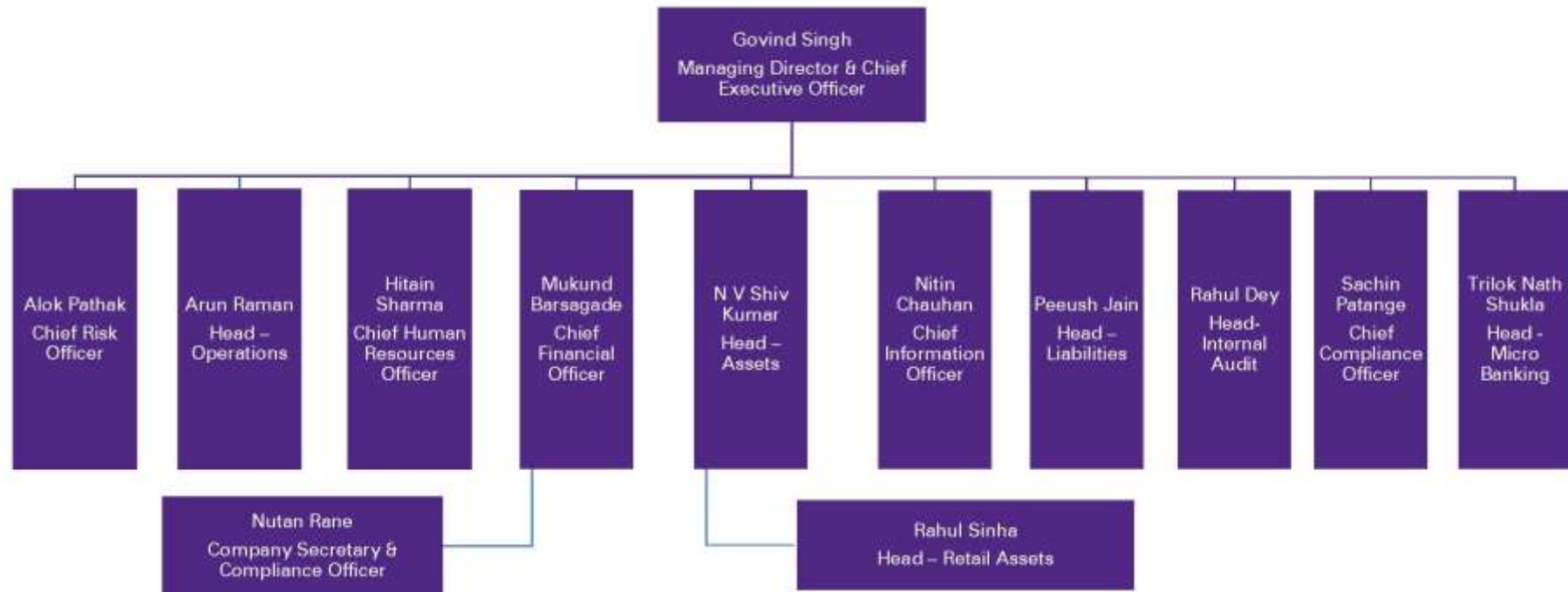
- xv. To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the BRLMs.
- xvi. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares and to sign and/ or modify, as the case maybe, agreements and/ or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorize one or more officers of our Bank to execute all or any of the aforesaid documents.
- xvii. To make applications for listing of the Equity Shares in one or more recognised stock exchanges in India for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of our Bank, where necessary.
- xviii. To settle all questions, difficulties or doubts that may arise in regard to the Offer, including such issues or allotment, terms of the IPO, utilisation of the IPO proceeds and matters incidental thereto as it may deem fit.
- xix. To submit undertaking/certificates or provide clarifications to the SEBI, the RoC, RBI and the Stock Exchanges.
- xx. To negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the CSFR Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Offer and any documents or instruments so executed and delivered or acts and things done or caused to be done by the CSFR Committee shall be conclusive evidence of the authority of the CSFR Committee in so doing.
- xxi. To delegate any of its powers set out under (i) to (xx) hereinabove, as may be deemed necessary and permissible under Applicable Laws to the officials of our Bank.
- xxii. To approve suitable policies, including any amendments to existing policies, on insider trading, whistle-blowing, risk management, and any other policies as may be required under the Listing Regulations or any other Applicable Laws.
- xxiii. To approve the list of 'group of company(ies)' of our Bank, identified pursuant to the materiality policy adopted by our Board, for the purposes of disclosure in the DRHP, RHP and Prospectus.
- xxiv. Deciding, negotiating and finalizing the pricing and all other related matters regarding the Pre-IPO Placement, including the execution of the relevant documents with the investors in consultation with the BRLMs and in accordance with Applicable Laws;
- xxv. Taking on record the approval of the Selling Shareholder(s) for offering their Equity Shares in the Offer.
- xxvi. To withdraw the draft red herring prospectus or the red herring prospectus or to decide to not proceed with the Offer at any stage in accordance with Applicable Laws and in consultation with the BRLMs.
- xxvii. To appoint, in consultation with the BRLMs, the registrar and other intermediaries to the Offer, in accordance with the provisions of the SEBI Regulations and other Applicable Laws including legal counsels, banks or agencies concerned and entering into any agreements or other instruments for such purpose, to remunerate all such intermediaries/agencies including the payments of commissions, brokerages, etc. and to terminate any agreements or arrangements with such intermediaries/ agents.
- xxviii. To act in a non-executive role to take action in order to report to, and assist, our Board in fulfilling its responsibilities relating to capital structure and fund raise management;
- xxix. To obtain outside legal or other professional advice/services. Matters to be considered in relation to the above including but not limited to below:

- a. Capital restructuring strategy and execution;
 - b. Rights issue, Pre-IPO and IPO;
 - c. IPO allocation to domestic & international market and market timing;
 - d. Appointment of financial advisor, investment bankers and book running lead manager(s)
 - e. Appointment of legal and other advisors;
 - f. Appointment of tax, regulatory & accounting advisors;
 - g. Appointment of rating agencies;
 - h. Valuation report from registered valuer;
 - i. Offer document preparation and verification process;
 - j. Legal documentation finalisation and sign off process; and
 - k. Employee stock option scheme of our Bank.
- xxx. To call any member of our Bank personnel, or outsiders with relevant experience and expertise, if it considers this necessary.
- xxxi. To select the stock exchange for listing of securities.
- xxxii. To authorize personnel to represent our Bank before regulatory bodies and filing/signing/execution of necessary application/documents.
- xxxiii. To engage with our Board of holding company including its committees and investors at the holdco in connection with capital restructuring/capital raising.
- xxxiv. To take other actions considered necessary or prudent to fulfil the responsibilities of the committee, provided that no other action is taken without the approval of our Board.
- xxxv. To act in a non-executive role to take action in order to:
- a. Be a forum to consult and report in relation to the capital structure and ongoing financing strategy;
 - b. Review and recommend to our Board in relation to setting strategy for capital structuring management, equity fund raise and debt financing;
 - c. Review and monitor the company's financing strategy and advise our Board whether the financing arrangements have been entered into on appropriate terms, at an appropriate cost and are appropriate financing arrangements for their purpose;
 - d. Advise our Board of any matters identified during the course of carrying out its duties that might have a significant impact on the ability of our Bank to raise financing in the future or place restrictions on equity;
 - e. Appointment of advisors as required for advice and / or execution of our Bank's capital structuring and fund raise strategy;
 - f. Review and recommend to our board regarding terms of debt financing proposals/offers.

Other Committees of our Bank

In addition to the committees mentioned above, our Bank has constituted various other committees at our Board level, namely, IT Strategy Committee, Review Committee for Identification of Wilful Defaulters, Customer Service Committee, Special Committee to monitor Large Value of funds, Credit Approval Committee and Special Committee for Corporate Office Building Project.

Management Organisation Chart



Key Managerial Personnel

In addition to Mr. Govind Singh, our Managing Director and chief executive officer, whose details are provided in “– Brief Profiles of our Directors” on page 172, the details of the Key Managerial Personnel of our Bank are as follows:

Mr. Alok Pathak is the chief risk officer of our Bank. He holds a bachelor's degree in science from Shri Shahu Ji Maharaj University, Kanpur and a diploma in information and systems management from Aptech. He has passed the Certified Banking Compliance Professional Examination and the CAIIB Examination conducted by the Indian Institute of Banking and Finance. He has experience in the fields of risk management and treasury management. He has previously worked at Yes Bank Limited as an executive vice president – risk management, Axis Bank Limited as a deputy vice president in the risk department and State Bank of Mysore as the deputy manager (dealer in treasury). He joined our Bank as the head - risk with effect from May 5, 2016. During Fiscal 2020, he received a remuneration of ₹ 6.43 million from our Bank.

Mr. Arun Raman is the head –operations of our Bank and joined our bank with effect from August 10, 2020. He holds a bachelor's degree in engineering (computer science) from University of Madras and a post-graduate diploma in management from Indian Institute of Management, Lucknow. He has experience in the field of operations. He has previously worked at Ahli Bank as its deputy head of operation, Citibank as an assistant manager, Emirates Bank International pjsc as a product development officer, HSBC Bank, Middle East as a credit card manager, ICICI Bank Limited as its joint general manager, Manappuram Finance Limited as its executive vice president – operations and Bandhan Bank Limited as head – banking operations and customer services. Since he joined our Bank in Fiscal 2021, he was not paid any remuneration for Fiscal 2020 by our Bank.

Mr. Hitain Sharma is the chief human resources officer of our Bank and he joined our Bank with effect from December 9, 2019. He holds a bachelor's degree in hotel management from Bangalore University and a post graduate diploma in business analysis and skills execution from Symbiosis Institute of Business Management, Pune. He has experience in the field of human resources and industry relations. He has previously worked at Aditya Birla Sun Life Insurance Limited as the vice president – human resources, Kotak Mahindra Bank Limited as a vice president, Tata AIG General Insurance as its assistant manager – human resource department, Balsara Home Products Limited as its manager – human resource department and Shaw Wallace Distilleries Limited. During Fiscal 2020, he received a remuneration of ₹ 2.23 million from our Bank.

Mr. Mukund Barsagade is the chief financial officer of our Bank and he joined our Bank with effect from June 11, 2018. He holds a bachelor's degree in commerce from Nagpur University, diploma in international financial reporting from the Association of Chartered Certified Accountants and is a qualified chartered accountant from the ICAI. He has experience in the field of financial management and has previously worked at FINO Payments Bank Limited, FINO PayTech Limited, GE Capital Services India, India Factoring and Finance Solutions Private Limited, Experian Services India Private Limited and Transamerica Apple Distribution Finance Limited. During Fiscal 2020, he received a remuneration of ₹ 8.58 million from our Bank.

Mr. Nitin Chauhan is the chief information officer of our Bank and he joined our Bank with effect from December 19, 2020. He holds a bachelor's degree in commerce from University of Delhi, a master of business administration (executive) degree from Amity University, Uttar Pradesh and is a certified information systems auditor from ISACA. He has experience in the field of information technology infrastructure management and information security practices and has previously worked at CyberQ Consulting Private Limited, Macmillan India Limited, Paytm Payments Bank Limited, Yes Bank Limited, Kotak Mahindra Bank Limited and at RBL Bank Limited as its head – technology infrastructure services and info security operations. Since he joined our Bank in Fiscal 2021, he was not paid any remuneration for Fiscal 2020 by our Bank.

Ms. Nutan Rane is the company secretary of our Bank with effect from October 15, 2019. She is also the compliance officer of our Bank. She holds a bachelor's degree in commerce from the University of Bombay. She is a certified chartered financial analyst from the Institute of Chartered Financial Analysts of India University, Tripura. She has completed the executive master's diploma programme in business administration from the Indian Institute of Business Management Technology and Research, Tripura and is an associate of the Institute of Company Secretaries of India. She has experience in the field of secretarial compliance and has previously worked at SBI Capital Markets Limited as their manager – legal and compliance. She joined our Bank as a deputy vice president - secretarial with effect from September 30, 2019. During Fiscal 2020, she received a remuneration of ₹ 1.44 million from our Bank.

Mr. N. V. Shiv Kumar is the head - assets of our Bank and joined our Bank with effect from December 30, 2020. He holds a bachelor's degree in science from Sri Venkateswara University and is a certified associate from the Indian Institute of Bankers. He has experience in the field of business development and has previously worked at Axis Bank Limited as its vice president, Union Bank of India as its assistant manager, IndusInd Bank Limited as its executive vice president 1 and Placid Limited as its director - agri business council. Since he joined our Bank in Fiscal 2021, he was not paid any remuneration for Fiscal 2020 by our Bank.

Mr. Peeush Jain is the head – liabilities of our Bank and joined our Bank with effect from April 20, 2020. He holds a bachelor's degree in science from Kurukshetra University. He has experience in retail banking and has previously worked at Lakshmi Vilas Bank Limited as its senior vice president & head – retail banking, the Royal Bank of Scotland N.V. as its vice president – wealth management, Anchor Financial Services Limited as its sales executive and the Hongkong and Shanghai Banking Corporation Limited as its specialist contract officer – field sales officer. Since he joined our Bank in Fiscal 2021, he was not paid any remuneration for Fiscal 2020 by our Bank.

Mr. Rahul Dey is the head – internal audit of our Bank. He holds a bachelor's degree in forestry from the North Eastern Regional Institute of Science and Technology, Nirjuli, Itanagar and a post-graduate diploma in rural management from Xavier Institute of Management, Bhubaneswar. He is a certified junior associate of the Indian Institute of Banking & Finance. He has experience in the banking and microfinance sector. He has previously worked at Ujjivan Financial Services Private Limited as its regional business manager, Spandana Spoorthy Financial Limited as its zonal manager, Anjali Microfinance Private Limited as its regional sales manager, ICICI Bank Limited as its manager, BILT Tree Tech Limited as its assistant manager and at our Promoter as its vice president. He joined our Bank as the vice president with effect from January 1, 2017. During Fiscal 2020, he received a remuneration of ₹3.64 million from our Bank.

Mr. Rahul Sinha is the head – retail assets of our Bank and he joined our Bank with effect from April 12, 2017. He holds a bachelor's degree in science from University of Delhi. He has experience in the field of lending and has previously worked at Bajaj Finance Limited as its business head – MSME lending, Tata Motors Limited (formerly known as Tata Engineering and Locomotive Company Limited), ICICI Bank Limited as its assistant general manager and at Reliance Capital Limited as its vice president – sales & distribution. During Fiscal 2020, he received a remuneration of ₹ 6.79 million from our Bank.

Mr. Sachin Patange is the chief compliance officer of our Bank. He holds a bachelor's degree in commerce from University of Bombay and a master's degree in business administration (human resource management) from Symbiosis Institute of Business Management, Pune. He is a certified associate from the Indian Institute of Bankers. He has experience in providing regulatory compliance services covering RBI regulations. He has previously worked at DCB Bank Limited as its chief compliance officer, Australia and New Zealand Banking Group Limited as its head of compliance, Reserve Bank of India as deputy general manager – department of banking operations and development and Datamatics Limited. He joined our Bank as the head – compliance with effect from January 1, 2019. During Fiscal 2020, he received a remuneration of ₹ 6.78 million from our Bank.

Mr. Trilok Nath Shukla is the head – micro banking business of our Bank. He holds a bachelor's degree in science from Purvanchal University, Uttar Pradesh. He has experience in the field of administration and human resource development services. He has previously worked at Cashpor Micro Credit as general manager, human resource development and has also been a whole time director of our Promoter. He joined our Bank as a head – JLG with effect from January 19, 2017. During Fiscal 2020, he received a remuneration of ₹ 6.43 million from our Bank.

Status of Key Managerial Personnel

All our Key Managerial Personnel are permanent employees of our Bank.

Relationship among Key Managerial Personnel

None of our Key Managerial Personnel are related to each another.

Bonus or profit sharing plan for the Key Managerial Personnel

There is no bonus or profit sharing plan for our Key Managerial Personnel, however, our Key Managerial Personnel are entitled to annually receive performance linked bonus.

Shareholding of Key Managerial Personnel

Other than as provided under “*Capital Structure – Shareholding of our Directors and Key Managerial Personnel*”, none of our Key Managerial Personnel hold Equity Shares.

Service Contracts with Key Managerial Personnel

Our Key Managerial Personnel are governed by the terms of their appointment letters and have not entered into any other service contracts with our Bank. No officer of our Bank is entitled to any benefit upon termination of employment or superannuation, other than statutory benefits.

Interest of Key Managerial Personnel

Our Key Managerial Personnel do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled as per the terms of their appointment, options granted to them under the schemes formulated under the ESOP Plan 2020 (including the ESOP Scheme 1) and Equity Shares allotted pursuant to exercise of such options, and any dividend and other distributions payable in respect of such Equity Shares. Further, our Key Managerial Personnel (excluding Mr. Govind Singh) may also be interested to the extent of options, if any, granted to them under the UCL ESOP Schemes, and subsequent allotment of equity shares in UCL (pursuant to exercise of options) and any dividend and other distributions payable in respect of such equity shares by UCL.

For details of interest of Mr. Govind Singh, please see “- *Interest of Directors*” on page 175.

Arrangements and understanding with major shareholders, customers, suppliers or others

None of our Key Managerial Personnel have been selected pursuant to any arrangement or understanding with our major Shareholders, customers, suppliers or any other person.

Changes in Key Managerial Personnel during the last three years

The changes in our Key Managerial Personnel during the three years immediately preceding the date of this Draft Red Herring Prospectus are set forth below.

Name	Date	Reason
Mr. N. V. Shiv Kumar	December 30, 2020	Appointed as head – assets
Mr. Nitin Chauhan	December 19, 2020	Appointed as chief information officer
Mr. Peeush Jain	April 20, 2020	Appointed as head – liabilities
Mr. Hitain Sharma	December 9, 2019	Appointed as chief human resources officer
Ms. Nutan Rane	October 15, 2019	Appointed as the company secretary
Mr. Vinay Prakash Tripathi	October 12, 2019	Resigned as the company secretary
Ms. Nutan Rane	September 30, 2019	Appointed as deputy vice president – secretarial
Mr. Vinay Prakash Tripathi	May 25, 2019*	Appointed as the company secretary
Mr. Anang Kumar Shandilya	April 4, 2019	Resigned as the company secretary
Mr. Sachin Patange	January 9, 2019	Appointed as chief compliance officer
Mr. Sachin Patange	January 1, 2019	Appointed as head-compliance
Mr. Govind Singh	September 21, 2018	Appointed as the Managing Director and chief executive officer
Mr. Mukund Barsagade	June 11, 2018	Appointed as the chief financial officer

*Mr. Vinay Prakash Tripathi was appointed as the company secretary vide appointment letter dated May 13, 2019 and subsequently, the board resolution approving his appointment was passed on May 25, 2019.

Contingent and deferred compensation payable to Key Managerial Personnel

Except as disclosed under “*Remuneration paid to executive Director*” on page 173, there is no contingent or deferred compensation payable to our Key Managerial Personnel in Fiscal 2020, which does not form a part of their remuneration.

Payment or Benefit to Key Managerial Personnel of our Bank

No amount or benefit has been paid or given to any officer of our Bank within the two years preceding the date of filing of this Draft Red Herring Prospectus or is intended to be paid or given, other than in the ordinary course of their employment.

Employee stock option and stock purchase schemes

For details of our MD & CEO ESOP Plan and ESOP Plan 2020 (including the ESOP Scheme 1 notified thereunder), see “*Capital Structure*” on page 76.

Further, under the UCL ESOP Schemes, the employees of our Bank are also entitled to receive options which are exercisable into equity shares of our Promoter in accordance with the vesting and exercise period set forth in the UCL ESOP Schemes.

OUR PROMOTER AND PROMOTER GROUP

Utkarsh CoreInvest Limited (formerly known as Utkarsh Micro Finance Limited) is the sole Promoter of our Bank. As on the date of this Draft Red Herring Prospectus, our Promoter, along with its nominees, holds an aggregate of 759,272,222 Equity Shares, comprising 100% of the pre-Offer issued, subscribed and paid-up Equity Share capital of our Bank. For details on shareholding of our Promoter in our Bank, see “*Capital Structure*” beginning on page 76.

The details of our Promoter are as provided below:

Corporate information

Our Promoter is a public limited company incorporated under the provisions of the Companies Act, 1956 on May 15, 1990. The corporate identification number of our Promoter is U65191UP1990PLC045609. Our Promoter was incorporated as Shre Pathrakali Finance Company Limited with the Registrar of Companies, Tamil Nadu. Subsequently, the name of our Promoter underwent several changes and was last changed to Utkarsh CoreInvest Limited, for which a fresh certificate of incorporation consequent to the change of name was issued by the RoC on October 11, 2018. Our Promoter, under its erstwhile name Utkarsh Micro Finance Private Limited was registered as a non-banking financial institution (without accepting public deposits) with the RBI under certificate number B-07-00781 dated March 19, 2010.

Pursuant to the Business Transfer Agreement, our Promoter sold its business of providing microfinance, as a going concern, including the assets, liabilities, contracts, receivables, licenses, employees, books and records, tax benefits etc. and excluding certain statutory assets and liabilities to our Bank. As per the terms of the RBI In-Principle Approval, our Promoter was converted into an NBFC-CIC with effect from May 3, 2018 under certificate number C.07.00781.

Our Promoter’s registered office is located at S-24/1-2, Fourth Floor, Mahavir Nagar, Orderly Bazar, Near Mahavir Mandir, Varanasi 221 002, Uttar Pradesh, India.

Our Promoter does not have any identifiable promoter and is a professionally managed company.

Main objects

The main objects of our Promoter are:

1. *"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.*
2. *To carry on financial activity, whether in India or outside in the nature of investment in bank deposits, Money Market instruments (Including money market mutual funds and liquid mutual funds), government securities, and to carry on such other activities as may be permitted and prescribed by the relevant statutory authorities for core investment Companies from time to time."*

Board of directors

The board of directors of our Promoter comprises the following:

- (a) Mr. Gopalamudram Srinivasaraghavan Sundararajan
- (b) Mr. Harjeet Toor
- (c) Mr. Aditya Deepak Parekh
- (d) Mr. Ashwani Kumar
- (e) Mr. Gaurav Malhotra
- (f) Mr. Atul

Shareholding Pattern

The authorised share capital of our Promoter is ₹1,000,000,000 divided into 100,000,000 equity shares of face value ₹10 each. The issued and paid-up share capital of our Promoter is ₹976,458,910 divided into 97,645,891 equity shares of face value ₹10 each.

As on the date of this DRHP, the shareholding of our Promoter is as follows:

Sr. No.	Name of Shareholder	Number of shares held	Percentage of equity shareholding
1.	CDC Group PLC	13,726,978	14.06%
2.	RBL Bank Limited	9,702,950	9.94%
3.	NMI (NMI Frontier Fund KS)	7,702,602	7.89%
4.	Faering Capital India Evolving FUND II	7,660,082	7.84%
5.	Other shareholders	7,382,460	7.56%
6.	Hero Enterprise Partner Ventures	4,845,496	4.96%
7.	responsAbility Participations Mauritius	4,845,495	4.96%
8.	Shriram Life Insurance Company Limited	4,825,531	4.94%
9.	Small Industries Development Bank of India (SIDBI)	4,252,134	4.35%
10.	ICICI Prudential Life Insurance Limited	4,150,995	4.25%
11.	Aavishkaar Goodwill India Microfinance Development Company II Limited	4,007,723	4.10%
12.	Jhelum Investment FUND I	3,200,531	3.28%
13.	HDFC Life Insurance Company Limited	3,113,246	3.19%
14.	Sponsors (RAAG Family Private Trust)	2,984,998	3.06%
15.	Sarva Capital LLC	2,967,865	3.04%
16.	International Finance Corporation	2,786,969	2.85%
17.	Sustainability – Finance – Real Economies SICAV – SIF	2,198,828	2.25%
18.	Faering Capital India Evolving FUND III	2,042,868	2.09%
19.	Lok Capital Growth Fund	1,877,511	1.92%
20.	Aavishkaar Bharat Fund	1,576,923	1.61%
21.	HDFC Ergo General Insurance Company Limited	1,037,748	1.06%
22.	Housing Development Finance Corporation Limited	431,589	0.44%
23.	Utkarsh ESOP Welfare Trust	316,393	0.32%
24.	Aavishkaar Venture Management Service Private Limited	7,476	0.01%
25.	Mr. Govind Singh	500	0.00%
Total		97,645,891	100%

Change in control of our Promoter

There has been no change in the control of our Promoter in the last three years preceding the date of filing of this Draft Red Herring Prospectus.

Our Bank confirms that the permanent account number, bank account number(s), company registration number and the address of the registrar of companies where our Promoter is registered shall be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus.

Change in control of our Bank

There has been no change in control of our Bank since its incorporation.

Interests of Promoter and Related Party Transactions

Our Promoter is interested in our Bank to the extent (i) that it has promoted our Bank; (ii) of its right to nominate a Director on the Board; and (iii) of its shareholding and dividend payable thereon. For details on shareholding of our Promoter in our Bank, see “*Capital Structure – Notes to Capital Structure – History of the Equity Share Capital held by our Promoter*” on page 78.

A memorandum of understanding dated October 19, 2019, an addendum to the memorandum of understanding dated December 17, 2019 and the first renewal agreement dated December 9, 2020, have been entered into between our Bank and our Promoter, whereby our Promoter has agreed to reimburse the cost of monthly rent of

₹67,200 per month to our Bank, currently being paid by our Bank to the respective owners of the leased premises, for the two leased premises under its occupancy. The first renewal agreement is valid for a period of 11 months from November 17, 2020.

In accordance with the terms of the service agreement dated October 19, 2019 (with effect from April 1, 2019) between our Bank and our Promoter, our Promoter pays a service charge of 1% of the amount collected against the written-off amount to our Bank, for the efforts of its employees towards the recovery of amounts due to our Promoter on certain technical-write offs by our Promoter during FY 2016-17 i.e. prior to the execution of the Business Transfer Agreement.

Our Bank has entered into a memorandum of understanding dated December 17, 2019 with our Promoter whereby our Promoter has agreed to reimburse, on a regular basis, the charges of usage of certain services/utilities that are currently being paid by our Bank to corporate vendors. Further, our Bank is permitted to use four vehicles owned by our Promoter subject to our Bank bearing the costs of running and maintenance of these vehicles on an actual basis.

For further details of the aforesaid interests and any other interests of our Promoter in our Bank, see “*Financial Statements*” on page 225.

Further, our Promoter has entered into a trademark license agreement with our Bank dated December 24, 2020, pursuant to which our Bank has granted our Promoter a worldwide, non-exclusive, non-transferable and non-assignable right and license to use the trademark and the logo of the Bank in connection with its business in lieu of a one-time non-refundable consideration of ₹100. The agreement is valid for a period of three years and can be extended for a period not exceeding three years at a time, on such terms and conditions as may be mutually agreed between the parties.

Our Promoter has no interest in any property acquired by our Bank during the three years preceding the date of this Draft Red Herring Prospectus, or proposed to be acquired, or in any transaction by our Bank for acquisition of land, construction of building or supply of machinery, etc.

Our Promoter is not interested as member of a firm or company and no sums have been paid or agreed to be paid to our Promoter or to such firm or company in cash or shares or otherwise by any person, either to induce it to become or to qualify it or otherwise for services rendered by it or by such firm or company in connection with the promotion or formation of our Bank.

Our Promoter is not interested in any other entity which holds any intellectual property rights that are used by our Bank.

Payment or benefits to our Promoter or Promoter Group

Except as stated in this section, “*Offer Document Summary - Summary of Related Party Transactions*” and “*Financial Statements*” on pages 14 and 225 respectively, there has been no payment or benefits made to our Promoter or members of our Promoter Group during the two years preceding the filing of this Draft Red Herring Prospectus nor is there any intention to pay or give any amount or benefit to our Promoter or members of our Promoter Group.

Disassociation by our Promoter in the last three years

Our Promoter has not disassociated itself from any company or firm during the preceding three years from the date of this Draft Red Herring Prospectus.

Material Guarantees

Our Promoter has not given any material guarantee to any third party with respect to our Equity Shares.

Promoter Group

In addition to our Promoter, Utkarsh Welfare Foundation is the only entity that forms a part of our Promoter Group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations. Our Bank does not have any natural persons who are part of the Promoter Group.

OUR GROUP COMPANY

In accordance with the provisions of the SEBI ICDR Regulations, and pursuant to the resolution passed by our Board at its meeting held on February 16, 2021, Group Companies of our Bank shall include (i) the companies (*other than the promoter*) with which there were related party transactions as per the Restated Financial Statements; and (ii) other companies considered material by our Board, i.e. those companies (*other than the promoter*) with which there have been related party transactions for the period beginning October 1, 2020 (after the period in respect of which Restated Financial Statements are included in the Offer Documents until the date of filing of the Offer Documents).

Accordingly, in terms of the policy adopted by the Board for determining group companies, our Board has identified Utkarsh Welfare Foundation as the group company of our Bank.

Utkarsh Welfare Foundation (“UWF”)

UWF was incorporated as a private limited company under Section 25 of the Companies Act, 1956 on August 12, 2010. CIN of UWF is U74900UP2010NPL041674. Its registered office is situated at S-2/641-34, Varuna Vihar Colony J. P. Mehta Road, Cantt., Varanasi 221 002, Uttar Pradesh, India.

Nature of Activities

UWF is authorised under its constitutional documents to provide and is currently engaged in the business of, among other things, providing welfare services, development, help and assistance to the underprivileged inhabitants, groups of rural and urban slums sectors by way of financial literacy, market linkages, facilitation support, education, health and vocational training programs, for enabling them to improve their income levels and improve living standards, organize various health programs and conduct health camps helping the underprivileged to live healthy and nutritious life, organize vocational training and research programs and provide market linkage development, without any profit motive and for social and charitable purpose for the advancement of poor and underprivileged groups of the society.

Interest of our Promoter

Our Promoter holds 50,000 equity shares of face value of ₹10 each aggregating to 78.49% of the issued, subscribed and paid-up capital of UWF.

Financial Performance

Particulars	Financial Year ended March 31,		
	2020	2019	2018*
Equity capital	0.64	0.64	0.64
Reserves and surplus (excluding revaluation reserves and including fund balance)	2.20	0.86	1.11
Sales/ Turnover (Income)	29.81	20.64	13.59
Profit/(Loss) after tax	1.30	-0.12	-4.14
Earnings per equity share (Basic)	20.39	-1.82	-131.30
Earnings per equity share (Diluted)	20.39	-1.82	-131.30
Net asset value per equity share	44.58	23.49	27.39

* Note: The amounts for the financial year ended March 31, 2018, as disclosed in the table above, are obtained from the comparative figures included in the audited financial statements of Utkarsh Welfare Foundation for the financial year ended March 31, 2019. Utkarsh Welfare foundation has adopted Indian Accounting Standards (Ind AS) from the financial year ended March 31, 2019. The financial statements of Utkarsh Welfare Foundation for the financial year ended March 31, 2018 were prepared in accordance with Indian GAAP. Differences exist between Ind AS and Indian GAAP (currently followed by the Bank), which may be material to the investors' assessment of the financial condition of UWF.

Significant notes of the auditors of UWF for the last three Financial Years

There are no significant notes by the auditors of UWF in relation to the financial statements specified for the three immediately preceding Fiscals.

Nature and extent of interest of our Group Company

(a) In the promotion of our Bank

Our Group Company does not have any interest in the promotion of our Bank.

(b) In the properties acquired by our Bank in the three years preceding the filing of this Draft Red Herring Prospectus or proposed to be acquired by it

Our Group Company is not interested in the properties acquired by our Bank in the three years preceding the filing of this Draft Red Herring Prospectus or proposed to be acquired by our Bank.

(c) In transactions for acquisition of land, construction of building, supply of machinery, etc.

Our Group Company is not interested in any transactions for the acquisition of land, construction of building or supply of machinery, etc.

Group Companies which are sick industrial companies or are under winding up/insolvency proceedings

Our Group Company does not fall under the definition of sick companies under the erstwhile Sick Industrial Companies (Special Provisions) Act, 1985 and is not under any winding up or insolvency proceedings.

Loss making Group Company

Our Group Company has not incurred any loss in the immediately preceding financial year.

Defunct Group Company

During the five years immediately preceding the date of this Draft Red Herring Prospectus, our Group Company has not become defunct and no application has been made to the relevant registrar of companies for striking off the name of our Group Company.

Common pursuits

There are no common pursuits between our Group Company and our Bank.

Related business transactions with our Group Company and significance on the financial performance of our Bank

Other than the transactions disclosed in the “*Offer Document Summary - Summary of Related Party Transactions*” and “*Financial Statements*” on pages 14 and 225, respectively, there are no other related business transactions between our Group Company and our Bank. There is also no significant influence of such transactions on the financial performance of our Bank.

Business interests of our Group Company in our Bank

Our Group Company has entered into a trademark license agreement with our Bank dated December 24, 2020, pursuant to which our Bank has granted our Group Company a worldwide, non-exclusive, non-transferable and non-assignable right and license to use the trademark and the logo of the Bank in connection with its business in lieu of a one-time non-refundable consideration of ₹100. The agreement is valid for a period of three years and can be extended for a period not exceeding three years at a time, on such terms and conditions as may be mutually agreed between the parties.

Further, except as disclosed in “*Offer Document Summary - Summary of Related Party Transactions*” and “*Financial Statements*” on pages 14 and 225, respectively, our Group Company does not have or propose to have any business interest in our Bank.

Litigation

Our Group Company is not party to any pending litigation which will have material impact on our Bank.

Other confirmations

The equity shares of our Group Company are not listed on any stock exchange and our Group Company has not made any public or rights issue of securities in the preceding three years.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our Shareholders, at their discretion, subject to the provisions of the Banking Regulation Act and regulations made thereunder, the RBI Act and the regulations and guidelines made thereunder, the Articles of Association and other applicable laws, including the Companies Act.

The dividend distribution policy of our Bank has been approved and adopted by our Board in its meeting held on February 16, 2021.

The quantum of dividend to be distributed, if any, will depend on a number of factors, including but not limited to (a) profit earned during the financial year; (b) accumulated reserves; (c) profitability outlook for the coming years; (d) dividend payout trends; (e) tax implications, if any, on distribution of dividends; (f) cost of raising funds from alternate sources of capital; (g) expansion or modernisation of existing businesses; (h) optimal Capital Adequacy Ratio (CAR) subject to regulatory minimum of total and Tier 1 CAR; and (i) other factors and/or material events which the Board may consider.

As per our dividend distribution policy, the Bank may not distribute dividend or may distribute a reduced quantum of dividend when there is absence or inadequacy of profits. Our Bank shall use any of the electronic modes of payment facility approved by the Reserve Bank of India for the payment of the dividends. Where it is not possible to use electronic mode of payment, 'payable-at-par' warrants or cheques will be issued to the eligible shareholders. Further, where the amount payable as dividend exceeds ₹1,500, the payable-at-par warrants or cheques shall be sent by speed post.

Our Bank has not paid any dividend for Fiscals 2018, 2019 and 2020 and for the six months ended September 30, 2020. Further, our Bank has not paid any dividend from October 1, 2020 till the date of this Draft Red Herring Prospectus. In terms of Section 15 of the Banking Regulation Act, a banking company is permitted to declare dividends only upon all of its capitalised expenses have been completely written off.

Further, in terms of the circular bearing no. DOR.BP.BC.No.29/21.02.067/2020-21 dated December 4, 2020 read with the circular bearing no. DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020 issued by RBI, it has been decided that the banks shall not make any dividend payouts on equity shares from the profits pertaining to the financial year ended March 31, 2020.

SELECTED STATISTICAL INFORMATION

The selected statistical information contained in this section is based on or derived from our Restated Financial Information for Fiscal 2018, 2019 and 2020 and for the six months ended September 30, 2020. The following discussion should be read together with the information included in the sections “Summary of Financial Information”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Financial Statements” included elsewhere in this Draft Red Herring Prospectus.

The following information is included for analytical purposes. Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere.

Our Bank’s Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Information included in this Draft Red Herring Prospectus. Unless otherwise indicated average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year. All ratios are calculated based on the relevant months of operations during the period unless specified, and annualized for the relevant months of operations during the period.

Average Balance Sheet of the Bank

The tables below present the average balances for interest-earning assets and interest-bearing liabilities of the Bank together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of advances and deposits for the period. The average yield on average assets is the ratio of interest earned to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. Average interest earning assets, yields, average non-interest earning assets, average interest-bearing liabilities, average non-interest bearing liabilities, and cost of funds, are non-GAAP measures. The tables below set forth the reconciliation of such non-GAAP measures to the GAAP measures appearing in our Restated Financial Information:

Six Months ended September 30, 2020				
Average Balance ⁽¹⁾		Interest Earned ⁽³⁾	Yield (%)	
A		B	C=B/A	
(₹ million, except percentages)				
Interest Earning Assets:				
i.	Advances	62,430.14	6,944.10	22.25%* [11.12%]
ii.	Investments	18,812.19	657.95	6.99%* [3.50]
iii.	Others ⁽²⁾	15.866.68	265.22	3.34%* [1.67]
iv.	Sub-Total	97,109.01	7,867.27	16.20%* [8.10%]
Non-Interest Earning Assets:				
v.	Fixed assets	1,161.80	-	0.00%
vi.	Other assets	3,875.59	-	0.00%
vii.	Sub-Total	5,037.39	-	0.00%
viii.	Total (iv+vii)	102,146.40	7,867.27	15.40%* [7.70%]

Six Months Ended September 30, 2020			
	Average Balance ⁽¹⁾ A	Interest Expended ⁽⁴⁾ B	Cost of Funds (%) C=B/A
(₹ million, except percentages)			
Interest-Bearing Liabilities:			
i. Demand Deposit	1,023.79	-	0.00%
ii. Saving Banks Deposit	6,364.11	200.98	6.32%* [3.16%]
iii. Term Deposits	48,943.90	2156.90	8.81%* [4.41%]
iv. Total Deposits (i+ii+iii)	56,331.80	2,357.88	8.37%* [4.19%]
v. Borrowings	30,057.13	1,315.34	8.75%* [4.38%]
vi. Sub-Total	86,388.93	3,673.22	8.50%* [4.25%]
Non-Interest Bearing Liabilities:			
vii. Capital	7,592.72	-	0.00%
viii. Reserves & Surplus	3,042.93	-	0.00%
ix. Shareholders' equity (vii+viii)	10,635.65	-	0.00%
x. Other liabilities & Provision	5,121.82	-	0.00%
xi. Sub-Total	15,757.47	-	0.00%
xii. Total (vi+xi)	102,146.40	3,673.22	7.19%* [3.60%]

Note:

*Annualized. Figures in square brackets represent unannualized figures

(1) Average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year/ period

(2) Includes all balances with Reserve Bank of India, balances with banks in other deposit accounts, money at call and short notice.

(3) Interest Earned on advances include interest on advances and gain on securitization and direct assignment transactions.

(4) Interest Expended includes interest on deposits and borrowings and finance lease.

Year ended March 31,									
	2018			2019			2020		
	Average Balance ⁽¹⁾ A	Interest Earned ⁽³⁾ B	Yield (%) C=B/A	Average Balance ⁽¹⁾ D	Interest Earned ⁽³⁾ E	Yield (%) F=E/D	Average Balance ⁽¹⁾ G	Interest Earned ⁽³⁾ H	Yield (%) I=H/G
(₹ million, except percentages)									
Interest Earning Assets:									
i. Advances	21,160.59	4,468.62	21.12%	35,809.73	8,255.15	23.05%	52,740.32	11,922.72	22.61%
ii. Investments	5,476.00	397.78	7.26%	8,421.30	614.60	7.30%	12,420.24	947.58	7.63%
iii. Others ⁽²⁾	3,962.02	144.24	3.64%	3,746.39	132.29	3.53%	6,747.09	206.57	3.06%
iv. Sub-Total	30,598.61	5,010.64	16.38%	47,977.42	9,002.04	18.76%	71,907.65	13,076.87	18.19%
Non-Interest Earning Assets:									
v. Fixed assets	553.78	-	0.00%	885.81	-	0.00%	964.30	-	0.00%
vi. Other assets	1,430.95	-	0.00%	1,279.08	-	0.00%	1,603.06	-	0.00%
vii. Sub-Total	1,984.73	-	0.00%	2,164.89	-	0.00%	2,567.36	-	0.00%
viii. Total (iv+vii)	32,583.34	5,010.64	15.38%	50,142.31	9,002.04	17.95%	74,475.01	13,076.87	17.56%

Year ended March 31,									
	2018			2019			2020		
	Average Balance ⁽¹⁾ A	Interest Expended ⁽⁴⁾ B	Cost of Funds (%) C=B/A	Average Balance ⁽¹⁾ D	Interest Expended E	Cost of Funds (%) F=E/D	Average Balance ⁽¹⁾ G	Interest Expended ⁽⁴⁾ H	Cost of Funds (%) I=H/G
(₹ million, except percentages)									
Interest-Bearing Liabilities:									
i. Demand Deposit	92.74	-	0.00%	487.90	-	0.00%	967.14	-	0.00%
ii. Saving Banks Deposit	236.03	8.45	3.58%	1,443.43	84.24	5.84%	4,025.10	271.76	6.75%
iii. Term Deposits	7,659.04	564.26	7.37%	25,799.18	2,254.74	8.74%	40,476.42	3,865.01	9.55%
iv. Total Deposits (i+ii+iii)	7,987.81	572.71	7.17%	27,730.51	2,338.98	8.43%	45,468.66	4,136.77	9.10%
v. Borrowings	20,250.56	1,926.35	9.51%	13,550.11	1,492.21	11.01%	16,208.05	1,657.86	10.23%
vi. Sub-Total	28,238.37	2,499.06	8.85%	41,280.62	3,831.19	9.28%	61,676.71	5,794.63	9.40%
Non-Interest Bearing Liabilities:									

	Year ended March 31,								
	2018			2019			2020		
	Average Balance ⁽¹⁾ A	Interest Expended ⁽⁴⁾ B	Cost of Funds (%) C=B/A	Average Balance ⁽¹⁾ D	Interest Expended E	Cost of Funds (%) F=E/D	Average Balance ⁽¹⁾ G	Interest Expended ⁽⁴⁾ H	Cost of Funds (%) I=H/G
(₹ million, except percentages)									
vii. Capital	3,813.00	-	0.00%	7,036.75	-	0.00%	7,509.39	-	0.00%
viii. Reserves & Surplus	-482.25	-	0.00%	-96.42	-	0.00%	1,682.23	-	0.00%
ix. Shareholders' equity (viii+ix)	3,330.75	-	0.00%	6,940.33	-	0.00%	9,191.62	-	0.00%
x. Other liabilities & Provision	1,014.22	-	0.00%	1,921.36	-	0.00%	3,606.68	-	0.00%
xi. Sub-Total	4,344.97	-	0.00%	8,861.69	-	0.00%	12,798.30	-	0.00%
xii. Total (vi+xi)	32,583.34	2,499.06	7.67%	50,142.31	3,831.19	7.64%	74,475.01	5,794.63	7.78%

Note:

- (1) Average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year/ period
- (2) Includes all balances with Reserve Bank of India in other accounts, balances with banks in other deposit accounts, money at call and short notice.
- (3) Interest Earned on advances include interest on advances and gain on securitization and direct assignment transactions.
- (4) Interest Expended includes interest on deposits and borrowings and finance lease.

Analysis of Changes in Interest Income and Interest Expense by Volume and Rate

The following tables sets forth, for the periods indicated, details of the Bank's interest income, interest expense and Net Interest Income and the allocation of the changes in the Bank's interest income (including, with respect to equity investments, dividend income) and interest expense between average volume and changes in average rates. The changes in Net Interest Income between periods have been reflected as attributed either to volume or rate changes. For the purposes of these tables, changes that are due to both volume and rate have been allocated solely to changes in rate.

	Fiscal 2019 vs. Fiscal 2020		
	Increase (Decrease) Due to		
	Net Change in Interest ⁽¹⁾	Change in Average Volume ⁽²⁾	Change in Average Rate ⁽³⁾
(₹ million)			
Interest Income			
Advances	3,667.57	3,902.98	-235.40
Investments	332.98	291.85	41.12
Others	74.28	105.96	-31.67
Total interest-earning assets	4,074.83	4,300.79	-225.95
Interest Expense			
Total deposits [#]	1,797.79	1,496.15	301.64
Borrowings	165.65	292.71	-127.07
Total interest-bearing liabilities	1,963.44	1,788.86	174.57
Net Interest Income	2,111.39	2,511.93	-400.52

Note:

- (1) The changes in interest earned, interest expended and net interest income between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes that are due to both volume and rate have been allocated solely to changes in rate.
- (2) Change in average volume is computed as increase in average balances for the year multiplied by yield/cost for Fiscal 2019.
- (3) Change in average rate represents the average balance for Fiscal 2020 multiplied by change in rates during the respective periods during the relevant period.

Total deposit includes saving deposits, current deposits and term deposits.

	Fiscal 2018 vs. Fiscal 2019		
	Increase (Decrease) Due to		
	Net Change in Interest ⁽¹⁾	Change in Average Volume ⁽²⁾	Change in Average Rate ⁽³⁾
(₹ million)			
Interest Income			
Advances	3,786.53	3,093.55	692.98
Investments	216.82	213.95	2.87

	Fiscal 2018 vs. Fiscal 2019		
	Increase (Decrease) Due to		
	Net Change in Interest ⁽¹⁾	Change in Average Volume ⁽²⁾	Change in Average Rate ⁽³⁾
		(₹ million)	
Others	-11.95	-7.85	-4.10
Total interest-earning assets	3,991.40	3,299.65	691.75
Interest Expense			
Total deposits [#]	1,766.27	1,415.51	350.76
Borrowings	(434.14)	-637.38	203.25
Total interest-bearing liabilities	1,332.13	778.12	554.02
Net Interest Income	2,659.27	2,521.53	137.73

Note:

(1) The changes in interest earned, interest expended and net interest income between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes that are due to both volume and rate have been allocated solely to changes in rate.

(2) Change in average volume is computed as increase in average balances for the year multiplied by yield/cost for Fiscal 2018.

(3) Change in average rate represents the average balance for Fiscal 2019 multiplied by change in rates during the respective periods during the relevant period.

Total deposit includes saving deposits, current deposits and term deposits.

Yields, Spreads and Margins

The following table sets forth, for Fiscal 2018, 2019 and 2020 and for the six months ended September 30, 2020, the yields, spreads and interest margins on the Bank's interest-earning assets.

Six Months Ended September 30, 2020		(₹ million, except percentages)
i.	Interest on advances	6,944.10
ii.	Interest earned	7,867.27
iii.	Interest expense on interest bearing liabilities	3,673.22
iv.	Total Average Interest Earning Assets ⁽¹⁾	97,109.01
v.	Average Balance of Advances	62,430.14
vi.	Total Average Interest Bearing Liabilities ⁽²⁾	86,388.93
vii.	Total Average Assets ⁽³⁾	102,146.40
viii.	Net Interest Income ⁽⁴⁾	4,194.05
ix.	Average Balance of Advances as a percentage of Total Average Assets [v/vii]	61.12%
x.	Total Average Interest Bearing Liabilities as a percentage of Total Average Assets [vi/vii]	84.57%
xi.	Average Balance of Advances as a percentage of Total Average Interest-Bearing Liabilities [v/vi]	72.27%
xii.	Yield ⁽⁵⁾	16.20%* [8.10%]
xiii.	Yield on Advances ⁽⁶⁾	22.25% [11.12%]*
xiv.	Cost of Funds ⁽⁷⁾	8.50%* [4.25%]
xv.	Spread ⁽⁸⁾	13.74%* [6.87%]
xvi.	Net Interest Margin ⁽⁹⁾	8.64%* [4.32%]
xvii.	Other income to Total income Ratio ⁽¹⁰⁾	5.80%
xviii.	Credit Cost ⁽¹¹⁾	1,094.23
xix.	Credit Cost Ratio ⁽¹²⁾	3.51%* [1.75%]
xx.	Cost of Borrowings ⁽¹³⁾	8.75%* [4.38%]

Notes:

*Annualized. Figures in square brackets represent unannualized figures

(1) Total Average Interest Earning Assets are interest-earning assets calculated on the basis of quarterly average.

(2) Total Average Interest Bearing Liabilities are interest-bearing liabilities calculated on the basis of quarterly average.

(3) Total Average Assets are total assets calculated on the basis of quarterly average.

(4) Net Interest Income is difference of Interest Earned and Interest Expended.

(5) Yield is Interest Earned divided by Total Average Interest Earning Assets.

(6) Yield on Advances is Interest on advance divided by Average Balance of Advances.

(7) Cost of Funds is Interest Expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.

- (8) Spread is difference between Yield on Advances and Cost of Funds.
(9) Net Interest Margin is the difference of Interest earned and Interest expended divided by the Total Average Interest Earning Assets calculated on the basis of quarterly average.
(10) Other income to Total income Ratio is calculated as a ratio of other income divided by Total income (total of Interest earned and Other income).
(11) Provision made for standard assets, additional COVID-19 specific provisions and NPAs and technical/ prudential write off
(12) Credit Cost divided by Average Balance of Advances.
(13) Represents the ratio of Interest on RBI/inter-bank borrowings and other interest to the Average Balance of Borrowings.

	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Interest on advances	4,468.62	8,255.15	11,922.72
ii. Interest earned	5,010.64	9,002.04	13,076.87
iii. Interest expense on interest bearing liabilities	2,499.06	3,831.19	5,794.63
iv. Total Average Interest Earning Assets ⁽¹⁾	30,598.61	47,977.42	71,907.65
v. Average Balance of Advances	21,160.59	35,809.73	52,740.32
vi. Total Average Interest Bearing Liabilities ⁽²⁾	28,238.37	41,280.62	61,676.71
vii. Total Average Assets ⁽³⁾	32,583.34	50,142.31	74,475.01
viii. Net Interest Income ⁽⁴⁾	2,511.58	5,170.85	7,282.24
ix. Average Balance of Advances as a percentage of Total Average Assets [v/vii]	64.94%	71.42%	70.82%
x. Total Average Interest Bearing Liabilities as a percentage of Total Average Assets [vi/vii]	86.67%	82.33%	82.82%
xi. Average Balance of Advances as a percentage of Total Average Interest-Bearing Liabilities [v/vi]	74.94%	86.75%	85.51%
xii. Yield ⁽⁵⁾	16.38%	18.76%	18.19%
xiii. Yield on Advances ⁽⁶⁾	21.12%	23.05%	22.61%
xiv. Cost of Funds ⁽⁷⁾	8.85%	9.28%	9.40%
xv. Spread ⁽⁸⁾	12.27%	13.77%	13.21%
xvi. Net Interest Margin ⁽⁹⁾	8.21%	10.78%	10.13%
xvii. Other income to Total income Ratio ⁽¹⁰⁾	8.02%	6.06%	7.01%
xviii. Credit Cost ⁽¹¹⁾	1707.05	690.63	998.18
xix. Credit Cost Ratio ⁽¹²⁾	8.07%	1.93%	1.89%
xx. Cost of Borrowings ⁽¹³⁾	9.51%	11.01%	10.23%

Notes:

- (1) Total Average Interest Earning Assets are interest-earning assets calculated on the basis of quarterly average.
(2) Total Average Interest Bearing Liabilities are interest-bearing liabilities calculated on the basis of quarterly average.
(3) Total Average Assets are total assets calculated on the basis of quarterly average.
(4) Net Interest Income is difference of Interest Earned and Interest Expended.
(5) Yield is Interest Earned divided by Total Average Interest Earning Assets.
(6) Yield on Advances is Interest on advance divided by Average Balance of Advances.
(7) Cost of Funds is Interest Expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.
(8) Spread is difference between Yield on Advances and Cost of Funds.
(9) Net Interest Margin is the difference of Interest earned and Interest expended divided by the Total Average Interest Earning Assets calculated on the basis of quarterly average.
(10) Other income to Total income Ratio is calculated as a ratio of other income divided by Total income (total of Interest earned and Other income).
(11) Provision made for standard assets, additional COVID-19 specific provisions and NPAs and technical/ prudential write off
(12) Credit Cost divided by Average Balance of Advances.
(13) Represents the ratio of Interest on RBI/inter-bank borrowings and other interest to the Average Balance of Borrowings.

Financial Ratios of the Bank

The following table sets forth certain key financial indicators as of and for Fiscal 2018, 2019 and 2020 and as of and for the six months ended September 30, 2020, for the Bank.

	As of and for the six months ended September 30, 2020
Net profit as a percentage of Average Shareholders' Equity ⁽¹⁾	14.64%* [7.32%]
Return on Total Average Assets ⁽²⁾	1.52%* [0.76%]
Dividend Payout Ratio ⁽³⁾	Nil
Operating Expenses to Total Average Assets	4.80%*

	As of and for the six months ended September 30, 2020
	[2.40%]
Average Shareholders' Equity to Total Average Assets ⁽⁴⁾	10.41%
Credit to Deposit ratio ⁽⁵⁾	110.68%
Retail Term Deposit to Total Term Deposit Ratio	51.22%
CASA Ratio ⁽⁶⁾	14.46%
Cost to Income Ratio ⁽⁷⁾	52.41%

*Annualized. Figures in square brackets represent unannualized figures

Notes:

- (1) Return on Average Shareholders' Equity is the ratio of the Net profit for the year to the Average Shareholders' Equity (sum of quarterly average of Capital & Reserves and Surplus).
- (2) Return on Total Average Assets is the ratio of the Net profit for the year to the Total Average Assets
- (3) Dividend Payout Ratio is the ratio of dividend to adjusted net profit (after dividend tax).
- (4) Average Shareholders' Equity to Total Average Assets is computed by dividing the sum of Average Balance of Capital & Average Balance of Reserves and Surplus by the Total Average Assets.
- (5) Credit to Deposit Ratio is computed by dividing Advances by Deposits.
- (6) CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits.
- (7) Cost to Income Ratio is calculated as a ratio of Operating expenses divided by Net Operating Income (Net Operating Income is sum of net interest income and other income).

	As of and for the year ended March 31,		
	2018	2019	2020
Net profit as a percentage of Average Shareholders' Equity ⁽¹⁾	-23.25%	15.97%	20.32%
Return on Total Average Assets ⁽²⁾	-2.38%	2.21%	2.51%
Dividend Payout Ratio ⁽³⁾	-	-	-
Operating Expenses to Total Average Assets	7.17%	6.55%	6.40%
Average Shareholders' Equity to Total Average Assets ⁽⁴⁾	10.22%	13.84%	12.34%
Credit to Deposit ratio ⁽⁵⁾	141.38%	123.13%	119.99%
Retail Term Deposit to Total Term Deposit Ratio	10.51%	24.20%	40.07%
CASA Ratio ⁽⁶⁾	5.31%	10.01%	13.50%
Cost to Income Ratio ⁽⁷⁾	79.23%	57.07%	57.63%

Notes:

- (1) Return on Average Shareholders' Equity is the ratio of the Net profit for the year to the Average Shareholders' Equity (sum of quarterly average of Capital & Reserves and Surplus).
- (2) Return on Total Average Assets is the ratio of the Net profit for the year to the Total Average Assets
- (3) Dividend Payout Ratio is the ratio of dividend to adjusted net profit (after dividend tax).
- (4) Average Shareholders' Equity to Total Average Assets is computed by dividing the sum of Average Balance of Capital & Average Balance of Reserves and Surplus by the Total Average Assets.
- (5) Credit to Deposit Ratio is computed by dividing Advances by Deposits.
- (6) CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits.
- (7) Cost to Income Ratio is calculated as a ratio of Operating expenses divided by Net Operating Income (Net Operating Income is sum of net interest income and other income).

Return on Equity and Assets

The following table presents selected financial ratios for the Bank for Fiscal 2018, 2019 and 2020 and for the six months ended September 30, 2020:

	Six Months Ended September 30, 2020 (₹ million, except percentages)
i. Net profit for the year	778.69
ii. Average Shareholders' Equity ⁽¹⁾	10,635.65
iii. Total Average Assets	102,146.40
iv. Net profit as a percentage of Total Average Assets (i/iii)	1.52%* [0.76%]
v. Net profit as a percentage of Average Shareholders' Equity (i/ii)	14.64%* [7.32%]
vi. Average shareholders' equity as a percentage of Total Average Assets (ii/iii)	10.41%
vii. Gross Loan Portfolio	66,432.68
viii. Advances	66,065.81
ix. Net profit as a percentage of Gross Loan Portfolio	2.34%* [1.17%]

	Six Months Ended September 30, 2020 (₹ million, except percentages)
x. Net profit as a percentage of advances	2.36%* [1.18%]

*Annualized. Figures in square brackets represent unannualized figures

Notes:

(1) Average Shareholders' Equity represents the sum of quarterly average of capital and reserves and surplus

	2018	Fiscal 2019	2020
	(₹ million, except percentages)		
i. Net profit for the year	-774.23	1,108.67	1,867.43
ii. Average Shareholders' Equity ⁽¹⁾	3,330.75	6,940.33	9,191.62
iii. Total Average Assets	32,583.34	50,142.31	74,475.01
iv. Net profit as a percentage of Total Average Assets (i/iii)	-2.38%	2.21%	2.51%
v. Net profit as a percentage of Average Shareholders' Equity (i/ii)	-23.25%	15.97%	20.32%
vi. Average shareholders' equity as a percentage of Total Average Assets (ii/iii)	10.22%	13.84%	12.34%
vii. Gross Loan Portfolio	32,100.49	47,415.50	66,599.99
viii. Advances	31,017.18	46,681.66	62,815.97
ix. Net profit as a percentage of Gross Loan Portfolio	-2.41%	2.34%	2.80%
x. Net profit as a percentage of advances	-2.50%	2.37%	2.97%

Notes:

(1) Average Shareholders' Equity represents the sum of quarterly average of capital and reserves and surplus

Funding

Deposits

The Bank's funding operations are designed to ensure stability and effective liquidity management. The Bank's primary sources of funds are deposits from retail customers. Retail term deposits raised were 10.51%, 24.20%, 40.07% and 51.22% of total term deposits as of March 31, 2018, 2019 and 2020 and as of September 30, 2020, respectively. Of the Bank's total deposits as of September 30, 2020, 2.31% was demand deposits and 12.15% were savings bank deposits, 85.54% were term deposits.

	Six Months Ended September 30, 2020 (₹ million, except percentages)
i. Deposits	59,692.98
ii. Average Balance of Deposits ⁽¹⁾	56,331.80
iii. Interest on Deposits	2,357.88
iv. Average interest rate ⁽²⁾ (iii/ii)	8.37%* [4.19%]

*Annualized. Figures in square brackets represent unannualized figures

Notes:

(1) Average Balance of Deposits represents sum of quarterly average Demand Deposits, Term Deposits and Savings Bank Deposits.

(2) Represents the ratio of Interest on Deposits to the Average Balance of Deposits.

	Year ended March 31,		
	2018 [#]	2019	2020
	(₹ million, except percentages)		
i. Deposits	21,938.67	37,913.87	52,352.12
ii. Average Balance of Deposits ⁽¹⁾	7,987.81	27,730.51	45,468.66
iii. Interest on Deposits	572.71	2,338.98	4,136.77
iv. Average interest rate ⁽²⁾ (iii/ii)	7.17%	8.43%	9.10%

Notes:

(1) Average Balance of Deposits represents sum of quarterly average Demand Deposits, Term Deposits and Savings Bank Deposits.

(2) Represents the ratio of Interest on Deposits to the Average Balance of Deposits.

Cost of Deposits

As of March 31, 2018, 2019 and 2020 and as of September 30, 2020, the average cost (interest expense divided by the average of balance for the relevant period) of savings bank deposits was 3.58 %, 5.84%, 6.75% and 6.32%* [3.16%], respectively, and the average cost of term deposits was 7.37%, 8.74%, 9.55% and 8.81%* [4.41%], respectively.

*Annualized. Figures in square brackets represent unannualized figures

The following tables set forth, for the periods indicated, the Bank's deposits and the percentage composition by each category of deposits.

The deposits for six months ended September 30, 2020, are as follows:

	Six Months Ended September 30, 2020	
	Amount	% of Total
	₹ million, except percentages	
Demand Deposits ⁽¹⁾	1,377.97	2.31%
Savings Bank Deposits	7,252.18	12.15%
Term Deposits	51,062.83	85.54%
Total Deposits	59,692.98	100.00%

*Annualized. Figures in square brackets represent unannualized figures

Notes:

(1) Demand deposits do not bear interest and are therefore carried at zero cost.

The deposits for Fiscal 2018, 2019 and 2020, are as follows:

	Year ended March 31,					
	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
₹ million, except percentages						
Demand Deposits ⁽¹⁾	500.13	2.28%	862.25	2.28%	1,191.62	2.28%
Savings Bank Deposits	665.15	3.03%	2,932.11	7.73%	5,875.02	11.22%
Term Deposits	20,773.39	94.69%	34,119.51	89.99%	45,285.48	86.50%
Total Deposits	21,938.67	100.00%	37,913.87	100.00%	52,352.12	100.00%

Notes:

(1) Demand deposits do not bear interest and are therefore carried at zero cost.

The details of Retail Deposits and Bulk Deposits as of and for the six months ended September 30, 2020, are as set forth below:

	Six Months Ended September 30, 2020	
	Amount	% of Total
	₹ million, except percentages	
Term Deposits		
Retail Deposits	26,154.17	51.22%
Bulk Deposits	24,908.66	48.78%
Total Term Deposits	51,062.83	100.00%

Notes:

(1) Retail term deposit are deposits below ₹ 20 million (except deposits received from other banks).

(2) Bulk term deposits are deposits of ₹ 20 million and above from other than banks plus all other term deposits from other banks.

The details of Retail Deposits and Bulk Deposits as of and for Fiscal 2018, 2019 and 2020, are as set forth below:

	Year ended March 31,					
	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
₹ million, except percentages						
Term Deposits						
Retail Deposits	2,183.32	10.51%	8,257.86	24.20%	18,145.19	40.07%
Bulk Deposits	18,590.07	89.49%	25,861.65	75.80%	27,140.29	59.93%

	Year ended March 31,					
	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Total Deposits	20,773.39	100.00%	34,119.51	100.00%	45,285.48	100.00%

Notes:

(1) Retail term deposit are deposits below ₹ 20 million (except deposits received from other banks).

(2) Bulk term deposits are deposits of ₹ 20 million and above from other than banks plus all other term deposits from other banks.

The table below sets forth the Bank's average ticket size of deposits as of March 31, 2018, 2019 and 2020 and as of September 30, 2020:

	As of March 31,			As of September 30,
	2018	2019	2020	2020
	(₹)			
Demand Deposits	213,275	100,076	83,923	86,938
Savings Bank Deposits	23,366	17,803	14,300	14,202
Term Deposits	5,026,225	1,190,991	504,152	396,728

Category of Deposits Based on Location of Branches

	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹)			
Metropolitan	13,008.53	22,627.06	29,122.24	34,891.33
Urban	8,619.29	14,074.19	21,170.34	22,329.18
Semi-Urban	275.98	1,082.82	1,662.52	1,895.15
Rural	34.87	129.80	397.02	577.32
Total	21,938.67	37,913.87	52,352.12	59,692.98

Balance to Maturity for Deposits Exceeding ₹ 20 million

As of September 30, 2020, our individual domestic term deposits equal to and in excess of ₹ 20 million had balance to maturity profiles (based on residual maturity) as set out below:

	As of September 30, 2020				
	Up to Three Months	Over Three Months and Up to Six Months	Over Six Months to One Year	Over One Year	Total
	(₹ million)				
Balance to maturity for deposits exceeding ₹ 20 million	4,145.55	5,634.71	7,369.29	687.00	17,836.55

As of March 31, 2020, our individual domestic term deposits equal to and in excess of ₹ 20 million had balance to maturity profiles (based on residual maturity) as set out below:

	As of March 31, 2020				
	Up to Three Months	Over Three Months and Up to Six Months	Over Six Months to One Year	Over One Year	Total
	(₹ million)				
Balance to maturity for deposits exceeding ₹ 20 million	8,158.02	6,207.62	7,522.78	2,292.42	24,180.84

Concentration of Deposits

The following table presents an analysis of our deposits by region as of the dates indicated:

States	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million)			
Assam	-	-	498.45	637.28
Bihar	2,266.67	2,795.12	3,381.41	4,124.56
Chandigarh	-	-	0.01	12.62
Chhattisgarh	72.73	102.19	302.11	437.67
Gujarat	-	-	188.79	1,138.81
Haryana	4,110.26	8,266.60	11,850.33	11,409.86
Himachal Pradesh	-	0.12	1.02	3.71
Jharkhand	594.08	981.70	2,214.93	2,941.09
Madhya Pradesh	592.77	3,098.35	1,909.82	1,620.84
Maharashtra	4,247.91	8,246.02	7,682.45	10,041.81
NCT of Delhi	1,761.01	2,912.72	8,158.03	8,308.89
Odisha	-	-	144.08	282.86
Punjab	-	-	-	52.20
Rajasthan	-	-	95.39	196.70
Telangana	-	-	74.72	795.45
Uttar Pradesh	4,014.73	5,650.85	9,582.37	9,820.25
Uttarakhand	4,177.09	5,242.42	5,365.52	6,618.01
West Bengal	101.42	617.78	902.69	1,250.37
Total	21,938.67	37,913.87	52,352.12	59,692.98

Borrowings

The following tables set forth, for Fiscal 2018, 2019 and 2020 and for the six months ended September 30, 2020, information related to the Bank's borrowings.

	Six Months Ended September 30, 2020
	(₹ million, except percentages)
i. Borrowings	28,092.17
ii. Average Balance of Borrowings	30,057.13
iii. Interest on RBI/Inter-bank borrowings and Other interest	1,315.34
iv. Cost of Borrowings ⁽¹⁾ (iii/ii)	8.75%* [4.38%]
v. Average cost of subordinated debt (including perpetual debt) ⁽²⁾	9.98%* [4.99%]
vi. Cost of average refinance borrowings ⁽³⁾	8.86%* [4.43%]

*Annualized. Figures in square brackets represent unannualized figures

Notes:

- (1) Represents the ratio of Interest on RBI/inter-bank borrowings and Other interest to the Average Balance of Borrowings.
- (2) Average cost of subordinated debt represents the ratio of interest expended on subordinated to average subordinated debt calculated on the basis of the basis of quarterly average.
- (3) Cost of average refinance borrowings represents the ratio of interest expended on refinance borrowings to average refinance borrowings calculated on the basis of quarterly average.

	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Borrowings	17,888.47	14,297.67	26,750.37
ii. Average Balance of Borrowings	20,250.56	13,550.11	16,208.05
iii. Interest on RBI/Inter-bank borrowings and Other interest	1,926.35	1,492.21	1,657.86
iv. Cost of Borrowings ⁽¹⁾ (iii/ii)	9.51%	11.01%	10.23%
v. Average cost of subordinated debt (including perpetual debt) ⁽²⁾	12.02%	11.95%	11.75%
vi. Cost of average refinance borrowings ⁽³⁾	10.15%	9.51%	9.41%

Notes:

- (1) Represents the ratio of Interest on RBI/inter-bank borrowings and Other interest to the Average Balance of Borrowings.
- (2) Average cost of subordinated debt represents the ratio of interest expended on subordinated to average subordinated debt calculated on the basis of the basis of quarterly average.
- (3) Cost of average refinance borrowings represents the ratio of interest expended on refinance borrowings to average refinance borrowings calculated on the basis of quarterly average.

	2018		As of March 31, 2019		2020		As of September 30, 2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
(₹ million, except percentages)								
[A] Deposits								
Demand Deposits	500.13	1.26%	862.25	1.65%	1191.62	1.51%	1,377.97	1.57%
Savings Bank Deposits	665.15	1.67%	2,932.11	5.62%	5,875.02	7.43%	7,252.18	8.26%
Term Deposits	20,773.39	52.16%	34,119.51	65.35%	45,285.48	57.25%	51,062.83	58.17%
Total [A]	21,938.67	55.09%	37,913.87	72.62%	52,352.12	66.19%	59,692.98	68.00%
[B] Borrowings								
Reserve Bank of India	-	0.00%	-	0.00%	980.00	1.24%	870.00	0.99%
Other banks	2,887.89	7.25%	1,209.09	2.31%	1000.00	1.26%	100.00	0.11%
Other institutions and agencies	5,350.03	13.43%	8,058.03	15.43%	22,870.37	28.91%	23,272.17	26.51%
Tier II Capital (Non-convertible debentures)	1,500.00	3.77%	1,900.00	3.64%	1,900.00	2.40%	3,850.00	4.39%
Bonds and Debentures (excluding subordinated debt)	8,150.55	20.46%	3,130.55	6.00%	-	0.00%	-	0.00%
Total [B]	17,888.47	44.91%	14,297.67	27.38%	26,750.37	33.81%	28,092.17	32.00%
Total [A + B]	39,827.14	100.00%	52,211.54	100.00%	79,102.49	100.00%	87,785.15	100.00%

Asset Liability Management

The following tables set forth the Bank's structural liquidity gap position for its domestic operations as of the dates indicated:

	Date	1 Day to 1 Month	Over 1 Month to 2 Months	Over 2 Months to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 12 Months	Over 1 Year to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
(₹ million, except percentages)										
Advances*	September 30, 2020	4,854.30	3,998.10	4,357.50	11,682.60	18,661.00	21,003.70	843.50	665.11	66,065.81
	March 31, 2020	232.50	164.50	3,914.90	8,540.20	20,189.30	28,458.20	809.70	506.67	62,815.97
	March 31, 2019	2,905.25	2,859.60	2,514.20	8,133.20	14,071.30	15,413.10	482.00	303.01	46,681.66
	March 31, 2018	2402.93	1,840.04	1,670.46	5,134.27	8,891.20	10,674.22	294.14	109.92	31,017.18
Investments@	September 30, 2020	8,006.70	464.60	856.60	3,436.60	3,963.10	6,304.40	655.30	290.12	23,977.42
	March 31, 2020	1,213.80	436.40	230.70	1,464.00	2,353.80	5,289.30	876.70	59.18	11,923.88
	March 31, 2019	1,318.17	387.40	535.60	1,001.80	2,510.00	2,216.90	589.50	62.70	8,622.07
	March 31, 2018	898.70	-	-	97.20	202.30	1,940.80	999.74	2,474.00	6,612.74
Deposits	September 30, 2020	3,501.50	2,297.50	2,593.30	9,149.40	18,369.70	23,092.50	442.00	247.08	59,692.98
	March 31, 2020	7,539.30	2,107.20	1,694.20	8,272.90	13,524.20	18,857.20	328.40	28.72	52,352.12
	March 31, 2019	4,999.17	2,555.00	2,871.90	3,379.00	12,463.10	11,473.20	162.40	10.10	37,913.87
	March 31, 2018	3,275.40	2,017.00	1,420.40	3,753.90	6,888.80	4,516.17	67.00	-	21,938.67
Borrowings**	September 30, 2020	102.80	102.80	169.50	1,993.70	6,056.50	13,174.50	4,535.70	1,956.67	28,092.17
	March 31, 2020	2.50	1,102.50	2.50	2,494.00	2,978.10	13,644.80	6,119.20	406.77	26,750.37
	March 31, 2019	400.00	-	656.40	1,902.60	4,077.10	3,137.87	3,723.70	400.00	14,297.67
	March 31, 2018	582.26	653.69	376.32	1,643.72	1,823.69	3,881.27	7,257.46	1,670.06	17,888.47
Foreign Currency Assets	September 30, 2020	-	-	-	-	-	-	-	-	-
	March 31, 2020	-	-	-	-	-	-	-	-	-
	March 31, 2019	-	-	-	-	-	-	-	-	-
	March 31, 2018	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	September 30, 2020	-	-	-	46.10	46.10	46.10	-	-	138.30
	March 31, 2020	-	-	-	47.30	47.30	94.60	-	-	189.20
	March 31, 2019	-	-	-	43.20	43.20	172.90	-	-	259.30
	March 31, 2018	-	-	-	40.70	40.70	162.80	81.00	-	325.20

Notes:

* Amounts disclosed are net off provision for non-performing assets and floating provision.

** Includes foreign currency liabilities ₹ 138.3 million for the six months ended September 30, 2020, ₹ 189.2 million for the year ended March 31, 2020, ₹ 259.3 million for the year ended March 31, 2019 and ₹ 325.20 million for the year ended March 31, 2018.

@ March 31, 2019 includes ₹ 2,950 million of reverse repo with RBI, which is grouped under Annexure 12 - Restated Statement of Balance with Banks and Money at Call and Short Notice.

Classification of Investments

	Six Months Ended September 30, 2020 (₹ million)
Held to Maturity ⁽¹⁾	10,914.39
Available for Sale ⁽²⁾	12,702.19
Held for Trading ⁽³⁾	360.84
Total	23,977.42

Notes:

- (1) Investments that the Bank intends to hold till maturity are classified as “Held to Maturity”.
(2) Investments, which are not classified as “Held to Maturity” and “Held for Trading”, are classified as “Available for Sale” investments.
(3) Investments that are held with the intention to trade by taking advantage of short-term price / interest movements are classified as “Held for Trading”.

	Year ended March 31, (₹ million)		
	2018	2019	2020
Held to Maturity ⁽¹⁾	5,063.49	6,605.95	9,303.81
Available for Sale ⁽²⁾	1,549.25	2,016.12	2,620.07
Held for Trading ⁽³⁾	-	-	-
Total	6,612.74	8,622.07	11,923.88

Notes:

- (1) Investments that the Bank intends to hold till maturity are classified as “Held to Maturity”.
(2) Investments, which are not classified as “Held to Maturity” and “Held for Trading”, are classified as “Available for Sale” investments.
(3) Investments that are held with the intention to trade by taking advantage of short-term price / interest movements are classified as “Held for Trading”.

Loan Portfolio

As of September 30, 2020, the Bank’s Gross Loan Portfolio was ₹ 66,432.68 million. The Bank’s Gross Loan Portfolio is to borrowers in India.

The table below sets forth the Bank’s Gross Loan Portfolio by product/ channel as of March 31, 2018, 2019 and 2020 and as of September 30, 2020:

Product / Channel	As of March 31,						As of September 30,	
	2018		2019		2020		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Microbanking Loans	28,424.26	88.55%	40,769.93	85.98%	58,558.04	87.92%	56,760.12	85.44%
Housing Loans	152.25	0.47%	382.00	0.81%	854.91	1.28%	1,262.67	1.90%
Retail Assets (MSME)	1,035.24	3.22%	1,649.31	3.48%	2,461.39	3.70%	3,238.77	4.88%
Wholesale Lending	2,467.45	7.69%	2,725.47	5.75%	3,095.05	4.65%	3,738.82	5.63%
BC	-	-	609.87	1.29%	1,233.46	1.85%	1,232.29	1.85%
Others*	21.29	0.07%	1,278.92	2.69%	397.14	0.60%	200.01	0.30%
Gross Loan Portfolio	32,100.49	100.00%	47,415.50	100.00%	66,599.99	100.00%	66,432.68	100.00%

Notes:

* Others includes staff loans and overdrafts against deposits.

The table set forth below represents our cycle-wise outstanding assets under management, which is equal to Gross Loan Portfolio plus off-balance sheet advances (i.e., securitisation/ assignment and inter-bank participation certificate) (“Assets Under Management”), of joint liability group or JLG loans (within microbanking loan portfolio)

Cycle	As of March 31,					
	2018		2019		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
1	11,407.58	40.13%	13,096.64	32.12%	14,006.82	23.97%
2	8,835.34	31.09%	13,955.65	34.23%	20,272.88	34.69%
3	5,465.77	19.23%	8,442.89	20.71%	12,754.34	21.82%

Cycle	As of March 31,					
	2018		2019		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
4	1,604.15	5.64%	3,331.74	8.17%	7,275.57	12.45%
>4	1,111.42	3.91%	1,943.01	4.77%	4,132.25	7.07%
Total	28,424.26	100.00%	40,769.93	100.00%	58,441.86	100.00%

The table set forth below represents the asset under management of joint liability group loans break up in terms of collection cycle for the dates indicated:

Cycle	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million)			
Weekly	-	-	-	-
Fortnightly	26,099.70	37,145.67	53,360.29	51,642.11
Monthly	2,324.56	3,624.26	5,081.57	4,921.62
Total	28,424.26	40,769.93	58,441.86	56,563.73

The following table presents our sector-wise outstanding Gross Advances and the proportion of these advances to our outstanding domestic advances, as of the dates indicated:

Sectors	As of March 31,						As of September 30, 2020	
	2018		2019		2020			
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Agriculture and Allied Activity	17,289.50	55.66%	26,009.70	55.04%	34,520.80	54.72%	37,452.10	56.37%
Advances to Industry Sector	2,467.40	7.94%	960.10	2.03%	1,783.50	2.83%	1,680.40	2.53%
Advances to Services Sector	11,305.90	36.40%	19,361.90	40.97%	25,801.00	40.89%	25,873.80	38.95%
Personal Loan and Others	-	0.00%	924.30	1.96%	984.20	1.56%	1,426.40	2.15%
Total	31,062.80	100.00%	47,256.00	100.00%	63,089.50	100.00%	66,432.70	100.00%

Note:

The loan portfolio is after adjustment of IBPC, interest accrued and interest derecognized.

The table below sets forth the Bank's disbursements by product/ channel as of March 31, 2018, 2019 and 2020 and as of September 30, 2020:

Product / Channel	As of March 31,						As of September 30, 2020	
	2018		2019		2020			
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Microbanking Loans	32,867.88	89.52%	41,638.20	91.70%	60,052.47	91.56%	7,219.59	69.48%
Housing Loans	117.16	0.32%	266.33	0.59%	544.10	0.83%	443.50	4.26%
Retail Loans	938.92	2.56%	1,179.70	2.60%	1,557.09	2.37%	958.86	9.23%
Wholesale Lending	2,780.00	7.57%	1,585.00	3.49%	2,171.00	3.31%	1,484.80	14.29%
BC	-	-	725.93	1.60%	1,259.61	1.92%	277.47	2.67%
Others*	12.16	0.03%	10.41	0.02%	8.20	0.01%	6.97	0.07%
Total Disbursements	36,716.12	100.00%	45,405.57	100.00%	65,592.47	100.00%	10,391.19	100.00%

Notes:

* Others includes staff loans.

The table below sets forth the number of loans advanced (outstanding) by the Bank by product/ channel for Fiscal 2018, 2019 and 2020 and for the six months ended September 30, 2020:

Product / Channel	Six Months Ended September 30, 2020
Microbanking Loans	2,400,251
Housing Loans	1,114
Retail Loans	6,596
Wholesale Lending	50
BC	66,846
Others*	1,599
Total	2,476,456

Notes:

* Others includes staff loans and overdrafts against deposits.

Product / Channel	Year Ended March 31,		
	2018	2019	2020
Microbanking Loans	1,512,377	1,972,807	2,504,008
Housing Loans	300	554	895
Retail Loans	13,214	10,062	6,603
Wholesale Lending	20	36	46
BC	-	26,019	64,072
Others*	2,970	2,880	1,488
Total	1,528,881	2,012,358	2,577,112

Notes:

* Others includes staff loans and overdrafts against deposits.

The table below sets forth the Bank's average ticket size of Gross Loan Portfolio by product/ channel as of March 31, 2018, 2019 and 2020 and as of September 30, 2020:

Product / Channel	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million)			
Microbanking Loans	0.02	0.02	0.02	0.02
Housing Loans	0.51	0.69	0.96	1.13
Retail Loans	0.08	0.16	0.37	0.49
Wholesale Lending	123.37	75.71	67.28	74.78
BC	-	0.02	0.02	0.02
Others*	0.01	0.44	0.27	0.13

Notes:

* Others includes staff loans and overdrafts against deposits.

The table below sets forth the Bank's average tenor of Gross Loan Portfolio by product/ channel as of March 31, 2018, 2019 and 2020:

Product / Channel	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(Months)			
Microbanking Loans	22.34	22.85	22.57	22.95
Housing Loans	159.53	172.69	185.33	190.71
Retail Loans	37.39	46.52	63.07	73.44
Wholesale Lending	35.19	38.51	37.13	33.67
BC	-	22.42	22.36	22.69

The table below sets forth the Bank's yields on Gross Loan Portfolio by product/ channel for Fiscal 2018, 2019 and 2020 and for the six months ended September 30, 2020:

Product / Channel	Six Months Ended September 30, 2020
Microbanking Loans	22.10%* [11.05%]
Retail Loans	16.07%* [8.03%]
Housing Loans	10.67%* [5.34%]
Wholesale Lending	11.32%* [5.66%]
BC	24.21%*

Product / Channel	Six Months Ended September 30, 2020
	[12.10%]
Others [#]	9.61%* [4.80%]
Total	22.25%* [11.12%]

*Annualized. Figures in square brackets represent unannualized figures

Notes:

[#] Others includes staff loans and overdrafts against deposits.

Product / Channel	Year Ended March 31,		
	2018	2019	2020
Microbanking Loans	21.17%	22.28%	23.04%
Retail Loans	22.62%	21.60%	18.05%
Housing Loans	14.81%	12.15%	11.11%
Wholesale Lending	9.35%	12.37%	10.72%
BC	-	21.40%	23.12%
Others*	8.16%	4.90%	4.23%
Total	21.12%	23.05%	22.61%

Notes:

* Others includes staff loans and overdrafts against deposits.

Interest Rate Sensitivity Analysis

The following tables set forth the interest rate sensitivity analysis of the Bank's assets and liabilities for the Bank's operations as of the dated indicated:

As of September 30, 2020

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
(₹ million)						
Assets						
Cash and Balances with RBI	-	-	-	-	505.56	505.56
Balances with other banks	1700.00	274.27	1.42	2.50	1,846.25	3,824.44
Advances	13,209.88	30,343.64	21,787.43	665.11	-	66,006.06
Investments	9,339.27	7,399.02	6,948.97	290.16	-	23,977.42
Fixed Assets	-	-	-	-	1,405.96	1,405.96
Rev Repos	7,210.00	-	-	-	-	7,210.00
Other Assets	-	-	-	-	1,959.81	1,959.81
Forex Swaps	-	-	-	-	-	-
NPAs (Advances and Investments)	-	-	59.75	-	-	59.75
Total Assets	31,459.15	38,016.93	28,797.58	957.77	5,717.57	104,949.00
Off-balance Sheet Items	-	-	-	-	-	-
Total Rate Sensitive Assets/ Assets	31,459.15	38,016.93	28,797.58	957.77	5,717.57	104,949.00
Liabilities						
Capital and Reserve	-	-	-	-	10,973.67	10,973.67
Deposits	8,479.17	27,514.20	23,452.46	247.15	-	59,692.98
Borrowings	374.40	8,050.85	16,840.15	1,956.77	-	27,222.17
Other Liabilities	-	-	-	-	6,190.18	6,190.18
Repos	-	-	870.00	-	-	870.00
Forex Swaps	-	-	-	-	-	-
Total Liabilities	8,853.57	35,565.05	41,162.61	2,203.92	17,163.85	104,949.00
Off-balance Sheet Items	-	-	-	-	-	-
Total Rate Sensitive Liabilities / Liabilities	8,853.57	35,565.06	41,162.60	2,203.92	17,163.84	104,949.00

Priority Sector Lending

Commercial banks in India are required to lend, through advances or investment, 40% of their adjusted net bank

credit (“ANBC”) or credit equivalent amount of off-balance sheet exposures, whichever is higher, to specified sectors known as “priority sectors”, subject to certain exemptions permitted by RBI from time to time. Priority sector advances include advances to agriculture sector, micro and small enterprises, weaker sections, housing and education finance up to certain ceilings.

SFBs are also subject to all prudential norms and regulations of RBI as applicable to existing commercial banks. Further, we are required to comply with additional conditions/ norms such as extending 75% of our adjusted net bank credit to sectors eligible for classification as priority sector lending by RBI, while 40% of our adjusted net bank credit is to be allocated to different sub-sectors under priority sector lending as per the extant priority sector lending prescriptions, we can allocate the balance of 35% to any one or more sub-sectors under priority sector lending where we believe we have competitive advantage, maximum loan size and investment limit exposure to a single and group obligor being restricted to 10% and 15% of our capital funds, respectively, at least 50% of our loan portfolio should constitute loans and advances of up to ₹2.5 million, etc.

We are required to comply with the priority sector lending requirements on a quarterly basis. Any shortfall in the amount required to be lent to the priority sectors is required to be deposited with the Rural Infrastructure Development Fund established by NABARD or funds with other financial institutions as specified by the RBI, which generally provide for lower than market interest rate. Therefore, if we are unable to meet the priority sector conditions requirements, it could have an adverse effect on our results of operations.

The tables below set out our outstanding priority sector advances (as defined by the Government and the RBI) by sector, each sector as a percentage of total credit to priority sector as of the dates indicated:

Sectors	As of March 31,						As of September 30,	
	2018		2019		2020		2020	
	(₹ million)	% of total credit to priority sector	(₹ million)	% of total credit to priority sector	(₹ million)	% of total credit to priority sector	(₹ million)	% of total credit to priority sector
Agriculture and Allied Activity	17,289.50	60.56%	26,007.30	61.59%	34,520.60	59.92%	37,408.60	63.12%
Advances to Industry Sector	-	0.00%	782.10	1.85%	1,778.50	3.09%	1,671.60	2.82%
Advances to Services Sector	11,260.10	39.44%	14,897.30	35.28%	20,806.50	36.11%	19,555.60	32.99%
Personal Loan and Others	-	0.00%	538.00	1.28%	504.80	0.88%	634.80	1.07%
Total Gross Loan Portfolio to Priority Sector	28,549.60	100.00%	42,224.70	100.00%	57,610.40	100.00%	59,270.60	100.00%

Capital Adequacy

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of September 30, 2020, we were required to maintain a minimum CRAR of 15.00%, based on the total capital to risk-weighted assets. The following tables set forth certain information relating to the CRAR of our Bank as of the periods indicated:

	As of and for the year ended March 31,			As of and for the six months ended September 30, 2020
	2018	2019	2020	
	(₹ million, except percentages)			
Common Equity Tier I Capital	3,469.23	7,365.27	9,545.52	10,093.16
Tier I Capital	3,469.23	7,365.27	9,545.52	10,093.16
Tier II Capital	1,254.55	1,374.13	1,363.08	3,105.47
Total Capital	4,723.78	8,739.40	10,908.60	13,198.63
Total Credit Risk Weighted Assets	27,817.27	36,210.13	49,169.48	53,072.52

	As of and for the year ended March 31,			As of and for the six months ended September 30, 2020
	2018	2019	2020	
	(₹ million, except percentages)			
Capital Adequacy Ratio				
Common Equity Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	12.46%	20.34%	19.41%	19.02%
Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	12.46%	20.34%	19.41%	19.02%
Tier II Capital Ratio (as a percentage of Credit Risk Weighted Assets)	4.50%	3.80%	2.78%	5.85%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	16.96%	24.14%	22.19%	24.87%

Regional Concentration

The Bank's widespread branch network enables the Bank to diversify its lending risks geographically. The following tables present an analysis of the Bank's advances and deposits by region as of the dates indicated.

The following tables set forth the Bank's Gross Loan Portfolio by geographical split as of the dates indicated (based on the location of the Banking Outlet):

	As of March 31,						As of September 30, 2020	
	2018		2019		2020			
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Metropolitan	3,651.83	11.38%	5,923.79	12.49%	6,538.21	9.81%	7,916.82	11.92%
Urban	4,894.25	15.25%	7,714.22	16.27%	11,273.56	16.93%	11,271.11	16.96%
Semi-Urban	12,928.23	40.27%	18,979.27	40.03%	27,624.32	41.48%	26,659.53	40.13%
Rural	10,626.18	33.10%	14,798.22	31.21%	21,163.90	31.78%	20,585.22	30.99%
Gross Loan Portfolio	32,100.49	100.00%	47,415.50	100.00%	66,599.99	100.00%	66,432.68	100.00%

The following tables set forth the Bank's Gross Loan Portfolio by states in India (based on the location of Banking Outlet) as of the dates indicated:

States	No. of Banking Outlets as on 31 st March 2020	As of March 31,			As of September 30, 2020
		2018	2019	2020	
		(₹ million)			
Assam	1	-	-	-	3.47
Maharashtra	45	1,472.77	2,918.63	3,757.75	4,144.21
Chandigarh	1	-	-	0.47	-
West Bengal	2	-	437.16	595.42	648.71
Bihar	127	13,489.69	20,472.27	28,940.06	27,840.38
Gujarat	3	-	-	97.84	348.87
Uttarakhand	18	572.20	863.69	1,232.38	1,178.92
Madhya Pradesh	34	1,337.37	2,549.80	2,203.75	2,276.81
Chhattisgarh	17	194.40	396.51	867.17	853.57
Uttar Pradesh	135	10,990.77	13,418.32	18,551.15	18,149.74
NCT of Delhi	15	1,133.78	1,361.75	1,552.13	1,627.72
Telangana	1	-	-	208.67	436.37
Odisha	33	-	-	286.19	440.21
Haryana	27	1,489.84	2,417.70	3,760.79	3,729.54
Himachal Pradesh	1	57.38	73.34	88.06	81.08
Jharkhand	46	1,362.29	2,506.33	4,301.98	4,476.30
Rajasthan	1	-	-	156.18	196.78
Total	507	32,100.49	47,415.50	66,599.99	66,432.68

The following tables set forth the Bank's deposits by region as of the dates indicated:

States	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million)			
Assam	-	-	498.45	637.28
Bihar	2,266.67	2,795.12	3,381.41	4,124.56
Chandigarh	-	-	0.01	12.62
Chhattisgarh	72.72	102.18	302.09	437.68
Gujarat	-	-	188.79	1,138.80
Haryana	4,110.26	8,266.61	11,850.33	11,409.86
Himachal Pradesh	-	0.12	1.02	3.71
Jharkhand	594.08	981.70	2,214.94	2,941.09
Madhya Pradesh	592.77	3,098.35	1,909.82	1,620.84
Maharashtra	4,247.91	8,246.02	7,682.46	10,041.81
NCT OF DELHI	1,761.01	2,912.72	8,158.03	8,308.89
Odisha	-	-	144.08	282.86
Punjab	-	-	-	52.20
Rajasthan	-	-	95.39	196.70
Telangana	-	-	74.72	795.45
Uttar Pradesh	4,014.73	5,650.85	9,582.37	9,820.25
Uttarakhand	4,177.09	5,242.42	5,365.52	6,618.01
West Bengal	101.43	617.78	902.69	1,250.37
Total	21,938.67	37,913.87	52,352.12	59,692.98

The following tables set forth the Bank's Banking Outlets by region as of the dates indicated:

States	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(No. of Banking Outlets)			
Assam	-	-	1	1
Maharashtra	4	40	45	46
Chandigarh	-	-	1	2
West Bengal	1	1	2	2
Bihar	49	124	127	128
Gujarat	-	-	3	4
Uttarakhand	5	18	18	18
Madhya Pradesh	6	32	34	34
Chhattisgarh	3	15	17	17
Uttar Pradesh	64	123	135	136
Delhi	4	14	15	18
Telangana	-	-	1	1
Odisha	-	-	33	38
Haryana	14	24	27	28
Himachal Pradesh	1	1	1	1
Jharkhand	13	44	46	47
Rajasthan	-	-	1	3
Punjab	-	-	-	4
Total	164	436	507	528

The following tables set forth the Bank's Banking Outlets by geographical regions as of the dates indicated:

	As of March 31,			As of September 30, 2020
	2018	2019	2020	
Metropolitan	27	44	61	70
Urban	37	77	100	108
Semi-Urban	53	193	208	210
Rural	47	122	138	140
Total Banking Outlets	164	436	507	528

Recognition of NPAs and Provisioning

RBI Classification and Provisioning Requirements

The Bank classifies its assets in accordance with the RBI guidelines. Under these guidelines, an asset is classified

as non-performing if any amount of interest or principal remains overdue for more than 90 days in respect of term loans. In respect of overdraft and cash credit, an asset is classified as non-performing if the account remains out of order for a continuous period of 90 days, and in respect of bills purchased and discounted, if the account remains overdue for more than 90 days.

Assets are classified as described below:

Standard asset	Performing assets are Standard Assets which do not disclose any problem and which do not carry more than the normal risk attached to the business. The performing asset is one which generates income for the bank.
Sub-standard asset	Sub-standard Asset would be one which has remained as NPA for a period less than or equal to 12 months.
Doubtful asset	An account would be classified as doubtful if it had continuously remained in the sub-standard category for 12 months. Doubtful assets will further be sub-classified into following three categories.
- Doubtful – I	All NPAs after completion of 12 months from date of categorization as an NPA will slip to Doubtful –I category.
- Doubtful – II	All NPAs after completion of 24 months from date of categorization as an NPA will slip to Doubtful-II category.
- Doubtful – III	All NPAs after completion of 48 months from date of categorization as an NPA will slip to Doubtful-III category.
Loss asset	A loss asset is one where the loss has been identified by the bank, internal auditor, external auditors or the RBI inspectors, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible with little salvage or recovery value.
Accounts where there is erosion in the value of securities/frauds committed by the borrowers	In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers it will not be prudent that such accounts should go through various stages of asset classification. In cases of such serious credit impairment, the asset should be straightaway classified as doubtful or loss asset as appropriate: 1. Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category. 2. If the realisable value of the security, as assessed by the bank/ approved valuers/ RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

The following tables provide a summary of the Bank's gross loan assets as of the periods indicated, in accordance with RBI classifications.

Asset Category	As of March 31,			As of September 30,
	2018	2019	2020	2020
	(₹ million)			
Standard assets	30,488.12	46,600.25	62,642.94	66,006.10
Sub-standard assets	561.88	599.60	410.09	264.25
Doubtful assets	12.80	56.15	36.47	162.35
Loss assets	-	-	-	-
Total gross advances	31,062.80	47,256.00	63,089.50	66,432.70

Note:

The gross advances is after adjustment of IBPC, interest accrued and interest derecognized.

The following tables set forth the Bank's provisions for possible credit losses at the dates indicated:

Asset Category	As of March 31,			As of September 30,
	2018	2019	2020	2020
	(₹ million)			
Total of Provision for NPA and	252.83	598.82	335.62	435.14

Asset Category	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million)			
Floating provision				
Gross Advances	31,062.80	47,256.00	63,089.50	66,432.70
Gross NPA	574.68	655.74	446.56	426.61
Provision held as percentage of Gross Advances [i/ii]	0.81%	1.27%	0.53%	0.66%
Provision coverage ratio (excluding technical write-offs) ⁽¹⁾	43.99%	91.32%	75.16%	101.99%
Provision coverage ratio (including technical write-offs) ⁽¹⁾	83.79%	97.49%	95.64%	100.34%

Notes:

(1) Provision held as a percentage of Gross Advances.

Non-Performing Assets

The Bank has suffered losses in the past through impairment of loans as delinquent borrowers were impacted by various factors including recessionary conditions in the domestic economy, natural calamities, currency demonetization measures in 2016, COVID-19, increased competition and volatility in industrial growth and commodity prices that led to cash flow issues for microbanking customers, adversely impacted earning capacity for MSMEs customers. The Bank has adopted several measures to refine its credit selection processes and appraisal capabilities.

Once loan accounts are identified as non-performing, interest and other fees charged in the account, if uncollected, are reversed. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets (both gross and net). In accordance with the RBI guidelines, interest income from advances for NPAs is recognized upon realization, rather than on an accrual basis as with all other loans. Any recoveries in the non-performing advances account will be first appropriated to the interest and then towards the principal outstanding and to fees/charges outstanding if any, except in those cases where bank has a specific agreement with a borrower with regards to appropriation of recoveries.

The Bank's percentage of Gross NPAs to Total Advances decreased from 1.85% as of March 31, 2018 to 1.39% as of March 31, 2019 and subsequently decreased to 0.71% as of March 31, 2020 and was 0.64% as of September 30, 2020. The Bank's net NPA to net Advances (%) decreased from 1.04% as of March 31, 2018 to 0.12% as of March 31, 2019 and subsequently increased to 0.18% as of March 31, 2020 and was -0.01% as of September 30, 2020.

See "Risk Factors — Risks Relating to the Bank's Business — We are exposed to operational and credit risks which may result in NPAs. If we are unable to control the level of NPAs in our portfolio or if we are unable to improve our provisioning coverage as a percentage of Gross NPAs, our business, financial conditions, results of operations and cash flows could be adversely affected."

The following tables set forth, for the periods indicated, information about the Bank's NPA portfolio.

	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million, except percentages)			
Non-Performing Assets				
(i) Gross NPAs as at the year end	574.68	655.74	446.56	426.61
(ii) Closing balance of provision for NPAs (excluding floating provision)	237.55	574.33	273.49	366.87
(iii) Closing balance of floating provisions	15.28	24.49	62.13	68.27
(iv) Net NPAs (i-ii-iii)	321.85	56.92	110.94	-8.53
(vi) Advances	31,017.18	46,681.66	62,815.97	66,065.81
(vii) Gross Advances	31,062.80	47,256.00	63,089.50	66,432.70
(viii) Gross NPAs/ Gross Advances (%) (i/vii)	1.85%	1.39%	0.71%	0.64%
(x) Net NPAs/ Advances (%) (iv/vi)	1.04%	0.12%	0.18%	-0.01%
(xi) Provision for NPAs as a percentage of Gross NPAs (ii+iii/i)	43.99%	91.32%	75.16%	101.99%
(xii) Provision coverage ratio (including technical write-offs)	83.79%	97.49%	95.64%	100.34%

The table below sets forth the Bank's Gross NPAs by product/ channel as of March 31, 2018, 2019 and 2020:

Product / Channel	As of March 31,						As of September 30, 2020	
	2018		2019		2020			
	(₹ million)	Gross NPA as a Percentage of Gross Advances	(₹ million)	Gross NPA as a Percentage of Gross Advances	(₹ million)	Gross NPA as a Percentage of Gross Advances	(₹ million)	Gross NPA as a Percentage of Gross Advances
Microbanking Loans	512.78	1.80%	187.07	0.46%	349.87	0.60%	329.04	0.58%
Retail Loans	59.10	5.71%	62.88	3.81%	87.27	3.55%	84.95	2.62%
Housing Loans	2.80	1.83%	3.79	0.99%	4.79	0.56%	8.54	0.68%
Wholesale Lending	-	0.00%	400.00	14.68%	-	0.00%	-	0.00%
BC	-	-	-	-	2.63	0.21%	2.08	0.17%
Others	-	0.00%	2.00	0.30%	2.00	0.50%	2.00	1.00%
Gross NPA	574.68	1.85%	655.74	1.39%	446.56	0.71%	426.61	0.64%

The Bank's provision coverage ratio (including technical write-offs) as of March 31, 2018, 2019 and 2020 and as of September 30, 2020, computed as per RBI guidelines, was 83.79%, 97.49%, 95.64% and 100.34%, respectively.

Analysis of Non-Performing Advances by Industry Sectors

The table below sets forth, as of the dates periods indicated, our non-performing advances, by the borrower's industry or economic activity.

Industry / Economic Activity	As of March 31,						As of September 30, 2020					
	2018			2019			2020					
	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry
Food Processing	3.40	1.39	0.84%	2.48	1.56	0.61%	3.23	2.01	0.66%	3.15	2.72	0.69%
Beverages (excluding Tea & Coffee) and Tobacco	0.07	0.03	1.36%	0.02	0.02	0.38%	0.13	0.07	3.03%	0.13	0.11	2.99%
Textiles	2.54	1.05	3.37%	0.81	0.61	1.02%	0.84	0.51	0.90%	0.73	0.62	0.76%
Leather and Leather product	0.17	0.07	0.30%	0.15	0.08	0.18%	0.60	0.37	0.88%	0.57	0.50	0.86%
Wood and Wood Products	7.76	3.20	3.06%	2.75	2.08	0.81%	3.78	2.42	0.94%	3.53	3.07	0.90%
Paper and Paper Products	0.06	0.03	1.60%	0.03	0.02	0.43%	0.14	0.10	2.41%	0.07	0.06	1.26%
Chemicals and Chemical Products (Dyes, Paints, etc.)	0.44	0.18	5.85%	0.18	0.16	2.47%	0.06	0.05	0.96%	0.06	0.06	0.98%
Rubber, Plastic and their Products	0.80	0.32	10.76%	0.04	0.03	0.51%	0.23	0.13	3.11%	0.04	0.03	0.62%
Glass & Glassware	0.01	0.01	0.16%	-	-	0.00%	0.14	0.08	0.51%	0.10	0.09	0.38%
Cement and Cement Products	0.14	0.06	0.89%	0.06	0.04	0.15%	0.69	0.39	1.07%	0.63	0.54	1.00%
Basic Metal and Metal Products	0.85	0.34	3.92%	0.42	0.32	1.45%	0.36	0.25	0.86%	0.30	0.28	0.76%

Industry / Economic Activity	As of March 31,						As of September 30, 2020					
	2018			2019			2020					
	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry
All	2.69	1.13	0.91%	1.76	1.18	0.44%	3.20	1.95	0.70%	2.95	2.54	0.73%
Engineering												
Vehicles, Vehicle Parts and Transport Equipments	0.12	0.05	10.52%	0.02	0.02	1.49%	-	-	0.00%	-	-	0.00%
Gems and Jewellery	3.08	1.25	3.76%	0.82	0.62	0.85%	0.92	0.56	0.99%	0.88	0.75	0.95%
Other Industries	0.13	0.05	1.14%	0.14	0.08	0.80%	0.20	0.13	0.82%	0.20	0.18	0.80%
Residuary other advances (to tally with gross advances)	552.43	228.41	1.85%	646.07	567.54	1.41%	432.04	264.48	0.70%	413.27	355.33	0.64%
Total	574.68	237.55	50.27%	655.73	574.33	13.00%	446.55	273.49	18.56%	426.60	366.86	14.34%

Provisioning and Write-Offs

RBI guidelines on provisioning and write-offs are as follows:

Standard asset	A general provision on Standard Assets with a minimum of 0.40% is to be made with the exception of Farm credit to agriculture activities, SME sectors and Individual Housing Loans sanctioned on or after June 7, 2017 for which a provision of 0.25% will be made, and for residential housing loans under “teaser” loan category, a provision of 2.00% will be made. For commercial real estate loans and commercial real estate loans for residential housing sector, provision will be made at 1.00% and 0.75% respectively. For restructured standard assets and DCCO extension beyond stipulated maximum for infrastructure and non-infrastructure projects, provision is held at 5%. A Restructured NPA account upgraded to standard category attracts a provision of 5% in the first year from the date of upgrade.								
Sub-standard asset	A general provision of 15.00% on total outstanding loans should be made without making any allowance for Export Credit Guarantee Corporation of India (ECGC) guarantee cover and securities available. The unsecured outstanding which are identified as sub-standard would attract an additional provision of 10.00% (i.e. a total of 25.00% on the outstanding balance). However, in case escrow accounts available in respect of infrastructure lending, infrastructure loan accounts which are classified as sub-standard will attract a provisioning of 20 per cent instead of the aforesaid prescription of 25 per cent Unsecured outstanding is defined as an outstanding where the realizable value of security, as assessed by the bank, the approved values and the RBI’s inspecting officers, is not more than 10.00%, ab-initio, of the outstanding. Security will mean tangible security properly discharged to the bank and will not include intangible securities such as guarantees and comfort letters.								
Doubtful asset	Provisioning at 100.00% is to be made for the deficit portion i.e. to the extent to which advances are not covered by the realizable value of the security to which the Bank has a valid recourse and the realizable value is estimated on a realistic basis. With regard to the secured portion, as per the guidelines of the RBI, provision is to be made at rates ranging from 25% to 100.00% of the secured portion depending upon the period for which the advance has remained in the doubtful category. In regard to the secured portion, provision is to be made in accordance with the table below: <table> <tr> <th>Period for which advance remained in “Doubtful” category</th><th>Provision requirement (%)</th></tr> <tr> <td>Up to one year</td><td>25.00%</td></tr> <tr> <td>One to three years</td><td>40.00%</td></tr> <tr> <td>More than three years</td><td>100.00%</td></tr> </table>	Period for which advance remained in “Doubtful” category	Provision requirement (%)	Up to one year	25.00%	One to three years	40.00%	More than three years	100.00%
Period for which advance remained in “Doubtful” category	Provision requirement (%)								
Up to one year	25.00%								
One to three years	40.00%								
More than three years	100.00%								
Loss asset	The entire asset is written off or 100.0% provision is made on outstanding amount.								

See “Key Regulations and Policies” on page 156.

Our Bank's provisioning and write-off policy is as below and is more stringent than the norms prescribed by the RBI.

Provisioning Norms	Loan classification	Proposed Provisioning Percentage
Loans classified NPA for the first time in last quarter (Last 90 days)	Substandard	40%
NPA for more than 90 days and less than or equal to 182 days	Substandard	55%
NPA for more than 182 days and less than or equal to 273 days	Substandard	70%
NPA for more than 273 days and less than or equal to 365 days	Substandard	85%
NPA for more than 365 days	Doubtful	100%

Standard assets provision for microbanking loans is 0.5% against regulatory requirement of 0.25%.

The following table sets forth the details of the movement in NPAs for the periods indicated:

Gross NPA Movement	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million)			
Opening GNPA	-	574.68	655.74	446.56
Add: Additions during the year	2,000.43	602.63	411.90	9.26
Sub Total – (A)	2,000.43	1,177.31	1,067.64	455.82
Less:				
i. Upgradations	-	162.31	48.75	25.30
ii. Recoveries (excluding recoveries made from upgraded accounts)	-	60.67	12.75	3.91
iii. Technical or Prudential write-offs	1,425.75	298.59	559.58	-
iv. Write-offs other than those under (iii) above	-	-	-	-
Sub Total –(B)	1,425.75	521.57	621.08	29.21
Closing GNPA Balance	574.68	655.74	446.56	426.61

The following table sets forth the details of the movement in provisions for the periods indicated:

Provision Movement	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million)			
Opening Balance	7.99	252.83	598.82	335.62
Add: Provisions created during the year	1,670.59	547.94	283.45	115.11
Sub Total – (A)	1,678.58	800.77	882.27	450.73
Less:				
i. Write-off / (write back) of excess provisions during the year/ period	1,425.75	201.95	546.65	15.59
Sub Total –(B)	1,425.75	201.95	546.65	15.59
Closing Balance	252.83	598.82	335.62	435.14

Upgradations of loan accounts classified as NPA

If arrears of interest and principal are paid in full by the borrower in the case of loan accounts classified as NPAs, the account will no longer be treated as non-performing and be classified as 'standard' accounts. For loans other than term loans, only the interest portion received and fulfilment of prescribed covenants would lead to the account being classified as 'regular'.

Restructuring of Advances

As of September 30, 2020, the Bank has not restructured any of its advances.

Certain loans of the Bank, where the repayment terms of existing advances have been revised in order to extend the repayment period and/ or decrease the instalment amount (other than on account of a prepayment) and/ or reduction in interest rate as per the borrower's request shall be marked as rescheduled loans. For the avoidance of doubt, any reduction in rate of interest for floating rate loans due to change in the benchmark rate does not amount to restructuring.

We consider a restructured account, if any, as one where we, for economic or legal reasons relating to the borrower's financial difficulty, grant to the borrower concessions that we would not otherwise consider. Restructuring would normally involve modification of terms of the advance/ securities, which would generally include, among others, alteration of repayment period/ repayable amount/ the amount of instalments/ rate of interest (due to reasons other than competitive and regulatory reasons). However, extension in repayment tenure of a floating rate loan on reset of interest rate, so as to keep the equated monthly instalment (EMI) unchanged, provided it is applied to a class of accounts uniformly, will not render the account to be classified as 'restructured account'. In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, would render the accounts to be classified as 'restructured accounts'.

Restructured accounts are classified as such by us only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level. Non-performing advances are written-off in accordance with our policies. Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

This may result in immediate down-gradation of the loan to the next level, unless the Asset categorisation benefit is specifically allowed by Reserve Bank of India. For instance, a standard loan will become sub-standard and attract provisions as per the asset classification and subsequent provisioning norms. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per extant asset classification norms with reference to the pre-restructuring repayment schedule. If such account classified as NPA performs regularly, it will be upgraded after satisfactory performance during the specified period.

The erosion in the fair value of the advance is computed as the difference between the fair value of the loan before and after restructuring. Fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at the existing interest rate as on the date of restructuring. Fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at the existing interest rate on the date of restructuring.

Additional finance approved under the resolution plan is treated as 'standard asset' during the specified period, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

'Specified period' means the period from the date of implementation of resolution plan up to the date by which at least 20% of the outstanding principal debt as per the resolution plan and interest capitalisation sanctioned as part of the restructuring, if any, is repaid.

Provided that the specified period cannot end before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium under the terms of the resolution plan.

NPA Management

The Bank is committed to efficiently managing and reducing its NPAs and has implemented the following measures to manage and reduce its NPA ratio:

- The Bank has laid down processes to review portfolio quality on monthly basis. Portfolio quality is reviewed on various parameters like bounce rates, overdue position, rolled backward and rolled forward, portfolio at risk, NPA levels, etc. The collection management process includes multilevel structured reviews of the collection team at defined intervals. The market feedback coming from the field teams is utilised by the supervisors for planning appropriate action.
- The data available from credit bureau is constantly analysed to track the level of indebtedness among customers. It also helps track borrower behaviour and consistency of information submitted by borrowers.
- The Bank also has a recovery team focused on NPAs and written-off accounts in microbanking and early interventions for other verticals.

Productivity and Other Ratios

The following tables sets forth certain information relating to our productivity and other ratios:

	As of March 31,			As of September 30, 2020
	2018	2019	2020	
Banking Outlets	164	436	507	528
Business Correspondents	3	4	6	7
ATMs	87	124	177	196
Total number of employees	5,142	6,282	8,831	8,729
Gross Loan Portfolio per employee (₹ million)	6.24	7.55	7.54	7.61
Gross Loan Portfolio per Banking Outlet (₹ million)	195.73	108.75	131.36	125.82
Total Accounts	1.66	2.42	3.04	3.11
- Borrower Accounts (in million)	1.62	2.22	2.53	2.46
- Deposit Accounts (in million)	0.03	0.20	0.51	0.66
Current Accounts	0.00	0.01	0.01	0.02
Savings Accounts	0.03	0.16	0.41	0.51
Term Deposits	0.00	0.03	0.09	0.13
Disbursements per Banking Outlet (₹ million)	223.88	104.14	129.37	19.68*
Disbursements per employee (₹ million)	7.14	7.23	7.43	1.19*
Deposits per employee (₹ million)	4.27	6.04	5.93	6.84
Deposits per Banking Outlet (₹ million)	133.77	86.96	103.26	113.05

* Non-annualized.

The following tables sets forth information relating to our customer base:

	As of March 31,			As of September 30, 2020
	2018	2019	2020	
Only Borrowers	161,4456	2,152,552	2,317,941	2,197,978
Only Depositors	26,758	112,051	225,087	277,755
Both Borrowers and Depositors	7,060	69,182	207,375	260,806
Of Only Depositors:				
CASA Customers*	23,098	108,915	217,987	265,827
Term Deposit Customers	3,017	12,705	25,584	37,496

The following tables set forth information relating to our digital banking channels:

	As of and for the year ended March 31,			As of and for the six months ended September 30, 2020
	2018	2019	2020	
Total Debit Cards Issued	30,463.00	169,464.00	407,712.00	493,149.00
No. of Active Debit Cards	17,199.00	48,815.00	129,072.00	157,784.00
- As a percentage of total debit cards issued	56.46%	28.81%	31.66%	32.00%
Number of Debit Card Transactions	158,969.00	896,455.00	1,808,148.00	889,122.00
- As a percentage of total alternate banking transactions	88.54%	91.04%	89.30%	81.77%
Value of Debit Card Transactions (₹ million)	489.25	2415.71	4945.31	2,224.98
Number of Internet Banking Transactions	13,722.00	83,586.00	209,617.00	1,92,327.00
- As a percentage of total alternate banking transactions	7.64%	8.49%	10.35%	17.69%
Value of Internet Banking Transactions (₹ million)	187.37	1,162.47	3,087.71	3,087.15
Number of Mobile Banking Transactions	6,859.00	4,964.00	7,061.00	5,848.00
- As a percentage of total alternate banking transactions	3.82%	0.48%	0.35%	0.54%
Value of Mobile Banking Transactions (₹ million)	79.34	65.26	136.43	136.62

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Independent Auditor's Examination Report on Restated Financial Information

The Board of Directors

Utkarsh Small Finance Bank Limited

S-24/1-2, First Floor,

Mahavir Nagar,

Orderly Bazar,

Varanasi-221 002 (U.P.), India

Dear Sirs / Madams,

1. We have examined the attached Restated Financial Information of **Utkarsh Small Finance Bank Limited** (the "Bank"), comprising the Restated Summary Statement of Assets and Liabilities as at September 30, 2020 and as at March 31, 2020, 2019 and 2018, the Restated Summary Statements of Profit and Loss and Cash Flows for the six month period ended September 30, 2020 and for the years ended March 31, 2020, 2019 and 2018, the Summary Statement of Significant Accounting Policies, and other explanatory information (collectively, the "Restated Financial Information"), as approved by the Board of Directors of the Bank at their meeting held on February 16, 2021, for the purpose of inclusion in the Draft Red Herring Prospectus ("DRHP"), prepared by the Bank in connection with its proposed Initial Public Offer of equity shares of face value of Rs.10 each ("IPO") in terms of the requirements of:
 - a) Section 26 of Part I of Chapter III of the Companies Act, 2013 (the "Act");
 - b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations"); and
 - c) The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended from time to time (the "Guidance Note").

Board of Directors Responsibility for the Restated Financial Information

2. The Bank's Board of Directors are responsible for the preparation of the Restated Financial Information for the purpose of inclusion in the DRHP to be filed with Securities and Exchange Board of India in connection with the proposed IPO. The Restated Financial Information have been prepared by the management of the Bank on the basis of preparation stated in Annexure 22(2) to the Restated Financial Information. The Board of Directors of the Bank are responsible for designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Financial Information. The Board of Directors are also responsible for identifying and ensuring that the Bank complies with the Act, ICDR Regulations and the Guidance Note.

Auditor's Responsibility

3. We have examined such Restated Financial Information taking into consideration:
 - a) the terms of reference and our engagement agreed upon with you in accordance with our engagement letter dated September 10, 2020, requesting us to carry out work on such Restated Financial Information, proposed to be included in the DRHP of the Bank in connection with the proposed IPO of the Bank;
 - b) the Guidance Note, which also requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI;
 - c) concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and
 - d) the requirements of Section 26 of the Act and the ICDR Regulations.

Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act, the ICDR Regulations and the Guidance Note in connection with the IPO.

Restated Financial Information as per audited financial statements

4. The Restated Financial Information have been compiled by the management from:

- a) the audited interim financial statements of the Bank as at and for the six month period ended September 30, 2020, prepared in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with the relevant rules issued thereunder in so far as they apply to the Bank, relevant provisions of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India (“RBI”) from time to time, which have been approved by the Board of Directors at their meeting held on November 6, 2020.
- b) the audited financial statements of the Bank as at and for the years ended March 31, 2020, 2019 and 2018 prepared in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with the relevant rules issued thereunder in so far as they apply to the Bank, relevant provisions of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India (“RBI”) from time to time, which have been approved by the Board of Directors at their meetings held on May 22, 2020, May 25, 2019 and May 8, 2018, respectively.

5. For the purpose of our examination, we have relied on:

- a) Auditors’ Report issued by us dated November 6, 2020 on the interim financial statements of the Bank as at and for the six month period ended September 30, 2020, as referred in Paragraph 4(a) above, which includes the following Emphasis of Matter paragraph (also refer Annexure 23.47 of the Restated Financial Information):

“We draw attention to Schedule 18 - Note 18.47 to the interim financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank’s operations and interim financial statement is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.”

- b) Auditors’ Report issued by us dated May 22, 2020 on the financial statements of the Bank as at and for the year ended March 31, 2020, as referred in Paragraph 4(b) above, which includes the following Emphasis of Matter paragraph (also refer Annexure 23.47 of the Restated Financial Information):

“We draw attention to Schedule 18 - Note 18.47 to the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank’s operations and financial statement is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.”

- c) Auditors’ Reports issued by B S R & Associates LLP (“Previous Auditor”) dated May 25, 2019 and May 8, 2018 on the financial statements of the Bank as at and for the years ended March 31, 2019 and 2018, respectively, as referred in Paragraph 4(b) above.

The audited financial statements for the years ended March 31, 2019 and 2018 and the Independent Auditors’ Reports thereon issued by the Previous Auditor have been furnished to us by the Bank. Upon specific request by the Bank, we have examined and reported on the restated financial information for the years ended March 31, 2019 and 2018. Our opinion on the Restated Financial Information, in so far as it relates to the amounts, disclosures, material errors, regrouping, reclassification, etc., included in respect of the years ended March 31, 2019 and 2018 are restricted to and based solely on the audited financial statements and auditor’s reports issued by the Previous Auditor for such years. We have not performed any additional procedures other than those stated herein and do not accept any responsibility of whatsoever nature in this regard.

6. Based on our examination and according to the information and explanations given to us, we report that:
- a) Restated Financial Information have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications retrospectively in the financial years ended March 31, 2020, 2019 and 2018 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the six month period ended September 30, 2020;
 - b) There are no qualifications in the auditors' reports on the audited interim financial statements of the Bank as at and for the six month period ended September 30, 2020, and the audited financial statements of the Bank as at and for the years ended March 31, 2020, 2019 and 2018, which require any adjustments to the Restated Financial Information. There are items relating to emphasis of matter (refer paragraph 5(a) and 5(b) above), which do not require any adjustment to the Restated Financial Information; and
 - c) Restated Financial Information have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.
7. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on the audited interim financial statements and audited financial statements mentioned in paragraph 4 above.
8. According to the information and explanations given to us, in our opinion, the Restated Financial Information, read with Summary of Significant Accounting Policies disclosed in Annexure 22, accompanying this report, are prepared after making adjustments and regroupings as considered appropriate and disclosed in Annexure 4 and Annexure 5 respectively, and have been prepared in accordance with the Act, ICDR Regulations, to the extent applicable, and the Guidance Note.
9. This report should not in any way be construed as a reissuance or re-dating of any of the previous auditor's reports issued by us or the Previous Auditor, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
10. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

Restriction on Use

11. Our report is intended solely for use of the Board of Directors for inclusion in the DRHP to be filed with Securities and Exchange Board of India in connection with the proposed IPO of the Bank. Our report should not be used, referred to, or distributed for any other purpose except with our prior consent in writing. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No.103523W/W100048

Purushottam Nyati
Partner
Membership No. 118970
UDIN: 21118970AAAABO6643
Place: Mumbai
Date: February 16, 2021

Utkarsh Small Finance Bank Limited
Annexure 1: Restated Summary Statement of Assets and Liabilities

(₹ in millions)

Particulars		As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
CAPITAL AND LIABILITIES					
Capital	6	7,592.72	7,592.72	7,370.50	4,700.50
Reserves and Surplus	7	3,380.95	2,602.27	357.06	(751.61)
Deposits	8	59,692.98	52,352.12	37,913.87	21,938.67
Borrowings	9	28,092.17	26,750.37	14,297.67	17,888.47
Other Liabilities and Provisions	10	6,190.18	4,745.69	2,449.35	1,163.31
Total		1,04,949.00	94,043.17	62,388.45	44,939.34
ASSETS					
Cash and balances with Reserve Bank of India	11	1,933.95	1,916.58	1,575.73	2,055.64
Balances with banks and money at call and short notice	12	9,606.05	14,223.94	3,590.59	3,631.90
Investments	13	23,977.42	11,923.88	8,622.07	6,612.74
Advances	14	66,065.81	62,815.97	46,681.66	31,017.18
Fixed Assets	15	1,405.96	1,097.97	898.82	756.97
Other Assets	16	1,959.81	2,064.83	1,019.58	864.91
Total		1,04,949.00	94,043.17	62,388.45	44,939.34
Contingent Liabilities	17	413.98	199.45	178.69	962.78
Bills for Collection		-	-	-	-
Significant accounting policies	22				
Notes to Restated Financial Information	23				

The Annexures referred to above form an integral part of the Restated Financial Information.

As per our report of even date
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

For and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

Purushottam Nyati
Partner
Membership No. 118970

Kajal Ghose
Director
DIN : 07702190

P. H. Ravikumar
Director
DIN : 00280010

Govind Singh
Managing Director & CEO
DIN : 02470880

Mukund Barsagade
Chief Financial Officer
FCA 048560

Nutan Rane
Company Secretary
ACS 20260

Place : Mumbai
Date : 16 February 2021

Place : Mumbai
Date : 16 February 2021

Utkarsh Small Finance Bank Limited
Annexure 2: Restated Summary Statement of Profit and Loss

(₹ in millions)

Particulars		Annexure	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
I	INCOME					
	Interest Earned	18	7,867.27	13,076.87	9,002.04	5,010.64
	Other Income	19	484.62	985.55	580.45	436.90
	Total		8,351.89	14,062.42	9,582.49	5,447.54
II	EXPENDITURE					
	Interest Expended	20	3,673.22	5,794.63	3,831.19	2,499.06
	Operating Expenses	21	2,452.05	4,764.83	3,282.16	2,336.06
	Provisions and Contingencies		1,447.93	1,635.53	1,360.47	1,386.65
	Total		7,573.20	12,194.99	8,473.82	6,221.77
III	PROFIT/(LOSS)					
	Net Profit / (Loss) for the period / year		778.69	1,867.43	1,108.67	(774.23)
	Balance in Profit and Loss account brought forward		1,454.83	97.09	(763.69)	10.54
	Total		2,233.52	1,964.52	344.98	(763.69)
IV	APPROPRIATIONS					
	Transfer to Statutory Reserve		-	466.86	234.72	-
	Transfer to Investment Fluctuation Reserve		141.67	39.24	13.17	-
	Transferred to Capital Reserve		1.97	3.59	-	-
	Balance carried over to Balance Sheet		2,089.88	1,454.83	97.09	(763.69)
V	EARNINGS PER EQUITY SHARE	23.9				
	Basic EPS (₹)		1.03 *	2.49	1.62	(2.13)
	Diluted EPS (₹)		1.03 *	2.49	1.62	(2.13)
	Face Value per share (₹)		10.00	10.00	10.00	10.00
	Significant accounting policies	22				
	Notes to Restated Financial Information	23				

The Annexures referred to above form an integral part of the Restated Financial Information.

* Not Annualized

As per Govind Singh
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

For and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

Purushottam Nyati
Partner
Membership No. 118970

Kajal Ghose
Director
DIN : 07702190

P. H. Ravikumar
Director
DIN : 00280010

Place : Mumbai

Govind Singh
Managing Director & CEO
DIN : 02470880

Mukund Barsagade
Chief Financial Officer
FCA 048560

Nutan Rane
Company Secretary
ACS 20260

Place : Mumbai
Date : 16 February 2021

Place : Mumbai
Date : 16 February 2021

Utkarsh Small Finance Bank Limited
Annexure 3: Restated Summary Statement of Cash Flows

(₹ in millions)

S.No	Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
I	Cash flow from operating activities				
	Profit/ (Loss) before taxes	1,043.32	2,504.15	1,657.87	(1,093.17)
	Adjustments for:-				
	Depreciation and amortisation	130.01	254.08	184.65	141.98
	Depreciation on investments, net	75.87	0.62	(9.16)	4.14
	Amortization of premium on Held to Maturity Investment	42.73	74.69	51.16	-
	Profit on sale & Redemption of HTM portfolio	(3.50)	(6.89)	(0.22)	-
	Unrealised loss/gain on external commercial borrowings	(11.19)	9.13	21.43	-
	Write-off of non performing advances	-	559.58	298.59	1,425.75
	Impact of other Restatement adjustments (Net)	-	-	(185.63)	165.13
	Provision for standard advances and other contingencies	1,000.86	739.45	55.26	43.75
	Provision for non performing advances (net of reversal)	93.37	(300.84)	336.78	237.55
	Loss/ (Profit) on Sale of Fixed Assets (Net)	0.14	0.19	(21.61)	0.17
	Other provisions and write off	13.19	38.66	120.43	-
		2,384.80	3,872.82	2,509.55	925.30
	Adjustments for:-				
	(Increase)/ decrease in investments	(10,518.82)	(604.57)	(457.72)	1,836.31
	(Increase) in advances	(3,343.22)	(16,393.05)	(16,299.84)	(16,549.42)
	(Increase)/ decrease in other assets	205.65	(829.92)	(234.23)	499.16
	Increase in deposits	7,340.85	14,438.26	15,975.20	21,751.45
	Increase in other liabilities and provisions	142.47	1,559.03	712.83	627.02
		(6,173.07)	(1,830.25)	(303.76)	8,164.52
	Payment of direct taxes	(77.30)	(890.50)	(23.87)	(36.98)
	Net cash flow (used in)/generated from operating activities (A)	(3,865.57)	1,152.07	2,181.92	9,052.84
II	Cash flow from/(used in) investing activities				
	Purchase of fixed assets including capital work in progress	(438.23)	(455.91)	(309.86)	(820.43)
	Proceeds from sale of fixed assets	0.09	0.14	142.40	0.03
	Purchase of held to maturity securities	(1,649.81)	(2,765.66)	(1,593.46)	(1,165.04)
	Net cash flow (used in) investing activities (B)	(2,087.95)	(3,221.43)	(1,760.92)	(1,985.44)
III	Cash flow from/(used in) Financing Activities				
	Proceeds from issue of share capital	-	600.00	-	500.00
	Net proceeds/ (repayments) from borrowings	1,353.00	12,443.56	(942.22)	(3,799.82)
	Dividend and Dividend distribution tax	-	-	-	-
	Net cash flow (used in)/generated from financing activities (C)	1,353.00	13,043.56	(942.22)	(3,299.82)
IV	Net increase/ (decrease) in cash and cash equivalents (A) + (B) + (C)	(4,600.52)	10,974.20	(521.22)	3,767.58
V	Cash and cash equivalents at the beginning of the period/year	16,140.52	5,166.32	5,687.54	1,919.96
VI	Cash and cash equivalents at the end of the period/year	11,540.00	16,140.52	5,166.32	5,687.54
	Notes to the Cash Flow Statement:				
	Cash and cash equivalents includes the following:				
(i)	Cash and Balances with Reserve Bank of India (Refer Annexure 11)	1,933.95	1,916.58	1,575.73	2,055.64
(ii)	Balances with Banks in Current Accounts (Refer Annexure 12)	446.05	173.94	340.59	1,431.90
(iii)	Money at Call and Short Notice (Refer Annexure 12)	9,160.00	14,050.00	3,250.00	2,200.00
	Cash and cash equivalents at the end of the period/year	11,540.00	16,140.52	5,166.32	5,687.54

The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3 - Cash flow Statement specified under section 133 of the Companies Act, 2013.

As per our report of even date
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

For and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

Purushottam Nyati
Partner
Membership No. 118970

Kajal Ghose
Director
DIN : 07702190

P. H. Ravikumar
Director
DIN : 00280010

Govind Singh
Managing Director & CEO
DIN : 02470880

Mukund Barsagade
Chief Financial Officer
FCA 048560

Nutan Rane
Company Secretary
ACS 20260

Place : Mumbai
Date : 16 February 2021

Place : Mumbai
Date : 16 February 2021

Utkarsh Small Finance Bank Limited

Annexure 4: Restated Statement of Adjustments to Audited Financial Statements

A. Summarised below are the restatement adjustments made to the Audited Financial Statements for the period ended 30 September 2020 and for the years ended March 31, 2020, March 31, 2019 and March 31, 2018 and their impact on the profit/ (loss) of the Bank:

(₹ in millions)

Particulars		For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
I	Profit after tax as per audited financial statements	778.69	1,867.43	938.87	(630.17)
II	<u>Impact of Adjustments as per ICDR Regulations:</u>				
	1 Change in Accounting policy	-	-	15.28	(7.29)
	2 Restatement of prior period item*	-	-	163.89	(143.39)
	3 Deferred tax on above	-	-	(9.37)	6.60
	Total Impact of Adjustments	-	-	169.80	(144.08)
III	Profit after adjustments (As per Restated Summary Statement of Profit and Loss)	778.69	1,867.43	1,108.67	(774.23)

B. Reconciliation of Balance in Profit and Loss Account as on 01 April 2017:

(₹ in millions)

Particulars	Amount
Balance as at 01 April 2017 - As per audited financial statements	36.26
<u>Adjustment on account of restatements:</u>	
Change in Accounting policy	(7.99)
Restatement of prior period item*	(20.50)
Deferred tax on above	2.77
Balance as at 01 April 2017 - As per Restated Financial Information	10.54

* Prior period items mainly consists of interest expenses and interest income.

Notes:

- 1 The tax rate applicable for the respective year of adjustment has been used to calculate the deferred tax impact on restatement adjustments.
- 2 There are no audit qualifications to audited financial statements.
- 3 In the audited financial statements of the Bank for the year ended 31 March 2019, the Bank changed the accounting policy to recognise floating provision at 20% of provision on standard assets.

Utkarsh Small Finance Bank Limited
Annexure 5: Regrouping and Reclassifications

Appropriate adjustments have been made in the restated summary statement of assets and liabilities, restated summary statement of profit and loss and restated summary statement of cash flows in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended), by reclassification of the corresponding items of income, expense, assets, liabilities and cash flows in order to bring them in line with the groupings as per the audited financial statements of the Bank as at and for the year ended March 31, 2020.

Regrouping for the year ended 31 March 2019 (₹ in millions)

Particulars	As per Audited Financial Statements	Changes due to Regrouping	As per Restated Summary Statements
Income & Expenses			
- Income on investments	596.54	18.06	614.60
- Miscellaneous Income	450.04	(18.06)	431.98
- Other Borrowing costs	1,319.77	4.20	1,323.97
- Rent, taxes and lighting	212.51	(4.20)	208.31
Assets & Liabilities			
- Advances	46,657.16	24.49	46,681.65
- Other Liability and provisions	2,424.86	24.49	2,449.35

Regrouping for the year ended 31 March 2018 (₹ in millions)

Particulars	As per Audited Financial Statements	Changes due to Regrouping	As per Restated Summary Statements
Income & Expenses			
- Income on Investments	406.31	(8.53)	397.78
- Miscellaneous Income	308.05	8.53	316.58
Assets & Liabilities			
- Term loans	30,825.21	191.98	31,017.19
- Interest accrued	467.19	(191.98)	275.21

Utkarsh Small Finance Bank Limited
Annexures forming part of the Restated Summary Statement of Assets and Liabilities

Annexure 6 - Restated Statement of Capital

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Authorised Capital				
1,300,000,000 Equity shares of ₹10/- each (31 March 2020: 1,000,000,000 Equity shares of ₹10/- each, 31 March 2019: 1,000,000,000 Equity shares of ₹10/- each, 31 March 2018: 75,00,00,000 Equity shares of ₹10/- each)	13,000.00	10,000.00	10,000.00	7,500.00
200,000,000 Preference shares of ₹10/- each (31 March 2020, 2019 and 2018: Nil)	2,000.00	-	-	-
Issued, subscribed and fully paid-up capital				
759,272,222 Equity shares of ₹10/- each (31 March 2020: 759,272,222 Equity shares of ₹10/- each, 31 March 2019: 73,70,50,000 Equity shares of ₹10/- each, 31 March 2018: 47,00,50,000 Equity shares of ₹10/- each)	7,592.72	7,592.72	7,370.50	4,700.50
TOTAL	7,592.72	7,592.72	7,370.50	4,700.50

Annexure 7 - Restated Statement of Reserves and Surplus

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1. Statutory Reserve (created pursuant to Sec 17(2) of Banking Regulation Act, 1949)				
Opening balance	713.66	246.80	12.08	12.08
Addition during the period / year	-	466.86	234.72	-
Deduction during the period / year	-	-	-	-
Closing Balance	713.66	713.66	246.80	12.08
2. Investment Fluctuation Reserve				
Opening balance	52.41	13.17	-	-
Addition during the period / year	141.67	39.24	13.17	-
Deduction during the period / year	-	-	-	-
Closing Balance	194.08	52.41	13.17	-
3. Balance in Profit and Loss Account	2,089.88	1,454.83	97.09	(763.69)
4. Share Premium Account				
Opening balance	377.78	-	-	-
Addition during the period / year	-	377.78	-	-
Closing Balance	377.78	377.78	-	-
5. Capital Reserve				
Opening balance	3.59	-	-	-
Addition during the period / year	1.96	3.59	-	-
Closing Balance	5.55	3.59	-	-
TOTAL (1 to 5)	3,380.95	2,602.27	357.06	(751.61)

Annexure 8 - Restated Statement of Deposits

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
A. 1. Demand Deposits				
i) From banks	38.26	78.25	81.70	74.01
ii) From others	1,339.71	1,113.37	780.55	426.12
Total	1,377.97	1,191.62	862.25	500.13
2. Savings Bank Deposits	7,252.18	5,875.02	2,932.11	665.15
3. Term Deposits				
i) From banks	17,195.56	18,390.20	15,408.10	13,121.03
ii) From others	33,867.27	26,895.28	18,711.41	7,652.36
Total	51,062.83	45,285.48	34,119.51	20,773.39
TOTAL (1 to 3)	59,692.98	52,352.12	37,913.87	21,938.67
B. i. Deposits of branches in India	59,692.98	52,352.12	37,913.87	21,938.67
ii. Deposits of branches outside India	-	-	-	-
TOTAL	59,692.98	52,352.12	37,913.87	21,938.67

Annexure 9 - Restated Statement of Borrowings

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1. Borrowings in India				
i) Reserve Bank of India	870.00	980.00	-	-
ii) Other banks	100.00	1,000.00	1,209.09	2,887.89
iii) Other institutions and agencies *				
a) Government of India	-	-	-	-
b) Financial institutions	22,975.80	22,515.00	7,625.00	4,704.76
iv) Borrowing in the form of bonds and debentures (excluding subordinated debt)	-	-	1,395.00	2,585.00
v) Capital instruments				
a) Hybrid debt capital instruments issued as debentures (not qualifying as Tier 2 capital)	-	-	-	2,670.00
b) Borrowing in the form of bonds and debentures (subordinated debt qualifying as Tier 2 capital)	2,350.00	400.00	400.00	-
vi) Other borrowings**	158.05	166.21	173.70	320.05
Total borrowings in India	26,453.85	25,061.21	10,802.79	13,167.70
2. Borrowings outside India #				
i) Capital instruments				
a) Unsecured redeemable debentures/bonds (subordinated debt included in Tier 2 capital)	1,500.00	1,500.00	1,500.00	1,500.00
ii) Debentures	-	-	1,735.55	2,895.55
iii) Other borrowings	138.32	189.16	259.33	325.22
Total borrowings outside India	1,638.32	1,689.16	3,494.88	4,720.77
TOTAL (1 + 2)	28,092.17	26,750.37	14,297.67	17,888.47
Secured borrowings included in 1 and 2 above	171.92	1,213.96	784.88	4,587.44

* Borrowing from other institutions and agencies include subordinated debt of ₹ 100 millions in the nature of term loan.

** Represents payable under lease obligation.

Borrowing from outside India include subordinated debt of ₹ 1500 millions in the nature of Non Convertible Debenture.

Annexure 10 – Restated Statement of Other Liabilities and Provisions

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1. Bills payable	84.82	85.59	5.78	-
2. Inter office adjustments (net)	-	-	-	-
3. Interest accrued	2,471.90	2,329.73	1,318.52	647.39
4. Provision against standard assets	341.38	310.67	122.45	76.40
5. Others (including provisions)	3,292.08	2,019.70	1,002.60	439.52
TOTAL (1 to 5)	6,190.18	4,745.69	2,449.35	1,163.31

Annexure 11 – Restated Statement of Cash and balances with Reserve Bank of India

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1. Cash in hand (including cash at ATM)	505.56	412.74	239.52	153.41
2. Balances with Reserve Bank of India				
i) In current account	1,428.39	1,503.84	1,336.21	1,902.23
ii) In other accounts	-	-	-	-
TOTAL (1 + 2)	1,933.95	1,916.58	1,575.73	2,055.64

Annexure 12 – Restated Statement of Balance with banks and money at call and short notice

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1. In India				
i) Balances with banks				
a) In current accounts	417.86	138.12	198.74	449.96
b) In other deposit accounts	28.19	35.82	141.85	981.94
ii) Money at call and short notice				
a) With banks	9,160.00	14,050.00	3,250.00	1,800.00
b) With other institutions	-	-	-	400.00
Total (i+ii)	9,606.05	14,223.94	3,590.59	3,631.90
2. Outside India				
In current accounts	-	-	-	-
In other deposits accounts	-	-	-	-
Money at call and short notice	-	-	-	-
Total	-	-	-	-
TOTAL (1 + 2)	9,606.05	14,223.94	3,590.59	3,631.90

Annexure 13 – Restated Statement of Investments

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1. Investments in India (net of provisions)				
i) Government securities *	19,111.70	11,923.88	7,923.11	5,664.09
ii) Debentures and bonds	1,771.35	-	200.00	200.00
iii) Others (certificate of deposits and mutual funds)	3,094.37	-	498.96	748.65
Total	23,977.42	11,923.88	8,622.07	6,612.74
2. Investments outside India (net of provisions)				
i) Government securities	-	-	-	-
ii) Subsidiaries / joint ventures outside India	-	-	-	-
iii) Others (equity shares and bonds)	-	-	-	-
Total	-	-	-	-
TOTAL (1 + 2)	23,977.42	11,923.88	8,622.07	6,612.74
3. Value of Investments				
i) Gross value of investments				
a) In India	24,053.90	11,924.50	8,622.07	6,621.90
b) Outside India	-	-	-	-
	24,053.90	11,924.50	8,622.07	6,621.90
ii) Provision for depreciation				
a) In India	76.48	0.62	-	9.16
b) Outside India	-	-	-	-
	76.48	0.62	-	9.16
iii) Net value of investments				
a) In India	23,977.42	11,923.88	8,622.07	6,612.74
b) Outside India	-	-	-	-
	23,977.42	11,923.88	8,622.07	6,612.74

* Include securities of ₹104.1 millions (31 March 2020: ₹52.1 millions, 31 March 2019: ₹54.5 millions, 31 March 2018: Nil) pledged for clearing facilities and margin requirement.

Annexure 14 – Restated Statement of Advances (net of provisions)

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
A.				
i) Bills purchased and discounted	-	-	-	-
ii) Cash credits, overdrafts and loans repayable on demand	195.05	391.30	1,265.65	-
iii) Term loans	65,870.76	62,424.67	45,416.01	31,017.18
Total	66,065.81	62,815.97	46,681.66	31,017.18
B.				
i) Secured by tangible assets (includes advances against fixed deposits and book debts)	6,779.91	5,236.40	4,396.27	2,933.24
ii) Unsecured	59,285.90	57,579.57	42,285.39	28,083.94
Total	66,065.81	62,815.97	46,681.66	31,017.18
C.1 Advances in India				
i) Priority sector*	58,945.60	57,369.48	42,073.73	28,504.39
ii) Public sector	-	-	-	-
iii) Banks	-	39.07	950.54	-
iv) Others	7,120.21	5,407.42	3,657.39	2,512.79
Total	66,065.81	62,815.97	46,681.66	31,017.18
C.2 Advances Outside India				
i) Due from banks	-	-	-	-
ii) Due from others	-	-	-	-
a) Bills purchases and discounted	-	-	-	-
b) Syndicated loans	-	-	-	-
c) Others	-	-	-	-
Total	-	-	-	-
TOTAL (C.1 + C.2)	66,065.81	62,815.97	46,681.66	31,017.18

*Refer Annexure 23.28

Annexure 15 – Restated Statement of Fixed Assets

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1. Premises				
i) At cost at 31st March of the preceding year	121.20	121.20	121.20	-
ii) Additions during the year	-	-	-	121.20
iii) Deductions during the year	-	-	-	-
iv) Accumulated depreciation to date	-	-	-	-
Total	121.20	121.20	121.20	121.20
2. Other Fixed Assets (including furniture and fixtures)				
i) At cost at 31st March of the preceding year	1,337.17	917.01	647.30	227.47
ii) Additions during the year	116.14	464.73	275.02	420.20
iii) Deductions during the year	0.48	44.58	5.30	0.37
iv) Accumulated depreciation to date	615.66	502.27	321.21	187.36
Total	837.17	834.89	595.81	459.94
3. Leased Assets				
i) At cost at 31st March of the preceding year	226.98	208.98	355.20	21.74
ii) Additions during the year	6.72	18.01	12.95	196.03
iii) Deductions during the year	-	-	137.43	-
iv) Accumulated depreciation to date	102.22	85.86	76.49	47.63
Total	131.48	141.13	154.23	170.14
4. Capital Work in Progress	316.11	0.75	27.58	5.69
TOTAL (1 to 4)	1,405.96	1,097.97	898.82	756.97

Annexure 16 – Restated Statement of Other Assets

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1. Inter-office adjustment (net)	-	-	7.48	-
2. Interest accrued	853.51	818.83	396.40	83.64
3. Tax Paid in advance/tax deducted at source (net of provision)	-	95.37	50.14	26.27
4. Stationery and stamps	-	-	-	-
5. Non-banking assets acquired in satisfaction of claims	-	-	-	-
6. Deferred Tax Asset (net)	411.66	375.16	150.67	354.70
7. Others	694.64	775.47	414.89	400.30
TOTAL (1 to 7)	1,959.81	2,064.83	1,019.58	864.91

Annexure 17 – Restated Statement of Contingent Liabilities

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1. Guarantees given on behalf of constituents	-	-	-	-
2. Liability for partly paid investment	-	-	-	-
3. Liability on account of outstanding forward exchange contracts	-	-	-	-
4. Liability on account of outstanding derivative contracts	-	-	-	-
5. Guarantees given on behalf of constituents	-	-	-	-
i) In India	122.05	-	0.04	-
ii) Outside India	-	-	-	-
6. Acceptances, endorsements and other obligations	-	-	-	-
7. Other items for which the bank is contingently liable (refer note 2)	291.93	199.45	178.65	962.78
TOTAL (1 to 7)	413.98	199.45	178.69	962.78

* Represents notional principal amount with respect to cross currency interest rate swaps

Note 1: The Supreme Court of India in its judgement in the case of The Regional Provident Fund Commissioner (ii) West Bengal v/s Vivekananda Vidyamandir and others on 28 February 2019 has clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board is to be considered as basic wage and accordingly needs to be considered for calculation of Provident Fund contribution. The Bank would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject, if necessary and the effect of this order has been taken into effect from 1 April 2019.

Note 2: Includes capital commitment of ₹277.03 millions (31 March 2020: ₹184.96 millions, 31 March 2019: ₹ 55.66 millions, 31 March 2018: ₹ 55.66 millions)

Annexure 18– Restated Statement of Interest Earned

(₹ in millions)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
1. Interest / discount on advances / bills	6,944.10	11,922.72	8,255.15	4,468.62
2. Income on investments	657.95	947.58	614.60	397.78
3. Interest on balance with Reserve Bank of India and Other inter bank funds	265.03	205.55	130.77	142.48
4. Others	0.19	1.02	1.52	1.76
TOTAL (1 to 4)	7,867.27	13,076.87	9,002.04	5,010.64

Annexure 19– Restated Statement of Other Income

(₹ in millions)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
1. Commission, exchange and brokerage	147.99	284.49	165.00	136.15
2. Profit/(Loss) on sale/redemption of Investments (net)	20.24	7.50	(16.52)	(15.83)
3. Miscellaneous Income*	316.39	693.56	431.97	316.58
TOTAL (1 to 3)	484.62	985.55	580.45	436.90

* includes fee received on sale of PSLCs of ₹ 192.70 millions (31 March 2020: 452.70 millions, 31 March 2019: 242.80 millions, 31 March 2018: 245.30 millions)

Annexure 20– Restated Statement of Interest Expended

(₹ in millions)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
1. Interest on deposits	2,357.88	4,136.77	2,338.98	572.71
2. Interest on Reserve Bank of India / Inter-bank borrowings	37.67	58.17	159.99	431.50
3. Others*	1,277.67	1,599.69	1,332.22	1,494.85
TOTAL (1 to 3)	3,673.22	5,794.63	3,831.19	2,499.06

* includes fee paid on purchase of PSLCs of NIL (31 March 2020: NIL, 31 March 2019: ₹ 30.30 millions, 31 March 2018: Nil)

Annexure 21– Restated Statement of Operating Expenses

(₹ in millions)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
1. Payments to and provisions for employees	1,458.08	2,621.61	1,865.73	1,265.76
2. Rent, taxes and lighting	176.80	349.11	208.31	160.15
3. Printing and stationery	28.50	109.19	54.39	32.36
4. Advertisement and publicity	6.77	55.44	55.86	25.49
5. Depreciation on Bank's property	130.01	254.08	184.65	141.98
6. Director's fees allowances and expenses	6.77	9.77	17.79	6.74
7. Auditors' fees and expenses	4.45	13.36	13.91	5.01
8. Law charges	52.19	145.37	18.91	7.29
9. Postage, telegrams, telephones, etc.	46.38	89.35	69.47	32.87
10. Repairs and maintenance	45.75	122.83	72.44	48.02
11. Insurance	23.20	28.31	2.32	1.96
12. Other expenditure*	473.15	966.41	718.38	608.43
TOTAL (1 to 12)	2,452.05	4,764.83	3,282.16	2,336.06

* Includes service charges for core banking software and ATM, traveling and other expenses

Annexure 22 – Significant accounting policies

1 Background

Utkarsh Small Finance Bank Limited (“Company” or “the Bank”), incorporated on 30 April 2016 in India, is a Small Finance Bank (“SFB”) engaged in providing banking and financial services and governed by the Banking Regulation Act, 1949. The Bank had commenced its banking operations from 23 January 2017. Scheduled Bank status was accorded by Reserve Bank of India vide notification no. DBR.NBD. (SFB-UMFL). No.2689/16.13.216/2017-2018 dated 4 October 2017 and was published in the Gazette of India on 7 November 2017. The Bank is a wholly owned subsidiary of Utkarsh Core Invest Limited (“the Holding Company”).

The Reserve Bank of India (“RBI”) issued license no. MUM: 125 on 25 November 2016 to the Company to carry on business as SFB with certain terms and conditions. Pursuant to the condition attached in the approval for small finance bank, the Holding Company entered into a business transfer agreement (“BTA”) and transferred its micro finance business to the Bank. Pursuant to the BTA all the assets and liabilities (except certain specified assets and liabilities) as at 21 January 2017 of the Holding Company were transferred to the Bank at book value based on slump sale basis for cash consideration of ₹685.10 millions. Pursuant to BTA, all the employees of the Holding Company (except certain employees) were transferred to SFB on the same employment terms and rights granted under employee stock option scheme of the Holding Company are continued in SFB. Resultant, non-convertible debentures listed on the stock exchange were also transferred in the name of the Bank and a transfer was effected by the exchange effective 3 May 2017.

2 Basis of preparation

The Restated Financial Information of the Company has been prepared for inclusion in the Draft Red Herring Prospectus (DRHP) to be filed by the Company with the Securities and Exchange Board of India (“SEBI”) in connection with the proposed Initial Public Offering (‘IPO’) of equity shares of the Company (referred to as the “Issuer”). The Restated Financial Information comprise of the Restated Summary Statement of Assets and Liabilities as at 30 September 2020, 31 March 2020, 31 March 2019 and 31 March 2018, the Restated Summary Statements of Profit and Loss and Cash Flows for the period/year then ended, and the Summary Statement of Significant Accounting Policies and other explanatory information thereon (hereinafter collectively referred to as the “**Restated Financial Information**” or “**financial statements**”).

The Restated Financial Information have been prepared to comply in all material respects with the requirements of:

- 1) Section 26 of Part I of Chapter III of the Companies Act, 2013 as amended (“the Act”),
- 2) the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time (“SEBI ICDR Regulations”); and
- 3) The Guidance Note on Report in Company Prospectus (Revised 2019) issued by Institute of Chartered Accountants of India (referred to as ‘the Guidance note’)

These Restated Financial Information have been compiled by the Management from:

- a) the audited interim financial statements of the Bank as at and for the six month period ended 30 September 2020, prepared in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with the relevant rules issued thereunder in so far as they apply to the Bank, relevant provisions of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India (“RBI”) from time to time, which have been approved by the Board of Directors at their meeting held on 6 November 2020; and
- b) the audited financial statements of the Bank as at and for the years ended 31 March 2020, 2019 and 2018 prepared in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with the relevant rules issued thereunder in so far as they apply to the Bank, relevant provisions of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India (“RBI”) from time to time, which have been approved by the Board of Directors at their meetings held on 22 May 2020, 29 May 2019 and 30 May 2018, respectively.

The accompanying Restated Financial Information have been prepared under the historical cost convention and on the accrual basis of accounting, unless otherwise stated, and comply with the requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (“Indian GAAP”), the circulars and guidelines issued by RBI from time to time, the Accounting Standards notified under Section 133 of the Act (as amended from time to time) to the extent applicable, and practices generally prevalent in the banking industry in India.

The Restated Consolidated Financial Information:

- a) have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications retrospectively in the financial years ended 31 March 2020, 2019 and 2018 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the six month period ended 30 September 2020;
- b) do not require any adjustment for modification as there is no modification in the underlying audit reports. There are items relating to emphasis of matter in the auditor's reports dated 6 November 2020 and 22 May 2020 on the interim financial statements for the six month period ended 30 September 2020 and audited financial statements for the year ended 31 March 2020, which do not require any adjustment to the Restated Financial Information; and
- c) have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

As mandated by the RBI directive, the Bank needs to list itself by 17 June 2021. The Board of Directors of the Bank in their meeting held on 16 February 2021 have approved a proposal for an Initial Public Offer (IPO) of its equity shares, subject to receipt of requisite regulatory approvals and prevailing market conditions.

3 Use of estimates

The preparation of the financial statements in conformity with the Indian GAAP requires the management to make estimates and assumptions that are considered in the reported amount of assets, liabilities and disclosure of contingent liabilities on the date of the financial statements and reported income and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements and the management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognized prospectively in current and future periods.

4 Significant accounting policies

The accounting policies adopted in the preparation of financial statements are consistent with those of the audited interim financial statements for the six month period ended 30 September 2020.

A Revenue Recognition

- a) Interest income on loan portfolio is recognised in the Restated Summary Statement of Profit and Loss on accrual basis, however interest on delayed payment of principal for Micro Finance (JLG) customers will be recognized on collection basis except for the moratorium period (i.e. March 2020 to August 2020) where such interest will be recognized on accrual basis. In the case of interest on Non- Performing Advances (NPA) where it will be recognized upon realization as per the prudential norms of RBI.
- b) Recoveries in respect of all past due loan accounts including classified as NPA are to be appropriated towards charges, interest, overdue and thereafter towards principal except for JLG loans where such recoveries would be appropriated towards instalment(s) outstanding.
- c) Fees paid / received for priority sector lending certificates (PSLC) is recognised upfront.
- d) Recoveries in respect of debts written off are recognized in the year in which such amounts are recovered and the same are disclosed under "Other Income".
- e) Profit / premium arising at the time of securitization / assignment of loan portfolio is amortized over the life of the underlying loan portfolio / securities and any loss arising therefrom is recognized immediately. Income from interest strip (excess interest spread) is recognized in the Restated Summary Statement of Profit & Loss net of any losses when redeemed in cash. Interest retained under assignment of loan receivables is recognized on realization basis over the life of the underlying loan portfolio.
- f) Loan processing fees collected from the borrowers is recognized over the tenure of the loan.
- g) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate.
- h) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due.
- i) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.
- j) Dividend is accounted on an accrual basis when the right to receive the dividend is established.
- k) All other fees are accounted for as and when they become due.

B Advances

i) Accounting and Classification

Advances are stated net of bills rediscounted and provisions made in respect of NPA's. Advances are classified as performing and NPA based on the relevant RBI guidelines.

ii) Provisioning

Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under RBI guidelines with regard to the Prudential Norms on Income Recognition, Asset Classification & Provisioning prescribed from time to time. In case of restructured accounts, provision is made for erosion/ diminution in fair value of restructured loans, in accordance with RBI guidelines.

The Bank also maintains provision on standard assets to cover potential credit losses which are inherent in any loan portfolio in accordance with RBI guidelines. However, provisioning rates prescribed by RBI are the regulatory minimum, and Bank may make additional provisions in respect of advances to stressed sectors of the economy as approved by the Board from time to time. Provision made against standard assets is included in 'Annexure 10 – Restated Statement of Other Liabilities and Provisions'.

iii) Floating Provision

The Bank recognises floating provision as per the Board approved policy, which is in addition to the specific and general provisions made by the Bank. The floating provision is utilised, with the approval of Board and RBI, in case of contingencies which do not arise in the normal course of business and are exceptional and non-recurring in nature and for making specific provision for impaired loans as per the requirement of extant RBI guidelines or any regulatory guidance / instructions. Floating provisions are netted off from gross advances to arrive at net advances.

C Investments

Classification and valuation of Bank's Investments is carried out in accordance with RBI circular DBR No BP.BC.6/21.04.141/2015-16 dated 1 July 2015 and Fixed Income Money Market and Derivatives Association ('FIMMDA') and Financial Benchmark India Private Limited ('FBIL') guidelines prescribed in this regard from time to time.

i) Classification

Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' (HTM) categories at the time of purchase.

Investments that are acquired with an intention to hold till maturity are classified as "HTM".

Investments that are held primarily for sale within 90 days from the date of purchase are classified as "HFT".

Investments, which are not classified in the above two categories, are classified as "AFS". Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities.

The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and state government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

For the purpose of disclosure in the financial statements, the Investments are classified under six groups a) Government Securities b) Other Approved Securities c) Shares d) Debentures and Bonds e) Subsidiaries / Joint Ventures and f) Others.

Investments are classified as performing or non-performing as per RBI guidelines. Non performing investments are subjected to prudential norms for Classification, valuations and Operation of Investment Portfolio by Banks prescribed from time to time.

ii) Valuation

Investments classified as "Held to Maturity" securities need not to be marked to market and will be carried at acquisition cost, unless it is more than the face value, in which the premium should be amortised over the period remaining to maturity. Where in the opinion of the management, a diminution, other than temporary in the value of investments classified under HTM has taken place, appropriate provisions are made.

Investments classified as AFS and HFT are marked-to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

Treasury bills, commercial papers and certificates of deposit are valued at carrying cost including the pro rata discount accrued for the holding period.

Quoted investments are valued at traded quoted price available on the recognised stock exchanges, subsidiary general ledger account transactions are valued as per the price list of RBI or prices declared by Primary Dealers Association of India ("PDAI") jointly with FIMMDA / FBIL applicable as at the balance sheet date. For deriving market value of unquoted fixed income securities (other than Central and State Government securities), yields / mark-up rates (reflecting associate credit risk) declared by the FIMMDA / FBIL are considered.

Quoted Mutual Fund units are valued as per stock exchange quotes and un-quoted mutual fund units are valued at last available re-purchase price or Net Asset Value where re-purchase price is not available.

Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available, or at Re. 1, as per RBI guidelines.

iii) Disposal of investments

Profit / Loss on sale of investments under the aforesaid three categories is recognized in the Restated Summary Statement of Profit and Loss. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Restated Summary Statement of Profit & Loss to "Capital Reserve" in accordance with the RBI Guidelines.

iv) Transfer between categories

Transfer of investments between categories is accounted in accordance with the extant RBI guidelines:

- a) Transfer from AFS/HFT to HTM is made at the lower of book value or market value at the time of transfer.
- b) Transfer from HTM to AFS/HFT is made at acquisition price/ amortised cost if originally placed in HTM at par or at a discount and at amortised cost if originally placed in HTM at a premium.
- c) Transfer from AFS to HFT category or vice-versa is made at book value and the provision for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against the HFT securities or vice-versa.

v) Repurchase transactions

Repurchase ('Repo') and reverse repurchase ('Reverse Repo') transactions including liquidity adjustment facility (with RBI) are accounted for as borrowing and lending transactions respectively. Accordingly, securities given as collateral under an agreement to repurchase them continue to be held under the investment account of the Bank and the Bank would continue to accrue the coupon/discount on the security during the repo period. The Bank continues to value the securities sold under repo as per the investment classification of the security. Borrowing cost on repo transactions is accounted for as interest expense and income on reverse repo transactions are accounted for as interest income.

vi) Broken period interest, brokerage etc.

Broken period interest and costs such as brokerage paid at the time of acquisition of the security are charged to the Restated Summary Statement of Profit & Loss.

D Fixed assets and depreciation / amortisation

Tangible assets

Tangible fixed assets are accounted for at cost less accumulated depreciation and accumulated impairment losses. Cost includes freight, duties, taxes and all other directly attributable expenditures towards acquisition and installation of assets before it is ready for commercial use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Tangible fixed assets under construction and tangible fixed assets acquired but not ready for their intended use will be disclosed as capital work-in-progress.

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. Depreciation on assets sold during the year is charged to the Restated Summary Statement of Profit and Loss up to the date of sale. Assets costing less than ₹5,000 are fully depreciated in the year of purchase. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then the depreciation is provided at a higher rate based on management's estimate of the useful life/remaining useful life. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of fixed assets which are in accordance with lives prescribed under Schedule II of Act.

Leasehold improvements are amortised on straight line basis over the primary period of the lease or the estimated useful life of the assets, whichever is lower.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognized in the Restated Summary Statement of Profit and Loss.

Intangible assets

Intangible assets that are acquired by the Bank are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss. Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

Intangible assets are amortized in the Restated Summary Statement of Profit and Loss over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Intangible assets are amortized on straight line basis. Computer software are amortized on straight line basis over their estimated useful life of three years.

Impairment

In accordance with AS-28- Impairment of assets, the Bank assesses at each balance sheet date whether there is any indication of impairment of assets based on internal / external factors. If any such indication exists, the Bank estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount will be reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Restated Summary Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

E Foreign Currency transactions

Transactions denominated in foreign currency are recorded at exchange rates prevailing on the date of the transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Restated Summary Statement of Profit and Loss. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date based on exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant exchange differences are recognized in the Restated Summary Statement of Profit and Loss.

F Derivative

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting dates.

Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Restated Summary Statement of Profit and Loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Restated Summary Statement of Profit and Loss in the relevant period.

The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Restated Summary Statement of Profit & Loss. Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the balance sheet date.

G Employee benefits**i. Defined Contribution Plan**

The Bank makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Bank's contribution is recognised as an expense in Restated Summary Statement of Profit and Loss during the period in which the employee renders the related service.

ii. Defined Benefit Plan and Compensated absences

The Bank provides for gratuity, a defined benefit retirement plan covering eligible employees. Gratuity is covered under a scheme administered by Life Insurance Corporation of India through gratuity trust (Group Gratuity scheme) and the contributions made by the Bank to the scheme is recognised in the Restated Summary Statement of Profit & Loss. The liability recognised in the Balance Sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The calculation of the Bank's obligation under the plan is performed annually by qualified independent actuary using projected unit credit method. Actuarial gains and losses arising during the year is immediately recognised in the Restated Summary Statement of Profit and Loss.

Compensated absence, is a long-term employee benefit, and accrued based on an actuarial valuation done as per projected unit credit method at the balance sheet date, carried out by an independent actuary. Compensated absence is covered under a scheme administered by Life Insurance Corporation of India. Actuarial gains and losses are recognized in full in the Restated Summary Statement of Profit and Loss for the period and are not deferred.

H Share Issue Expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Act.

I Employee Stock Option Scheme

The Holding Company of the Bank has formulated Employees Stock Option Scheme. The scheme provides that subject to continued employment with the Bank, employees of the Bank are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified period. The compensation cost for all options granted to employees by the Holding company is computed based on valuation of shares of Holding company as per intrinsic value method and is amortised over the period of vesting. Measurement and disclosure of the Employee Share-based Payment Schemes are done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India ('ICAI').

J Lease transactions

A lease is classified at the inception date as finance lease or an operating lease. Assets taken on lease where the Bank acquires substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance lease is capitalised at the commencement of the lease at an amount equal to lower of its fair value and present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of lease liability so as to achieve constant rate of interest on the remaining balance of the liability. The rental obligations, net of finance charges, are reflected as borrowings. Finance charges are recognised as finance costs in the Restated Summary Statement of Profit and Loss.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Operating lease rentals are recognised as and when the payments are made over the lease terms.

K Taxation

Income tax comprises the current tax (i.e. amount of tax for the period, determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the net change in the deferred tax asset or liability for the period (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Provision for current income-tax is recognized in accordance with the provisions of the Income Tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions.

The current tax, deferred tax charge or credit and the corresponding deferred tax liability or asset is recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty (supported by convincing evidence of future taxable income) of realization of such assets.

Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realized.

Minimum Alternate Tax (MAT) credit is recognised as an asset to the extent there is convincing evidence that the Bank will pay normal income tax during specified period, i.e., the period for which MAT credit is allowed to be carried forward as per prevailing provisions of the Income Tax Act 1961. In accordance with the recommendation contained in the guidance note issued by ICAI, MAT credit is to be recognised as an asset in the year in which it becomes eligible for set off against normal income tax. The Bank reviews MAT credit entitlements at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence to the effect that the Bank will pay normal income tax during the specified period.

L Provisions and contingencies

The Bank recognises a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

M Earnings per share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

N Cash and cash equivalents

Cash and Cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

O Cash Flow Statements

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Bank are segregated.

P Segment reporting

The disclosures relating to segment reporting is done in accordance with AS 17 "Segment Reporting" and as per guidelines issued by the RBI.

Q Priority Sector Lending Certificates

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated 07 April 2016 trades in Priority Sector portfolio by selling or buying Priority Sector Lending Certificates (PSLCs). There is no transfer of risk on loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received for the sale of PSLCs is treated as 'Miscellaneous Income'.

R Impairment of Assets

The Bank assess at each balance sheet date whether there is any indication that an asset may be impaired, Impairment loss, if any, is provided in the Restated Summary Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

S Corporate Social Responsibility

Expenditure towards corporate social responsibility in accordance with Act is recognised in the Restated Summary Statement of Profit and Loss.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

Annexure 23

23.1.1 Capital

Capital Adequacy Ratio as per operating guidelines issued by RBI for Small Finance Banks and amended thereafter is given below:
(₹ in millions)

	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
i)	Common Equity Tier 1 (CET) capital ratio (%)	19.02%	19.41%	20.34%	12.46%
ii)	Tier I capital ratio (%)	19.02%	19.41%	20.34%	12.46%
iii)	Tier II capital ratio (%)	5.85%	2.78%	3.80%	4.50%
iv)	Total capital ratio (CRAR) (%)	24.87%	22.19%	24.14%	16.96%
v)	Percentage of the shareholding of the Government of India in public sector banks	-	NA	NA	NA
vi)	Amount of equity capital raised (Refer 23.1.3 below)	-	600.00*	2670.00**	1,700.00
vii)	Amount of additional Tier I capital raised	-	-	-	-
viii)	Amount of Tier II capital raised (Refer 23.1.2 below)	1,950.00	-	400.00	-

* includes share premium of ₹377.78 millions against the rights issue.

** shares issued upon Conversion of compulsory convertible debentures

Notes:

1. The Bank has followed Basel II Capital Regulations dated 1 July 2015 and amended thereafter for the purpose of Capital Adequacy Ratio in accordance with the operating guidelines for small finance banks as issued by RBI on 8 October 2016.

2. The Bank has followed Master Circular No. DBR.No.BP.BC.4/21.06.001/2015-16 on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) issued by RBI dated 01 July 2015 for the purpose of computing Capital Adequacy Ratio as at respective period/year end.

3. As per RBI, letter DBR.NBD. No. 4502/16.13.218/2017-18 dated 8 Nov 2017, it is clarified that no separate capital charge is being prescribed for market risk and operational risk for the time being.

23.1.2 Tier II Capital

The Bank has acquired Basel II compliant debt capital instruments during the period ended 30 September 2020 of ₹1,950 million (31 March 2020: Nil), (31 March 2019: ₹400 million), (31 March 2018: Nil) details of which are as follows:

For the half year ended 30 September 2020					
Particulars	Nature of Security	Date of Issue	Coupon Rate %	Tenure	Amount
Redeemable Unsecured Non – Convertible	Debenture	26-Jun-20	12.50%	7 Years	1,950.00
Total					1,950.00

For the year ended 31 March 2019					
Particulars	Nature of Security	Date of Issue	Coupon Rate %	Tenure	Amount
Redeemable Unsecured Non – Convertible	Debenture	09-Jul-18	10.58%	7 Years	250.00
Redeemable Unsecured Non – Convertible	Debenture	30-Aug-18	10.58%	7 Years	150.00
Total					400.00

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.1.3 Capital Infusion

During the period ended 30 September 2020, the Bank has not issued equity shares.

During the year ended 31 March 2020, the Bank has issued 22,222,222 equity shares having face value of ₹10 each at a premium of ₹17 each for cash through rights issue to Utkarsh CoreInvest Limited (Holding Company) aggregating to ₹600 millions on 18 September 2019.

During the year ended 31 March 2019, the Bank issued 26,70,00,000 equity shares of ₹10 each at par upon conversion of Compulsorily Convertible Debentures (CCD) into equity aggregating to ₹2,670 millions on 13 June 2018 to Utkarsh CoreInvest Limited (the 'Holding Company').

During the year ended 31 March 2018, the Bank issued 12,00,00,000 equity shares of ₹10 each through conversion of Compulsorily Convertible Debentures (CCD) into equity aggregating to ₹1,200 millions on 21 September 2017 to its Holding Company. On 26 March 2018, the Bank allotted 5,00,00,000 equity shares of Rs.10 each aggregating to ₹500 millions through a rights issue to its existing shareholders.

(₹ in millions except share data)

	Particulars	For the half year ended 30 September 2020		For the year ended 31 March 2020		For the year ended 31 March 2019		For the year ended 31 March 2018	
		Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
(i)	Outstanding as at the beginning of the year	75,92,72,222.00	7,592.72	73,70,50,000.00	7,370.50	47,00,50,000.00	4,700.50	30,00,50,000.00	3,000.50
(ii)	Shares issued upon conversion of Compulsorily convertible debentures	-	-	-	-	26,70,00,000.00	2,670.00	12,00,00,000.00	1,200.00
(iii)	Shares issued during the year / period	-	-	2,22,22,222.00	222.22	-	-	5,00,00,000.00	500.00
	Outstanding at the end of the year / period	75,92,72,222.00	7,592.72	75,92,72,222.00	7,592.72	73,70,50,000.00	7,370.50	47,00,50,000.00	4,700.50

23.2 Investments

During the period ended 30 September 2020 and year ended 31 March 2020, 31 March 2019 and 31 March 2018, there has been no sale from and transfer to/ from, the HTM category in excess of 5% of the book value of the investments held in the HTM category at the beginning of the year.

In accordance with the RBI guidelines, sales from, and transfers to / from, HTM category exclude the following from the 5% cap:

- One-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year with approval of the Board of Directors;
- Sales to the RBI under pre-announced open market operation auctions;
- Repurchase of Government securities by Government of India from banks;
- Additional shifting of securities explicitly permitted by the RBI from time to time; and
- Direct sales from HTM for bringing down SLR holdings in the HTM category.

23.2.1 Movement of Investments:

(₹ in millions)

	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(1)	Value of Investments				
	(i) Gross Value of Investments				
	(a) In India	24,053.90	11,924.50	8,622.07	6,621.90
	(b) Outside India	-	-	-	-
	(ii) Provisions for Depreciation				
	(a) In India	76.48	0.62	-	9.16
	(b) Outside India		-	-	-
	(iii) Net Value of Investments				
	(a) In India	23,977.42	11,923.88	8,622.07	6,612.74
	(b) Outside India	0	-	-	-
(2)	Movement of provisions held towards depreciation of investments				
	(i) Opening balance	0.62	-	9.16	5.00
	(ii) Add: Provisions made during the year/ period	76.48	0.62	-	10.76
	(iii) Less: Write-off / write back of excess / provisions during the year/ period	0.62	-	9.16	6.60
	(iv) Closing balance	76.48	0.62	-	9.16

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

Repo/Reverse Repo/MSF Transactions for the period ended 30 September 2020 (In Face Value Terms)

(₹ in millions)

Sl. No.	Particulars	Minimum outstanding during the period	Maximum outstanding during the period	Daily average outstanding during the period	Outstanding as on 30 September 2020
	Securities sold under repo				
i.	Government securities	817.60	922.70	870.10	817.60
ii.	Corporate debt securities	-	-	-	-
	Securities purchased under reverse repo				
i.	Government securities	89.30	14,504.40	10,641.60	6,443.30
ii.	Corporate debt securities	-	-	-	-

Repo/Reverse Repo Transactions during the year ended 31 March 2020 (In Face Value Terms)

(₹ in millions)

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31 March 2020
	Securities sold under repo				
i.	Government securities	114.40	1,802.50	699.50*	922.70
ii.	Corporate debt securities	-	-	-	-
	Securities purchased under reverse repo				
i.	Government securities	95.00	14,123.40	2181.30*	12,724.30
ii.	Corporate debt securities	-	-	-	-

* In computation of average balance, actual number of days of transactions have been considered

Repo/Reverse Repo Transactions during the year ended 31 March 2019 (In Face Value Terms)

(₹ in millions)

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31 March 2019
	Securities sold under repo				
i.	Government securities	49.00	49.00	49.00*	0.00
ii.	Corporate debt securities	-	-	-	-
	Securities purchased under reverse repo				
i.	Government securities	28.00	4149.50	1250.20*	2835.60
ii.	Corporate debt securities	-	-	-	-

* In computation of average balance, actual number of days of transactions have been considered

There were no repo/reverse repo transactions during the year ended 31 March 2018.

23.2.2 Issuer Composition of Non-SLR investments (investments not qualifying for the purpose of Statutory Liquidity Ratio (SLR) prescribed by RBI):

Issuer composition as at 30 September 2020 of non-SLR investments

(₹ in millions)

Sl. No.	Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSU	1,154.09	-	-	-	-
2	FIs	2,825.00	977.50	-	-	-
3	Banks	886.63	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	4,865.72	977.50	-	-	-

Issuer composition as at 31 March 2020 of non-SLR investments

(₹ in millions)

Sl. No.	Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSU	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	-	-	-	-	-

Issuer composition as at 31 March 2019 of non-SLR investments

(₹ in millions)

Sl. No.	Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSU	-	-	-	-	-
2	FIs	200.00	200.00	-	-	-
3	Banks	498.96	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	698.96	200.00	-	-	-

Issuer composition as at 31 March 2018 of non-SLR investments

(₹ in millions)

Sl. No.	Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSU	-	-	-	-	-
2	FIs	200.00	200.00	-	-	-
3	Banks	748.65	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	948.65	200.00	-	-	-

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.2.3 There are no non performing non-SLR investments as at 30 September 2020, 31 March 2020, 31 March 2019 and 31 March 2018.

23.3 Forward Rate Agreement / Interest Rate Swaps / Cross Currency Swap/ Exchange Traded Interest Rate Derivatives:

23.3.1 Notional and concentration of FRAs, IRS, CCS

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
i) The notional principal of swap agreements*	118.95	158.66	237.93	317.22
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	19.37	30.50	21.40	8.00
iii) Collateral required by the Bank upon entering into swaps	-	-	-	-
iv) Concentration of credit risk arising from the swaps	-	-	-	-
v) The fair value of the swap book	15.75	25.80	15.10	0.20

* Pertains to cross currency swap

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.3.2 The nature and terms of Cross Currency Swaps (CCS) – FCY as on 30 September 2020 are set out below
(₹ in millions)

Nature	Nos.	Notional Principal	Benchmark	Terms
USD	1	118.95	USD LIBOR	Floating receivable vs Fixed payable

The nature and terms of Cross Currency Swaps (CCS) – FCY as on 31 March 2020 are set out below –
(₹ in millions)

Nature	Nos.	Notional Principal	Benchmark	Terms
USD	1	158.66	USD LIBOR	Floating receivable vs Fixed payable

The nature and terms of Cross Currency Swaps (CCS) – FCY as on 31 March 2019 are set out below –
(₹ in millions)

Nature	Nos.	Notional Principal	Benchmark	Terms
USD	1	237.93	USD LIBOR	Floating receivable vs Fixed payable

The nature and terms of Cross Currency Swaps (CCS) – FCY as on 31 March 2018 are set out below –
(₹ in millions)

Nature	Nos.	Notional Principal	Benchmark	Terms
USD	1	317.22	USD LIBOR	Floating receivable vs Fixed payable

23.3.3 The Bank has not engaged in any Interest Rate Swaps (IRS) during the period ended 30 September 2020 and year ended 31 March 2020, 31 March 2019 and 31 March 2018.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.3.4 The Bank has not engaged in any exchange traded interest rate derivatives and exchange traded currency derivative contract during the period ended 30 September 2020 and year ended 31 March 2020, 31 March 2019 and 31 March 2018.

23.3.5 Risk Exposure in Derivatives:

The Bank has not engaged in any derivatives contracts during the period ended 30 September 2020 and year ended 31 March 2020, 31 March 2019 and 31 March 2018. However, Bank acquired a CCS contract pursuant to Business Transfer Agreement from Holding Company in the year ended as at 31 March 2017. The disclosure to the extent applicable is given below.

Qualitative disclosure on risk exposure in derivatives as at 30 September 2020, 31 March 2020, 31 March 2019 and 31 March 2018

The Bank's treasury function is responsible for Bank's access to financial markets. Further, treasury function monitors and manages various risks relating to treasury operations of the Bank including currency risk, market risk and liquidity risk. In course of managing these risks, the Bank may use various market instruments as permissible for the Bank based on RBI guidelines and internal approvals. Further, compliance with various policies and exposure limits is reviewed by the internal auditors as required. The Bank does not enter into any trade in financial instruments including derivative financial instruments for speculative purposes. The existing exposure is fully hedged exposure towards external commercial borrowings borrowed prior to conversion into Small Finance Bank and are grandfathered on conversion and there are no derivatives entered into during the financial period/ year as per operating guidelines of Small Finance Bank issued by RBI.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

Quantitative disclosure on risk exposure in derivatives

(₹ in millions)

For the half year ended 30 September 2020						
Sr. No.	Particular		Currency derivatives			Interest rate derivatives
			Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)					
	a) For hedging		-	-	118.95*	-
	b) For trading		-	-	-	-
(ii)	Marked to Market Positions		-	-	-	-
	a) Asset (+)		-	-	15.75	-
	b) Liability (-)		-	-	-	-
(iii)	Credit Exposure		-	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		-	-	-	-
	a) on hedging derivatives		-	-	-	-
	b) on trading derivatives		-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the period		-	-	-	-
	a) on hedging	Nil	-	-	-	-
		Nil	-	-	-	-
	b) on trading	Nil	-	-	-	-
		Nil	-	-	-	-

* Pertains to cross currency swap

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

(₹ in millions)

For the year ended 31 March 2020					
Sr. No.	Particular	Currency derivatives			Interest rate derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	158.66*	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions	-	-	-	-
	a) Asset (+)	-	-	25.80	-
	b) Liability (-)	-	-	-	-
(iii)	Credit Exposure	-	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)	-	-	-	-
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year	-	-	-	-
	a) on hedging	Nil	-	-	-
		Nil	-	-	-
	b) on trading	Nil	-	-	-
		Nil	-	-	-

* Pertains to cross currency swap

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

(₹ in millions)

For the year ended 31 March 2019					
Sr. No.	Particular		Currency derivatives		
			Forward Contract	Currency Option	Currency Swap
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging		-	-	237.93*
	b) For trading		-	-	-
(ii)	Marked to Market Positions		-	-	-
	a) Asset (+)		-	-	15.10
	b) Liability (-)		-	-	-
(iii)	Credit Exposure		-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		-	-	-
	a) on hedging derivatives		-	-	-
	b) on trading derivatives		-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year		-	-	-
	a) on hedging	Nil	-	-	-
		Nil	-	-	-
	b) on trading	Nil	-	-	-
		Nil	-	-	-

* Pertains to cross currency swap

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

(₹ in millions)

For the year ended 31 March 2018						
Sr. No.	Particular		Currency derivatives			Interest rate derivatives
			Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)					
	a) For hedging		-	-	317.22*	-
	b) For trading		-	-	-	-
(ii)	Marked to Market Positions		-	-	-	-
	a) Asset (+)		-	-	-	-
	b) Liability (-)		-	-	0.20	-
(iii)	Credit Exposure		-	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		-	-	-	-
	a) on hedging derivatives		-	-	-	-
	b) on trading derivatives		-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year		-	-	-	-
	a) on hedging	Nil	-	-	-	-
		Nil	-	-	-	-
	b) on trading	Nil	-	-	-	-
		Nil	-	-	-	-

* Pertains to cross currency swap

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.4 Asset Quality

23.4.1 Movement of NPA and NPA Provision

(₹ in millions except percentages)

Sr.No	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(i)	Net NPAs to Net Advances (%)	(0.01%)	0.18%	0.12%	1.04%
(ii)	Provisioning Coverage Ratio (PCR) (%)	101.99%	75.16%	91.32%	43.99%
(iii)	Movement of Gross NPAs				
	(a) Opening balance	446.56	655.74	574.68	-
	(b) Additions during the period/ year	9.26	411.90	602.63	2,000.43
	(c) Reductions during the period/ year				
	(i) Up – gradations	25.30	48.75	162.31	-
	(ii) Recoveries (excluding recoveries made from up-graded accounts)	3.91	12.75	60.67	-
	(iii) Write – offs	-	559.58	298.59	1,425.75
	(d) Closing balance	426.61	446.56	655.74	574.68
(iv)	Movement of Net NPAs				
	(a) Opening balance	110.94	56.92	321.85	(7.99)
	(b) Additions during the period/ year	(105.85)	128.45	54.69	329.84
	(c) Reductions during the period/ year	13.62	74.43	319.62	-
	(d) Closing balance	(8.53)	110.94	56.92	321.85
(v)	Movement of provisions for NPAs				
	(excluding provisions on standard assets)				
	(a) Opening balance	335.62	598.82	252.83	7.99
	(b) Provisions made during the year/ period *	115.11	283.45	547.94	1,670.59
	(c) Write-off / (write back) of excess provisions during the year/ period	15.59	546.65	201.95	1,425.75
	(d) Closing balance **	435.14	335.62	598.82	252.83

* includes floating provisions amounting to ₹ 6.14 millions as on 30 September 2020, ₹37.64 millions as on 31 March 2020, ₹9.21 millions as on 31 March 2019 and ₹7.29 millions as on 31 March 2018.

** includes floating provisions amounting to ₹68.27 millions as on 30 September 2020, ₹62.13 millions as on 31 March 2020, ₹24.49 millions as on 31 March 2019 and ₹15.28 millions as on 31 March 2018.

The movement of gross NPA does not include accounts classified as NPA during the year/ period and was upgraded during the year / period.

For the half year ended 30 September 2020, basis the Hon'ble supreme court order, the Bank has not classified any account which was not NPA as of August 31, 2020 as per the RBI IRAC norms, as NPA after August 31, 2020. The Bank, as a matter of prudence has, in respect of these accounts made a provision at par to its extant policies as applicable to NPAs & is classified under 'Standard Provisions'.

Technical Write-off:

(₹ in millions)

Sr.No	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(i)	Opening balance of Technical / Prudential written-off accounts	2,095.52	1,613.34	1,410.25	-
(ii)	Add : Technical / Prudential write-offs during the year/ period	-	559.58	298.59	1,425.75
(iii)	Sub-total (A)	2,095.52	2,172.92	1,708.84	1,425.75
(iv)	Less : Recoveries made from previously technical / prudential written-off accounts during the year/ period (B)	7.70	77.40	95.50	15.50
(v)	Closing balance as at Sept 30/ March 31 (A-B)	2,087.82	2,095.52	1,613.34	1,410.25

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.4.2 Particulars of Restructured Accounts:

The bank has not restructured any accounts during the period ended 30 September 2020 and year ended 31 March 2020, 31 March 2019 and 31 March 2018.

(₹ in millions)

Type of restructuring		Under CDR					Under SME					Others					Total
Asset Classification		S	SS	D	L	Total	S	SS	D	L	Total	S	SS	D	L	Total	
Details																	
Restructured accounts as on 1 April (Opening)	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fresh Restructuring during the year/ period	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in outstanding of Restructured cases	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard during the period/ year	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provision at the year end and need not be shown as restructured advances at the beginning of the next period/ year	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Down gradations of restructured accounts during the period/ year	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts as on 30 Sept/ 31 March (Closing)	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

23.4.2 Strategic Debt Restructuring

Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

(₹ in millions)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as at 30 September 2020		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-	-	-

(₹ in millions)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as at 31 March 2020		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-	-	-

(₹ in millions)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as at 31 March 2019		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-	-	-

(₹ in millions)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as at 31 March 2018		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-	-	-

The Bank has not acquired any equity shares under Strategic Debt Restructuring scheme during the year/period. The Bank has not done any restructuring of loans during the period ended 30 September 2020 and year ended 31 March 2020, 31 March 2019 and 31 March 2018 and there are no cases where scheme for sustainable structuring of stressed assets (S4A) is implemented.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.4.3 Details of financial assets sold to Securitization / Reconstruction Company for Asset Reconstruction:

(₹ in millions)

	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(i)	Number of accounts	-	-	-	-
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	-	-	-	-
(iii)	Aggregate consideration	-	-	-	-
(iv)	Additional consideration realized in respect of accounts transferred in earlier years / period	-	-	-	-
(v)	Aggregate loss over net book value	-	-	-	-

23.4.4 Non-performing financial assets purchased:

(₹ in millions)

	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(i)	(a) No. of accounts	-	-	-	-
	(b) Aggregate Outstanding	-	-	-	-
(ii)	(a) Of these, number of accounts restructured during the year/ period	-	-	-	-
	(b) Aggregate Outstanding	-	-	-	-

23.4.5 Non-performing financial assets sold:

(₹ in millions)

	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(i)	No. of accounts sold during the year/ period	-	-	-	-
(ii)	Aggregate Outstanding	-	-	-	-
(iii)	Consideration Received	-	-	-	-

23.4.6 Following are the details of securitization done by the Bank:

(₹ in millions except number of loans)

	Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
(i)	Total number of loans securitized	-	-	-	76,230
(ii)	Total book value of loans securitized	-	-	-	1,185.70
(iii)	Total book value of loans securitized including loans placed as collateral	-	-	-	1,248.10
(iv)	Sale consideration received for loans securitized	-	-	-	1,185.70
(v)	Excess interest spread recognized in the profit and loss account	-	-	-	28.50

(₹ in millions)

	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
	Credit enhancements provided and outstanding:				
(i)	Interest subordination	-	-	16.90	99.20
(ii)	Principal subordination	-	-	62.40	62.40
(iii)	Cash collateral	-	-	43.60	43.60
	Total	-	-	122.90	205.20

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.5 Business Ratios:

(₹ in millions except percentages)

	Particulars	As at 30 September 2020#	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(i)	Interest income as % to Working funds ¹	7.60%	17.30%	17.80%	15.40%
(ii)	Non-Interest income as % to Working funds ¹	0.47%	1.30%	1.15%	1.34%
(iii)	Operating profit / (loss) ² as % to Working funds ¹	2.15%	4.63%	4.88%	1.88%
(iv)	Return on Assets ⁴ (Working funds ¹)	0.75%	2.47%	2.19%	(2.38)%
(v)	Business ³ (Deposit plus Net Advance) per employee ⁵	12.57	12.65	11.49	9.22
(vi)	Profit/ (loss) per employee ⁵	0.09*	0.24*	0.18*	(0.18)*

Notes

1. Working funds represents the monthly average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.

2. Operating profit is net profit/ (loss) for the year/period before provisions and contingencies.

3. "Business" is the total of net advances and deposits (net of inter-bank deposits).

4. Return on Assets is net profit/ (loss) after tax divided by working funds.

5. Productivity ratios are based on closing employee number.

*Profit / (Loss) per employee is ₹90,182 for 30 September 2020, ₹244,223 for 31 March 2020, ₹184,355 for 31 March 2019 and ₹(179,503) for 31 March 2018.

Figures for half year ended 30 September 2020 are not annualized

23.6 Asset Liability Maturity Pattern

Maturity pattern of certain items of assets and liabilities is given below:

(₹ in millions)

	Particulars	As at 30 September 2020					
		Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR) **	Foreign currency Assets	Foreign currency Liabilities
(i)	1 day	864.90	6,755.70	542.60	0.10	-	-
(ii)	2 to 7 days	727.00	187.90	1,426.60	0.60	-	-
(iii)	8 to 14 days	890.30	104.70	694.60	100.60	-	-
(iv)	15 to 30 Days	2,372.10	958.40	837.70	1.50	-	-
(v)	31 Days to 2 months	3,998.10	464.60	2,297.50	102.80	-	-
(vi)	Over 2 months to 3 months	4,357.50	856.60	2,593.30	169.50	-	-
(vii)	Over 3 months to 6 months	11,682.60	3,436.60	9,149.40	1,993.70	-	46.10
(viii)	Over 6 months to 1 year	18,661.00	3,963.10	18,369.70	6,056.50	-	46.10
(ix)	Over 1 year to 3 years	21,003.70	6,304.40	23,092.50	13,174.50	-	46.10
(x)	Over 3 years to 5 years	843.50	655.30	442.00	4,535.70	-	-
(xi)	Over 5 years	665.11	290.12	247.08	1,956.67	-	-
	Total	66,065.81	23,977.42	59,692.98	28,092.17	-	138.30

(₹ in millions)

	Particulars	As at 31 March 2020					
		Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR) **	Foreign currency Assets	Foreign currency Liabilities
(i)	1 day	85.70	230.60	306.40	0.10	-	-
(ii)	2 to 7 days	3.90	279.80	2,057.30	0.50	-	-
(iii)	8 to 14 days	-	342.90	2,521.40	0.60	-	-
(iv)	15 to 30 Days	142.90	360.50	2,654.20	1.30	-	-
(v)	31 Days to 2 months	164.50	436.40	2,107.20	1,102.50	-	-
(vi)	Over 2 months to 3 months	3,914.90	230.70	1,694.20	2.50	-	-
(vii)	Over 3 months to 6 months	8,540.20	1,464.00	8,272.90	2,494.00	-	47.30
(viii)	Over 6 months to 1 year	20,189.30	2,353.80	13,524.20	2,978.10	-	47.30
(ix)	Over 1 year to 3 years	28,458.20	5,289.30	18,857.20	13,644.80	-	94.60
(x)	Over 3 years to 5 years	809.70	876.70	328.40	6,119.20	-	-
(xi)	Over 5 years	506.67	59.18	28.72	406.77	-	-
	Total	62,815.97	11,923.88	52,352.12	26,750.37	-	189.20

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

(₹ in millions)

	Particulars	As at 31 March 2019					
		Loans & Advances (INR)*	Investments (INR)#	Deposits (INR)	Borrowings (INR) **	Foreign currency Assets	Foreign currency Liabilities
(i)	1 day	206.05	130.67	862.07	-	-	-
(ii)	2 to 7 days	578.40	241.70	1,593.50	-	-	-
(iii)	8 to 14 days	583.40	628.10	852.00	-	-	-
(iv)	15 to 30 Days	1,537.40	317.70	1,691.60	400.00	-	-
(v)	31 Days to 2 months	2,859.60	387.40	2,555.00	-	-	-
(vi)	Over 2 months to 3 months	2,514.20	535.60	2,871.90	656.40	-	-
(vii)	Over 3 months to 6 months	8,133.20	1,001.80	3,379.00	1,902.60	-	43.20
(viii)	Over 6 months to 1 year	14,071.30	2,510.00	12,463.10	4,077.10	-	43.20
(ix)	Over 1 year to 3 years	15,413.10	2,216.90	11,473.20	3,137.87	-	172.90
(x)	Over 3 years to 5 years	482.00	589.50	162.40	3,723.70	-	-
(xi)	Over 5 years	303.01	62.70	10.10	400.00	-	-
	Total	46,681.66	8,622.07	37,913.87	14,297.67	-	259.30

includes ₹ 2,950 millions of Reverse Repo with RBI which is grouped under Annexure 12 - Restated Statement of Balance with banks and money at call and short notice

(₹ in millions)

	Particulars	As at 31 March 2018					
		Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR) **	Foreign currency Assets	Foreign currency Liabilities
(i)	1 day	589.13	-	0.30	-	-	-
(ii)	2 to 7 days	484.81	499.60	1,645.30	50.00	-	-
(iii)	8 to 14 days	370.43	150.00	850.70	384.21	-	-
(iv)	15 to 30 Days	958.56	249.10	779.10	148.05	-	-
(v)	31 Days to 2 months	1,840.04	-	2,017.00	653.69	-	-
(vi)	Over 2 months to 3 months	1,670.46	-	1,420.40	376.32	-	-
(vii)	Over 3 months to 6 months	5,134.27	97.20	3,753.90	1,643.72	-	40.70
(viii)	Over 6 months to 1 year	8,891.20	202.30	6,888.80	1,823.69	-	40.70
(ix)	Over 1 year to 3 years	10,674.22	1,940.80	4,516.17	3,881.27	-	162.80
(x)	Over 3 years to 5 years	294.14	999.74	67.00	7,257.46	-	81.00
(xi)	Over 5 years	109.92	2,474.00	-	1,670.06	-	-
	Total	31,017.18	6,612.74	21,938.67	17,888.47	-	325.20

* amounts disclosed are net off provision for non-performing assets and floating provision

** includes foreign currency liabilities ₹138.3 millions for 30 September 2020, ₹189.2 millions for 31 March 2020, ₹259.3 millions for 31 March 2019 and ₹ 325.20 millions for 31 March 2018.

Notes:

1. With respect to FY 2019-20, in view of the COVID-19 pandemic, the Reserve Bank of India on 27 March 2020, announced measures to support the economy and the financial system. The measures permit banks to offer upto three-month moratorium on all term loans outstanding as on 1 March 2020, interest deferment on working capital facilities. As a prudent measure, in view of the potential relief to borrowers, for ALM purposes, the contractual inflows on borrower accounts with respect to loans given to JLG, Housing and MSME have been suitably adjusted for the moratorium.
2. For the purpose of disclosing the maturity pattern, loans and advances that have been subject to risk participation vide Inter-Bank Participation Certificates ('IBPCs') has been classified in the maturity bucket corresponding to the contractual maturities of such underlying loans and advances. The IBPC amount has been classified in the respective maturities of the corresponding underlying loans.
3. Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.7 Exposure

23.7.1 Exposure to Real Estate Sector

(₹ in millions)

	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1)	Direct exposure				
(a)	Residential Mortgages:	3,256.30	2,016.50	879.90	476.20
	Out of which Individual housing loans eligible for inclusion in priority sector advances	641.90	501.70	267.00	430.30
(b)	Commercial Real Estate	-	-	-	-
(c)	Investments in Mortgage Backed Securities (MBS) and other securitized expo				
i.	Residential Mortgages	-	-	-	-
ii.	Commercial Real Estate	-	-	-	-
2)	Indirect Exposure				
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	252.10	294.50	250.20	200.00
	Total Exposure to Real Estate Sector	3,508.40	2,311.00	1,130.10	676.20

23.7.2 Exposure to Capital Market:

(₹ in millions)

	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(i)	Direct investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-	-	-
(ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	-	-	-	-
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	-	-	-	-
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances	-	-	-	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-	-	-
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-	-	-
(vii)	Bridge loans to companies against expected equity flows/issues	-	-	-	-
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-	-	-
(ix)	Financing to stockbrokers for margin trading	-	-	-	-
(x)	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-	-	-
	Total Exposure to Capital Market	-	-	-	-

23.7.3 Risk Category wise Country Exposure:

The Bank's exposures are concentrated in India, hence country risk exposure as at 30 September 2020 is Nil, 31 March 2020 is Nil, 31 March 2019 is Nil and 31 March 2018 is Nil.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.7.4 Details of Single / Group Borrower limit exceeded by the Bank

The Bank has complied with the limits prescribed under extant RBI guidelines with regards to exposure to a single borrower and group of the borrower during the period ended 30 September 2020, year ended 31 March 2020, 31 March 2019 and 31 March 2018.

23.8 Penalties imposed by RBI

No penalty was imposed by RBI on the Bank during the period ended 30 September 2020, year ended 31 March 2020, 31 March 2019 and 31 March 2018.

23.9 Earnings Per Share (EPS)

(₹ in millions , except per share data)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Basic				
Weighted average number of equity shares	75,92,72,222	74,89,50,425	68,36,50,000	36,38,58,219
Net profit / (loss) after tax available for equity shareholders (₹)	778.69	1,867.43	1,108.67	(774.23)
Basic earnings / (loss) per share	1.03*	2.49	1.62	(2.13)
Diluted				
Weighted average number of equity shares (for the year ended 31 March 2018 includes dilutive potential equity shares)	75,92,72,222	74,89,50,425	68,36,50,000	68,77,34,931
Net profit / (loss) after tax available for equity shareholders (₹)	778.69	1,867.43	1,108.67	(773.91)
Diluted earnings / (loss) per share	1.03*	2.49	1.62	(2.13)#
Face value per share	10	10	10	10

* Not annualized

During the year ended 31 March 2018, the Compulsorily Convertible Debentures had anti-dilutive effect on loss per share and accordingly basic loss per share is considered as dilutive loss per share.

23.10 Employee Stock Option Plan (“ESOP”)

The Holding Company has formulated an Employee Stock Option Scheme to be administered through a Trust. The scheme provides that subject to continued employment with the Bank, the employees of Bank are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified year.

The Holding Company formed Utkarsh ESOP Welfare Trust to issue ESOPs to employees of the Bank as per Employee Stock Option Scheme. Total 12,00,000 equity shares have been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 59,89,594 equity shares has been reserved by the Holding Company for the purpose of ESOP scheme.

During the period ended 30 September 2020, the Holding Company granted 500,000 (for the year ended 31 March 2020 : 18,14,225 for the year ended 31 March 2019: 17,73,725 and for the year ended 31 March 2018: 9,34,500) options to the Bank's employees.

The options vested can be exercised within a year of 24 months from the date of vesting. The plan is administered, supervised and implemented by the Compensation Committee under the policy and frame work laid down by the Board of Directors of the Holding Company in accordance with the authority delegated to the Compensation Committee in this regard from time to time.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

These options are vested on graded basis as follows:

Vesting details	General grant	Special grant
On completion of 1 year	25%	10%
On completion of 2 years	25%	20%
On completion of 3 years	25%	45%
On completion of 4 years	25%	25%

The Guidance Note on “Accounting for Employee Share Based Payments” issued by the ICAI establishes financial and reporting principles for employees share based payment plans. The Guidance Note applies to employee share based payment plans, the grant date in respect of which falls on or after 1 April 2005. The Guidance Note also applies to transfers of shares or stock options of the parent of the enterprise, or shares or stock options of another enterprise in the same group as the enterprise, to the employees of the enterprise. The compensation costs of stock options granted to employees of the Bank are accounted using intrinsic value method.

Stock option activity under ESOP Plan in respect of employees of the Bank is as below:

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Number of equity shares:				
Outstanding at the beginning of the year/period	38,56,398	25,54,036	12,86,837	6,36,584
Granted during the year/period	5,00,000	18,14,225	17,73,725	9,19,500
Lapsed/Cancel during the year /period	1,83,511	2,06,874	2,96,513	60,000
Exercised during the year/period	1,16,845	3,04,989	2,10,013	2,09,247
Outstanding at the end of year/period	40,56,042	38,56,398	25,54,036	12,86,837
Exercisable at the end of year/period	5,12,597	5,26,482	1,84,076	51,687

The compensation cost is calculated based on the intrinsic value method as per SEBI guidelines, wherein the excess of fair value of underlying equity shares as on the date of the grant over the exercise price of the options given to employees of the Bank under the ESOP scheme, is recognized as compensation cost and amortized over the vesting period. The Holding Company cross charges the compensation cost to the Bank to the extent it pertains to the employees of the Bank.

Impact of Fair Value Method on Net Profit/(Loss) and EPS

Had the compensation cost for the Bank’s stock option plans outstanding been determined based on the fair value by using Black Scholes model, the Bank’s net profit/loss and earnings/loss per share would have been as per the proforma amounts indicated below:

(₹ in millions , except per share data)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Profit/(loss)after tax				
- As reported	778.69	1,867.43	1,108.67	(774.23)
- Proforma	771.80	1,879.90	939.90	(633.60)
(Loss)/Earnings per share				
Basic				
Weighted average number of	75,92,72,222	74,89,50,425	68,36,50,000	36,38,58,219
EPS as reported (₹)	1.03*	2.49	1.62	(2.13)
Proforma EPS (₹)	1.02*	2.51	1.37	(1.74)

* Not annualized

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following assumptions are used for calculation of fair value of grants issued.

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Dividend yield	0%	0%	0%	0%
Expected volatility	19.60%	19.60%	29.51%	10.00%
Risk free interest rate	7.03%	7.03%	7.40%	8.00%
Expected life in years / period	5	5.00	5.00	4.50

During the FY 2019-20, the Bank introduced Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020 to offer, grant and issue in one or more tranches, the Stock Options to Mr. Govind Singh, MD & CEO. As per Section 35B of the Banking Regulation Act, 1949, the Bank mandatory requires RBI approval before granting ESOPs. RBI approval is awaited and hence no accounting adjustment has been made in the financial statements.

23.11 Disclosures under AS -15 on employee benefits.

Defined Contribution Plans:

Employer's contribution recognized and charged off for the year/ period with respect to defined contribution plans are as under:

(₹ in millions)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Provident Fund (refer note below)	93.60	158.30	83.10	67.20
ESI	12.90	23.20	23.10	16.10

Note: The above amount is netted off with amount of ₹6.80 millions received under the scheme "Pradhan Mantri Rojgar Protsahan Yojana" for the period ended 30 September 2020, ₹15 millions for year ended 31 March 2020, ₹19.5 millions for year ended 31 March 2019, ₹2 millions for year ended 31 March 2018.

Defined Benefit Plans:

The Bank has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days' salary (last drawn salary) for each completed year of service subject to limit of ₹20 lacs as per the Payment of Gratuity Act, 1972 as amended from time to time. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following table sets out the status of the defined benefit gratuity plan as required under Accounting Standard 15. Change in the present value of the defined benefit obligation.

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Opening defined benefit obligation	112.80	73.40	42.20	26.00
Current service cost	17.20	34.60	23.30	13.70
Past service costs	-	-	-	0.90
Interest cost	3.00	5.60	3.20	1.90
Actuarial losses/ (gains)	(5.40)	2.50	9.20	(0.10)
Benefits paid	(1.50)	(3.30)	(4.50)	(0.20)
Closing defined benefit obligation	126.10	112.80	73.40	42.20

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

Change in the plan assets

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Opening fair value of plan asset	108.10	59.20	57.40	26.90
Expected return on plan assets	3.90	4.50	4.30	2.10
Employers Contributions	5.00	49.10	4.00	30.00
Benefit paid	(1.50)	(3.30)	(4.50)	(0.20)
Actuarial gains / (losses) on plan assets	(1.40)	(1.40)	(2.00)	(1.40)
Closing fair value of plan assets	114.10	108.10	59.20	57.40

Net liability / (asset) recognized in the balance sheet

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Present value of funded obligation	126.10	112.80	73.40	42.20
Fair value of plan assets	114.10	108.10	59.20	57.40
Deficit/ (Surplus)	12.00	4.70	14.20	(15.20)
Net liability / (asset) recognized in the balance sheet	12.00	4.70	14.20	(15.20)

Net cost recognized in the profit and loss account

(₹ in millions)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Current service cost	17.20	34.60	23.30	13.70
Past service costs	-	-	-	0.90
Interest cost	3.00	5.60	3.20	1.90
Expected return on plan assets	(3.90)	(4.50)	(4.30)	(2.00)
Net actuarial losses / (gains)	(4.10)	4.00	11.20	1.20
Total cost of defined benefit plans included in Annexure 21 Payments to and provisions for employees	12.20	39.70	33.40	15.70

Reconciliation of opening and closing net liability / (asset) recognized in the balance sheet

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Opening net liability	4.70	14.20	(15.20)	(0.90)
Expenses as recognized in profit & loss account	12.20	39.70	33.40	15.70
Employers contribution	-	-	-	-
Contribution paid to fund	(4.90)	(49.20)	(4.00)	(30.00)
Net liability / (asset) recognized in balance sheet	12.00	4.70	14.20	(15.20)

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

Experience adjustment and details of obligations and assets

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	For the year ended 31 March 2018
Present value of funded obligation	126.10	112.80	73.40	42.20
Fair value of plan assets	114.10	108.10	59.20	57.40
Deficit / (Surplus)	12.00	4.70	14.20	(15.20)
On Plan Liabilities (gains) / losses	1.80	7.50	3.50	2.90
On Plan Assets (losses) / gains	(1.40)	(1.40)	(2.00)	(1.40)

A breakup of Investments under plan assets of gratuity fund is as follows:

Category of assets	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Funds with LIC	0%	0%	100%	100%
Funds with LIC (through gratuity trust)	100%	100%	0%	0%

Key Actuarial Assumptions

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Discount rate	5.00%	5.40%	7.60%	7.60%
Expected rate of return on plan asset	7.03%	5.40%	7.59%	7.55%
Salary escalation	7%	7% for the first two years and 9% thereafter	9.00%	8.00%
Attrition rate	13.10% to 31.90%	13.10% to 31.90%	2% to 25.00%	2% to 25.00%

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

Expected rate of return: The overall expected rate of return on assets is determined based on the average long term rate of return expected on investment of the fund during the estimated term of the obligations.

23.12 Segment Reporting: Information about business segments

In terms of AS-17 (Segment Reporting) issued by ICAI and RBI circular Ref. DBOD.No. BP.BC.81/21.04.018/2006-07 dated 18 April, 2007 read with DBR.BP. BC No.23/21.04.018/2015-16 dated 01 July, 2015 and amendments thereto, the following business segments have been disclosed:

Corporate/ Wholesale Banking: Includes lending, deposits and other banking services provided to corporate customers of the Bank.

Retail Banking: Includes lending, deposits and other banking services provided to retail customers of the Bank through branch network.

Treasury: includes dealings in SLR and Non SLR investments, maintenance of reserve requirements and resource mobilization from other Banks and financial Institutions.

Geographical segments: The business operations of the Bank are concentrated in India hence the Bank is considered to operate in domestic segment only.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following table sets forth the business segment results:

(₹ in millions)

Particulars	For the half year ended 30 September 2020			
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Total
Gross Revenue	233.79	7,161.00	957.10	8,351.89
Unallocated Revenue	-	-	-	-
Less: Inter Segment Revenue	-	-	-	-
Total Revenue				8,351.89
Segment Results	(263.50)	1,158.32	148.50	1,043.32
Unallocated expenses	-	-	-	-
Operating Profit	-	-	-	1,043.32
Income Tax expense (including deferred tax)	-	-	-	264.63
Net Profit	-	-	-	778.69
Segment Assets	3,395.20	63,511.00	36,025.20	1,02,931.40
Unallocated Assets	-	-	-	2,017.60
Total Assets	-	-	-	1,04,949.00
Segment Liabilities	27,454.70	37,974.50	28,197.50	93,626.70
Unallocated Liabilities				348.62
Capital & Reserves				10,973.68
Total Liabilities				1,04,949.00
Capital expenditure	-	-	-	122.90
Depreciation	-	-	-	130.01

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following table sets forth the business segment results:

(₹ in millions)

Particulars	For the year ended 31 March 2020			
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Total
Gross Revenue	423.32	12,460.46	1,178.64	14,062.42
Unallocated Revenue	-	-	-	-
Less: Inter Segment Revenue	-	-	-	-
Total Revenue				14,062.42
Segment Results	(1,026.32)	2,564.84	965.64	2,504.16
Unallocated expenses	-	-	-	-
Operating Profit	-	-	-	2,504.16
Income Tax expense (including deferred tax)	-	-	-	636.73
Net Profit	-	-	-	1,867.43
Segment Assets	3,100.82	60,661.46	28,349.40	92,111.68
Unallocated Assets	-	-	-	1,931.49
Total Assets	-	-	-	94,043.17
Segment Liabilities	31,171.57	25,604.31	26,911.72	83,687.60
Unallocated Liabilities	-	-	-	160.58
Capital & Reserves	-	-	-	10,194.99
Total Liabilities	-	-	-	94,043.17
Capital expenditure	-	-	-	482.70
Depreciation	-	-	-	254.08

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

(₹ in millions)

Particulars	For the year ended 31 March 2019			
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Total
Gross Revenue	410.51	8,442.93	729.05	9,582.49
Unallocated Revenue	-	-	-	-
Less: Inter Segment Revenue	-	-	-	-
Total Revenue				9,582.49
Segment Results	(1,090.66)	1,700.04	1,057.86	1,667.24
Unallocated expenses	-	-	-	-
Operating Profit	-	-	-	1,667.24
Income Tax expense (including deferred tax)	-	-	-	558.57
Net Profit	-	-	-	1,108.67
Segment Assets	3,393.51	43,801.27	14,003.06	61,197.84
Unallocated Assets	-	-	-	1,190.61
Total Assets	-	-	-	62,388.45
Segment Liabilities	29,343.60	10,768.10	14,441.40	54,553.10
Unallocated Liabilities	-	-	-	107.79
Capital & Reserves	-	-	-	7,727.56
Total Liabilities	-	-	-	62,388.45
Capital expenditure	-	-	-	1,014.50
Depreciation	-	-	-	184.65

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

(₹ in millions)

Particulars	For the year ended 31 March 2018			
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Total
Gross Revenue	90.26	4,824.32	532.96	5,447.54
Unallocated Revenue	-	-	-	-
Less: Inter Segment Revenue	-	-	-	-
Total Revenue				5,447.54
Segment Results	(592.63)	(1,141.02)	634.88	(1,098.77)
Unallocated expenses	-	-	-	-
Operating Loss	-	-	-	(1,098.77)
Income Tax expense (including deferred tax)	-	-	-	(324.54)
Net Loss	-	-	-	(774.23)
Segment Assets	3,392.40	27,752.43	12,505.20	43,650.02
Unallocated Assets	-	-	-	1,289.32
Total Assets	-	-	-	44,939.34
Segment Liabilities	20,505.28	2,164.28	18,047.21	40,716.78
Unallocated Liabilities	-	-	-	273.67
Capital & Reserves	-	-	-	3,948.89
Total Liabilities	-	-	-	44,939.34
Capital expenditure	-	-	-	756.97
Depreciation	-	-	-	141.98

Notes:

1. The business of the Bank does not extend outside India and it does not have any assets outside India or earnings emanating from outside India. Accordingly, the Bank has reported operations in the domestic segment only.
2. Income, expenses, assets and liabilities have been either specifically identified to individual segment or allocated to segments on a reasonable basis or are classified as unallocated.
3. Unallocated items include Fixed Assets, Depreciation, Capital expenditure, realized gains/losses on their sale, income tax expense, deferred income tax assets/liabilities and advance tax.
4. In computing the above information, certain estimates and assumptions have been made by the management and have been relied upon by the auditors.
5. The above information is provided as per MIS for internal reporting purpose and relied upon by the auditors.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

13 Related Party Transactions

The Bank's related parties during the period 01 April 2017 to 30 September 2020 are disclosed below:

1. Holding Company

Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited)

2. Fellow Subsidiary

Utkarsh Welfare Foundation

3. Key Management Personnel ('KMP')

Mr. Govind Singh- Managing Director and CEO (till 24 May 2018 and w.e.f 21 September 2018)

Mr. Abhisheka Kumar- Chief Financial Officer (till 31 December 2017)

Mr. Mukund Barsagade- Chief Financial Officer (w.e.f. 11 June 2018)

Mr. Anang Shandilya- Company Secretary (till 04 April, 2019)

Mr. Vinay Prakash Tripathi- Company Secretary (w.e.f 13 May 2019 till 12 October 2019)

Mrs. Nutan Rane- Company Secretary (w.e.f. 15 October 2019)

4. Enterprise where KMP exercise significant influence

RAAG Family Private Trust

5. Post-employment benefit plan

Utkarsh Small Finance Bank Employees' Gratuity Trust

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the period ended 30 September 2020.

(₹ in millions)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employees' Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Nutan Rane (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on 30 September 2020	266.20	5.70	0.20	2.10	2.80	-	0.02	277.02
Amount deposited during the period (excluding CASA deposit)	45.00	-	-	-	-	-	-	45.00
Amount repaid during the period	25.00	-	-	-	-	-	-	25.00
Maximum deposit outstanding during the period	115.00	7.50	5.20	5.20	2.80	0.30	0.03	136.03
Interest paid	9.90	0.20	-	-	0.10	-	0.00*	10.20
Service charges collected	-	-	-	-	-	-	-	-
Remuneration to KMP	-	-	-	9.10	6.00	1.90	-	17.00
Equity shares issued	-	-	-	-	-	-	-	-
Contribution towards CSR	-	19.50	-	-	-	-	-	19.50
ESOP cost cross charged (Refer Annexure 21)	9.60	-	-	-	-	-	-	9.60
Service charge for collections	-	-	-	-	-	-	-	-
Rent for office space	0.40	-	-	-	-	-	-	0.40
Fair value of ESOP granted	-	-	-	-	-	-	-	-
Transactions (collection and payment) carried out on behalf of Bank	11.50	-	-	-	-	-	-	11.50
Amount Payable/(Recoverable)	10.00	-	-	-	-	-	-	10.00

* Amount less than ₹ 10000 is shown as Nil

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended 31 March 2020.

(₹ in millions)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employees' Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Nutan Rane (CS)	KMP : Vinay Prakash Tripathi (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on 31 March 2020	237.30	11.50	0.60	0.24	0.60	0.00*	-	0.00*	250.24
Amount deposited during the year (excluding CASA deposit)	2085.90	-	-	0.01	-	-	-	-	2085.91
Amount repaid during the year	2621.20	-	-	0.01	-	-	-	-	2621.21
Maximum deposit outstanding during the year	740.00	10.00	23.40	1.54	1.70	0.40	-	0.02	777.06
Interest paid	36.60	0.50	0.50	0.02	0.10	0.00*	-	0.00*	37.72
Service charges collected	-	-	-	-	-	-	-	0.00*	0.00
Remuneration to KMP	-	-	-	21.60	10.10	1.40	1.50	-	34.60
Equity shares issued**	599.90	-	-	-	-	-	-	-	599.90
Contribution towards CSR	-	10.00	-	-	-	-	-	-	10.00
ESOP cost cross charged (Refer Annexure 21)	17.40	-	-	-	-	-	-	-	17.40
Service charge for collections	0.30	-	-	-	-	-	-	-	0.30
Rent for office space	0.80	-	-	-	-	-	-	-	0.80
Fair value of ESOP granted	-	-	-	-	7.30	-	-	-	7.30
Transactions (collection and payment) carried out on behalf of Bank	23.50	-	-	-	-	-	-	-	23.50
Amount Payable/(Recoverable)	7.00	-	-	-	-	-	-	-	7.00

* Amount less than ₹ 10000 is shown as Nil

**during the year ended 31 March 2020: 2,22,22,222 upon conversion of CCD into common equity, equity shares of ₹10 each on 18 September 2019.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended 31 March 2019.

(₹ in millions)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employee Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Anang Shandilya (CS)	KMP : Vinay Prakash Tripathi (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on 31 March 2019	756.28	1.03	-	1.54	1.58	1.59	-	0.01	762.03
Amount deposited during the year (excluding CASA deposit)	1,414.40	-	-	0.00*	-	0.70	-	-	1,415.10
Amount repaid during the year	658.12	-	-	0.00*	-	1.40	-	-	659.52
Maximum deposit outstanding during the year	758.74	6.46	-	7.13	1.90	3.12	-	0.01	777.36
Interest paid	51.92	0.00*	-	0.12	0.06	0.15	-	0.00*	52.25
Service charges collected	-	-	-	-	-	-	-	-	-
Remuneration to KMP	-	-	-	9.18	6.81	1.75	-	-	17.74
Equity shares issued	2,670.00	-	-	-	-	-	-	-	2,670.00
Contribution towards CSR	-	4.05	-	-	-	-	-	-	4.05
ESOP cost cross charged (Refer Annexure 21)	1.40	-	-	-	-	-	-	-	1.40
Service charge for collections	-	-	-	-	-	-	-	-	-
Rent for office space	-	-	-	-	-	-	-	-	-
Fair value of ESOP granted	-	-	-	-	-	-	-	-	-
Transactions (collection and payment) carried out on behalf of Bank	36.52	-	-	-	-	-	-	-	36.52
Amount Payable/(Recoverable)	28.33	0.31	-	(0.53)	-	0.05	-	-	28.16

* Amount less than ₹ 10000 is shown as Nil

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended 31 March 2018.

(₹ in millions)

Items / Related Party	Utkarsh CoreInvest Ltd (Parent Company)	Utkarsh Welfare Foundation	KMP: Govind Singh (MD & CEO)	KMP: Abhisheka Kumar (CFO)	KMP: Anang Shandilya (CS)	Total
Deposits Outstanding as on 31 March 2018	695.19	0.12	0.72	-	1.05	697.08
Amount deposited during the year (excluding CASA deposit)	3,426.99	-	-	0.88	0.70	3,428.57
Amount repaid during the year	2,807.92	-	1.15	1.88	-	2,810.95
Maximum deposit during the year	695.19	0.66	3.62	4.80	1.05	705.32
Interest paid	20.23	-	-	0.18	-	20.41
Service charges collected	-	-	-	-	-	-
Remuneration to KMP	-	-	1.20	3.62	1.53	6.35
Equity shares issued	1,699.94	-	-	-	-	1,699.94
Contribution towards CSR	-	4.00	-	-	-	4.00
ESOP cost cross charged (Refer Annexure 21)	4.08	-	-	-	-	4.08
Service charge for collections	-	-	-	-	-	-
Rent for office space	-	-	-	-	-	-
Fair value of ESOP granted	0	0	0	1.97	0.62	2.59
Transactions (collection and payment) carried out on behalf of Bank	141.64	-	-	-	-	141.64
Refund of excess purchase consideration by Holding Company	385.82	-	-	-	-	385.82
Amount Payable/(Recoverable)	(17.10)	0.31	-	-	-	(16.79)

Notes:

1. As the provisions for gratuity and leave benefits are made for the Bank as a whole, the amounts pertaining to the Key Management Personnel are not specifically identified and included above.
2. Refer Annexure 23.10 on ESOP grant to MD & CEO

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.14 Leases

Operating Lease

Lease payments made under cancellable operating lease amounting to ₹176.8 millions for the period ended 30 September 2020, ₹349.1 millions for the year ended 31 March 2020, ₹212.5 millions for the year ended 31 March 2019 and ₹160.1 millions for the year ended 31 March 2018; disclosed as rent under Annexure 21 and the same have been recognized as an expense in the Profit and Loss Account. There is one sublease with the Holding Company.

Minimum lease payments (MLP) outstanding in respect of leased assets are as follows:

	(₹ in millions)			
Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Due within one year	333.40	332.70	274.10	169.00
Due later than one year and not later than five years	1,427.20	1405.30	1381.40	721.90
Due later than five years	573.50	714.60	1071.20	666.50
Total	2,334.10	2452.60	2726.70	1557.40

Finance Lease

The Bank has acquired certain IT hardware assets and ATM machines under finance lease. Lease term of such assets is 7 years.

Minimum lease payments (MLP) outstanding in respect of leased assets as at 30 September 2020 are as follows:

	(₹ in millions)		
Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	50.30	16.60	33.70
Due later than one year and not later than five years	145.90	28.30	117.60
Due later than five years	7.50	0.80	6.70
Total	203.70	45.70	158.00

Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2020 are as follows:

	(₹ in millions)		
Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	46.90	17.00	29.90
Due later than one year and not later than five years	161.50	32.00	129.50
Due later than five years	7.70	0.80	6.90
Total	216.10	49.80	166.30

Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2019 are as follows:

	(₹ in millions)		
Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	41.80	16.90	24.90
Due later than one year and not later than five years	180.90	39.10	141.80
Due later than five years	7.70	0.70	7.00
Total	230.40	56.70	173.70

Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2018 are as follows:

	(₹ in millions)		
Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	51.30	31.80	19.50
Due later than one year and not later than five years	302.00	79.20	222.80
Due later than five years	85.10	7.40	77.70
Total	438.40	118.40	320.00

23.15 Deferred Tax

Major components of deferred tax assets and deferred tax liabilities are as under:

	(₹ in millions)			
Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Deferred tax assets:				
Provision for assets	235.90	223.10	51.30	98.76
Unabsorbed depreciation and losses	-	-	-	232.30
Unamortized processing fees on advances	95.90	110.30	94.20	56.10
Finance lease	39.80	41.80	60.70	9.70
Provision against Lease Equalization	24.00	18.30	-	-
Provision on Casual Leave	7.20	7.20	2.10	-
Others	27.50	-	-	-
	430.30	400.70	208.30	396.86
Deferred tax liabilities:				
Depreciation on fixed assets	9.94	17.64	41.53	22.06
Gain on mark to mark on external commercial borrowings	-	0.40	-	-
Unamortized processing fee on borrowings	8.70	7.50	16.10	20.10
	18.64	25.54	57.63	42.16
Net deferred tax assets / (liability)	411.66	375.16	150.67	354.70

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.16 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. The below is based on the information available with the Bank which has been relied upon by the auditors.

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
a. Principal amount due to suppliers under MSMED Act, 2006	26.40	52.00	-	-
b. Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	0.10	-	-	-
c. Payment made to suppliers (other than interest) beyond the appointed day during the period / year	-	-	-	-
d. Interest paid to suppliers under MSMED Act (Section 16)	-	-	-	-
e. Interest due and payable towards suppliers under MSMED Act for payments already made	-	-	-	-
f. Interest accrued and remaining unpaid at the end of the period / year to suppliers under MSMED Act (including interest mentioned in (e) above)	0.10	-	-	-

23.17 Disclosure of customer complaints:

A	Customer Complaints other than ATM transaction disputes	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
a)	Number of complaints pending at the beginning of the year/period	42	265	79	245
b)	Number of complaints received during the year/period	9,375	26,061	14,307	7,307
c)	Number of complaints redressed during the year/period	9,339	26,284	14,121	7,473
d)	Number of complaints pending at the end of the year/period	78	42	265	79

B	ATM Transaction disputes relating to the Bank's customers on the Bank's ATM	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
a)	Number of complaints pending at the beginning of the year/period	-	1	-	-
b)	Number of complaints received during the year/period	30	76	145	137
c)	Number of complaints redressed during the year/period	29	77	144	137
d)	Number of complaints pending at the end of the year/period	1	-	1	-

C	ATM Transaction disputes relating to the Bank's customers on other Bank's ATM	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
a)	Number of complaints pending at the beginning of the year/period	9	14	7	-
b)	Number of complaints received during the year/period	448	1,495	1,147	405
c)	Number of complaints redressed during the year/period	450	1,500	1,140	398
d)	Number of complaints pending at the end of the year/period	7	9	14	7

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

D	Total Customer Complaints (A+B+C)	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
a)	Number of complaints pending at the beginning of the year/ period	51	280	86	245
b)	Number of complaints received during the year/period	9,853	27,632	15,599	7,849
c)	Number of complaints redressed during the year/period	9,818	27,861	15,405	8,008
d)	Number of complaints pending at the end of the year/period	86	51	280	86

Award passed by the Banking Ombudsman

E	Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
a)	No. of unimplemented Awards at the beginning of the year/period	-	-	-	-
b)	No. of Awards passed by the Banking Ombudsmen during the year/period	-	1	-	-
c)	No. of Awards implemented during the year/period	-	1	-	-
d)	No. of unimplemented Awards at the end of the year/period	-	-	-	-

23.18 Security Receipts (SR)

Details of the book value of investments held as security receipts received by sale of NPA to Securitization/Reconstruction Company as at 30 September 2020 are as follows-

(₹ in millions)

	Particulars	Backed by NPAs sold by the Bank as underlying	Backed by NPAs sold by other banks/ FIs/ NBFCs as underlying	Total
a)	Book value of investments in security receipts	-	-	-

Details of the book value of investments held as security receipts received by sale of NPA to Securitization/Reconstruction Company as at 31 March 2020 are as follows-

(₹ in millions)

	Particulars	Backed by NPAs sold by the Bank as underlying	Backed by NPAs sold by other banks/ FIs/ NBFCs as underlying	Total
a)	Book value of investments in security receipts	-	-	-

Details of the book value of investments held as security receipts received by sale of NPA to Securitization/Reconstruction Company as at 31 March 2019 are as follows-

(₹ in millions)

	Particulars	Backed by NPAs sold by the Bank as underlying	Backed by NPAs sold by other banks/ FIs/ NBFCs as underlying	Total
a)	Book value of investments in security receipts	-	-	-

Details of the book value of investments held as security receipts received by sale of NPA to Securitization/Reconstruction Company as at 31 March 2018 are as follows-

(₹ in millions)

	Particulars	Backed by NPAs sold by the Bank as underlying	Backed by NPAs sold by other banks/ FIs/ NBFCs as underlying	Total
a)	Book value of investments in security receipts	-	-	-

As the Bank do not hold any security receipts, the other disclosures are not provided.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.19 Restructured / Rescheduled / Renegotiated Investments

There are no such investments during the period ended 30 September 2020, the year ended 31 March 2020, 31 March 2019 and 31 March 2018.

23.20 Amount of provisions made for income-tax :

(₹ in millions)

	Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
i)	Provision for Income tax	301.15	861.20	369.79	4.68
ii)	Provision for Deferred tax	(36.52)	(224.47)	204.03	(329.22)
iii)	MAT credit entitlement	-	-	(15.25)	-
	Total	264.63	636.73	558.57	(324.54)

23.21 Unsecured Advances against Intangible Collaterals:

(₹ in millions)

	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
i)	Total Advances against intangible securities such as charge over the rights, licenses, authority etc.	-	-	-	-
ii)	Estimated Value of intangible collateral such as charge over the rights, licenses, authority etc.	-	-	-	-

23.22 Disclosure of Fees / Remuneration Received in respect of Bancassurance Business

(₹ in millions)

	Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
i)	Fee / Remuneration from Life Insurance Business	21.60	59.10	20.00	3.10
ii)	Fee / Remuneration from General Insurance Business	0.10	0.20	0.30	1.20

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.23 Break up of Provisions and Contingencies debited to Profit & Loss Account

(₹ in millions)

	Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
i)	Provisions towards Standard Advances	30.71	188.22	46.05	36.46
ii)	Provisions towards Non Standard Advances	93.37	(300.84)	336.78	237.55
iii)	Floating provision	6.14	37.64	9.21	7.29
iv)	Provision for COVID 19	950.00	499.57	-	-
v)	Provision on SMA due to COVID 19	14.01	14.01	-	-
vi)	(reversal) / provision for depreciation on investments	75.87	0.62	(9.16)	4.14
vii)	Provisions towards Income tax	301.15	861.20	369.79	4.68
viii)	Provision / (credit) towards deferred tax (net)	(36.52)	(224.47)	204.03	(329.22)
ix)	MAT credit entitlement	-	-	(15.25)	-
	Total provisions	1,434.73	1,075.95	941.45	(39.10)
x)	Technical write off	-	559.58	298.59	1,425.75
xi)	Provision for other assets	-	-	4.85	-
xii)	Write off of other assets	13.20	-	115.58	-
	Total	1,447.93	1,635.53	1,360.47	1,386.65

23.24 Drawdown from Reserves

The Bank has undertaken drawdown from Investment Fluctuation Reserve to make it in-line with notification on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks – Spreading of MTM losses and creation of Investment Fluctuation Reserve (IFR) issued by RBI:

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020
HFT & AFS portfolio as on	8,273.80	2,620.60
Reserve created during FY 2019-20 / FY 2018-19	52.41	13.17
Add:- created in H1FY2020 / FY2019	141.67	39.24
IFR draw down during the end of the year / period* (AFS portfolio reduced from ₹3628 million (H1'20) to ₹2620 million as on March 31, 2020 and therefore draw down on ₹1007 million @ 2%)	-	-
Investment Fluctuation Reserve on AFS portfolio as on	194.08	52.41

* As per RBI circular drawdown is allowed at year end

The Bank has not undertaken any drawdown from reserves during the year ended 31 March 2019 and 31 March 2018.

23.25 Floating Provisions

(₹ in millions)

	Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
i)	Opening balance in the floating provisions account	62.13	24.49	15.28	7.99
ii)	The quantum of floating provisions made in the accounting year/ period. *	6.14	37.64	9.21	7.29
iii)	Amount of draw down made during the accounting year/ period.	-	-	-	-
iv)	Closing balance in the floating provision account	68.27	62.13	24.49	15.28

* The figure above includes provision computed on new NPA identified as per IRAC norms during September 2020 has been classified as standard provision and hence floating provision of ₹3.1 millions is created as per Bank policy.

23.26 Investor Education and Protection Fund

There are no amounts which are due to be transferred to the Investor Education and Protection Fund during the period ended 30 September 2020 and year ended 31 March 2020, 31 March 2019 and 31 March 2018.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.27 Concentration of Deposits, Advances, Exposures and NPAs

23.27.1 Concentration of Deposits

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Total Deposits of twenty largest depositors	16,454.39	18,981.10	17,367.45	6685.20
Percentage of deposits of twenty largest depositors to total deposits	27.57%	36.26%	45.81%	32.18%

23.27.2 Concentration of Advances

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Total Advances to twenty largest borrowers *	3,274.86	2,576.63	2,863.77	2,903.71
Percentage of advances to twenty largest borrowers to total advances	4.93%	4.08%	6.18%	9.29%

Credit Exposure excludes the exposures which are 100% cash backed.

* Excluding advances against Bank's own term deposits.

23.27.3 Concentration of Exposures

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Total Exposure to twenty largest borrowers / customers	3,374.86	2,576.63	3,006.63	3,099.94
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers /customers	5.07%	4.06%	6.47%	9.85%

Credit Exposure excludes the exposures which are 100% cash backed.

23.27.4 Concentration of NPA's

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Total Exposure to top four NPA Accounts (Gross)	7.55	5.44	403.20	3.40

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.28 Sector Wise Advances:

(₹ in millions)

Sr. No.	Sector	As at 30 September 2020		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	37,408.60	198.40	0.33%
2	Advances to industries sector eligible as priority sector lending	1,671.60	12.60	0.02%
	All engineering	403.60	2.90	0.00%
	Food processing	453.80	2.90	0.00%
	Wood and wood products	385.80	3.00	0.01%
3	Services	19,555.60	167.00	0.28%
	Trade	8,331.10	94.90	0.16%
4	Personal loans	634.80	2.00	0.00%
	Housing	634.80	2.00	0.00%
	Sub-total (A)	59,270.60	380.00	0.64%
B	Non Priority Sector			
1	Agriculture and allied activities	43.50	0.10	0.00%
2	Industry	8.80	0.70	0.01%
	Beverages (Excluding Tea & Coffee) and Tobacco	2.50	0.00	0.00%
	Food processing	2.30	0.20	0.00%
	Wood and wood products	2.00	0.50	0.01%
3	Services	6,318.20	39.10	0.55%
	Non-banking financial companies	3,738.80	0.00	0.00%
4	Personal loans	791.60	6.70	0.09%
	Housing	682.20	3.50	0.05%
	Sub-total (B)	7,162.10	46.60	0.65%
	Total (A+B)	66,432.70	426.60	0.64%

(₹ in millions)

Sr. No.	Sector	As at 31 March 2020		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	34,520.60	211.10	0.37%
2	Advances to industries sector eligible as priority sector lending	1,778.50	13.50	0.02%
	All engineering	454.50	3.20	0.01%
	Food processing	489.30	3.00	0.01%
	Wood and wood products	399.60	3.30	0.01%
3	Services	20,806.50	175.30	0.30%
	Trade	8,782.00	99.00	0.17%
4	Personal loans	504.80	1.40	0.00%
	Housing	447.80	1.20	0.00%
	Sub-total (A)	57,610.40	401.30	0.69%
B	Non Priority Sector			
1	Agriculture and allied activities	0.20	0.20	0.00%
2	Industry	5.00	1.00	0.02%
	Beverages (Excluding Tea & Coffee) and Tobacco	2.70	-	0.00%
	Food processing	0.60	0.20	0.00%
	Wood and wood products	1.30	0.50	0.01%
3	Services	4,994.50	37.50	0.68%
	Non-banking financial companies	3,095.10	-	0.00%
4	Personal loans	479.40	6.50	0.12%
	Housing	407.10	3.60	0.07%
	Sub-total (B)	5,479.10	45.20	0.82%
	Total (A+B)	63,089.50	446.50	0.71%

(₹ in millions)

Sr. No.	Sector	As at 31 March 2019		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	26,007.30	114.80	0.27%
2	Advances to industries sector eligible as priority sector lending	782.10	3.80	0.01%
3	Services	14,897.30	107.50	0.25%
	Trade	6,641.10	29.50	0.07%
4	Personal loans	538.00	2.10	0.00%
	Housing	233.60	1.20	0.00%
	Sub-total (A)	42,224.70	228.20	0.54%
B	Non Priority Sector			
1	Agriculture and allied activities	2.40	0.60	0.01%
2	Industry	178.00	9.10	0.18%
3	Services	4,464.60	412.00	8.19%
	Non-banking financial companies	2,725.50	400.00	7.95%
4	Personal loans	386.30	5.80	0.12%
	Housing	144.50	2.50	0.05%
	Sub-total (B)	5,031.30	427.50	8.5%
	Total (A+B)	47,256.00	655.70	1.39%

(₹ in millions)

Sr. No.	Sector	As at 31 March 2018		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	17,289.50	70.90	0.41%
2	Advances to industries sector eligible as priority sector lending	-	-	0.00%
3	Services	11,260.10	502.90	4.47%
4	Personal loans	-	-	0.00%
	Sub-total (A)	28,549.60	573.80	2.01%
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	0.00%
2	Industry	2,467.40	-	0.00%
3	Services	45.80	0.90	1.97%
4	Personal loans	-	-	0.00%
	Sub-total (B)	2,513.20	0.90	0.04%
	Total (A+B)	31,062.80	574.70	1.85%

* This includes underlying advances of Priority Sector Lending Certificates sold and does not include underlying advances of Priority Sector Lending Certificates purchased during the year. **Refer Annexure 23.29**

The Bank has compiled the data for the purpose of this disclosure from its internal MIS / reports and has been furnished by the management, which has been relied upon by the auditors.

The Bank has classified loan under Priority Sector Lending (PSL) across various categories based on Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated 04 September 2020 with effect from 01 July 2020.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.29 Details of Priority Sector Lending Certificates (PSLC)

Following are the details of PSLC sold by the Bank.

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
General category	-	-	3,530.00	12,032.50
Micro enterprises	-	-	-	580.00
Small/marginal farmers	12,000.00	27,000.00	14,480.00	15,650.00
Total	12,000.00	27,000.00	18,010.00	28,262.50

Following are the details of PSLC purchased by the Bank.

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
General category	-	-	6,000.00	-
Micro enterprises	-	-	-	-
Small/marginal farmers	-	-	-	-
Total	-	-	6,000.00	-

23.30 Overseas Assets, NPAs and Revenue

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Total Assets	-	-	-	-
Total NPAs	-	-	-	-
Total Revenue	-	-	-	-

23.31 Off- Balance Sheet SPVs sponsored

There are no off balance sheet SPVs sponsored by the Bank as at 30 September 2020, 31 March 2020, 31 March 2019 and 31 March 2018, which needs to be consolidated as per accounting norms.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.32 Disclosures relating to Securitization

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1. Number of Special Purpose Vehicles (SPVs) sponsored by the Company for securitization / bilateral transactions	-	-	10.00	10.00
2. Total amount of securitized assets as per books of the SPVs/assignees sponsored by the Company#	-	-	187.40	1,248.10
3. Total amount of exposures retained by the Company to comply with MRR as on the date of balance sheet	-	-	-	-
a) Off-balance sheet exposures	-	-	-	-
* First loss	-	-	-	-
* Others	-	-	-	-
b) On-balance sheet exposures	-	-	-	-
* First loss#	-	-	43.60	43.60
* Others	-	-	-	-
4. Amount of exposures to securitization transactions other than MRR	-	-	-	-
a) Off-balance sheet exposures	-	-	-	-
i) Exposure to own securitizations	-	-	-	-
* First loss	-	-	-	-
* loss	-	-	-	-
ii) Exposure to third party securitizations	-	-	-	-
* First loss	-	-	-	-
* Others	-	-	-	-
b) On-balance sheet exposures	-	-	-	-
i) Exposure to own securitizations	-	-	-	-
* First loss	-	-	-	-
* Others	-	-	-	-
ii) Exposure to third party securitizations	-	-	-	-
* First loss	-	-	-	-
* Others	-	-	-	-

the above information has been prepared based on the confirmations received from SPVs auditor.

23.33 Disclosure on Remuneration

Qualitative Disclosure

A. Information relating to the bodies that oversee remuneration

a) Name, composition and mandate of the main body overseeing remuneration

The Nomination and Remuneration Committee (NRC) of the Board is the main body overseeing remuneration. The NRC comprises of two Independent Directors and one Nominee Director.

Role and functions of the Committee related to Nomination

A. Appointment criteria and qualifications

i) i. To identify and approve appointment of persons who are qualified to become directors in the bank and who may be appointed as KMPs or SMPs in the bank, who possess integrity, independence, adequate knowledge, skill, qualification, experience in the field of his/her specialization commensurate with the proposed role and responsibility as Director, KMP or SMP and shall have the ability to manage the responsibility assigned to him/her.

ii) To ensure that the Bank appoints or continues the employment of any person as Managing Director / Whole-time Director subject to the conditions laid down under Part I of Schedule V of the Companies Act, 2013 and in line with extant RBI guidelines and relevant provisions of the Banking Regulation Act 1949.

iii) To ensure that the Bank shall appoint or continue the service of any person as Independent Director subject to the provisions of Section 149 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and Banking Regulation Act 1949.

iv) Appointment for any SMP (Executives one level below the MD & CEO) shall be approved by the Committee, subject to the candidate having been interviewed by at least two (2) members of the Committee. Basis the recommendation of the panel members, the Committee may approve the appointment. Appointment of any executive whose fixed salary exceeds ₹70 Lacs p.a. will need to be approved by the NRC.

Following are the functions of Nomination and Remuneration Committee:

1. Review the structure, size, composition, diversity of the Board and make necessary recommendations to the Board with regard to any changes as necessary and formulation of policy thereon.
2. Evaluate the skills that exist, and those that are absent but needed at the Board level, and search for appropriate candidates who have the profile to provide such skill sets.
3. To evaluate the performance of the members of the Board and provide necessary report to the Board
4. Advise criteria for evaluation of Independent Directors and the Board & its Committees and carry out evaluation of every directors' performance.
5. To formulate the criteria for determining qualifications, positive attributes and independence of a director.
6. To recommend to the Board a policy, relating to the remuneration for directors, Key Managerial Personnel, Senior Management Personnel and other employees.
7. To formulate criteria for payment to Key Managerial Personnel and Senior Management Personnel performance based incentives / rewards based on Bank's performance.
8. Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action.
9. Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
10. Review the composition of Committees of the Board, and identify and recommend to the Board the Directors who can best serve as members of each Board Committee.
11. Review and recommend to the Board for approval the appointment of Managing Director & CEO and other whole-time Directors and the overall remuneration framework and associated policy of the Bank (including remuneration policy for directors and key managerial personnel) the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Bank including the Managing Director & CEO, other Whole-time Directors and senior managers one level below the Board.
12. Review and recommend to the Board for approval the total increase in manpower cost budget of the Bank as a whole, at an aggregate level, for the next year.
13. Recommend to the Board the compensation payable to the Non-Executive Chairman of the Bank.
14. Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Bank, as well as any material changes in the organization structure which could have wide ranging implications.
15. Review and recommend to the Board for approval of various other HR related policies including the Talent Management Policy and Succession Policy in the Bank for ensuring business continuity, especially at the level of Board, MD & CEO, other Whole Time Directors, Senior Management Personnel (one level below the MD & CEO and other key roles).
16. Review and recommend to the Board for approval:
 1. the creation of new positions one level below MD & CEO, wherever required
 2. appointments, promotions and exits of senior managers one level below the MD & CEO.

Utkarsh Small Finance Bank Limited
Schedules forming part of Financial Statements

b) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process

The Bank has engaged M-S. Avon Hewitt Limited for a project on Compensation Benchmarking, Increment Grid and Grade titling.

The Project is under way and final report is yet to be submitted by the consultant. The Bank has made payment of ₹3 Lacs (excluding GST) during the period ended 30 September 2020 as a partial payment towards this project.

c) Scope of the Bank's remuneration policy (eg. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

The Human Resources Policy of the Bank, approved by the Board of the Bank on 09 January 2017 and the same has been reviewed by the Board of Directors in its meeting in March 2020 pursuant to the guidelines issued by RBI, to cover all employees of the Bank. Further the NRC has approved the revised remuneration structure of Managing Director and CEO subject to approval of Reserve Bank of India. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. The policy is applicable to MD & CEO, WTD and employees in Risk and Compliance department.

d) Type of employees covered and number of such employees

All the employees of the Bank are covered. The total number of employees of the Bank as at 30 September 2020 were 8,729, 31 March 2020 were 8,831, 31 March 2019 were 6,282 and 31 March 2018 were 5,142.

B. Information relating to the design and structure of remuneration processes.

Key features and objectives of remuneration policy: The Bank has, under the guidance of the Nomination and Remuneration Committee ("NRC") and the Board, followed remuneration practices intended to drive meritocracy and performance based on a prudent risk management framework.

Effective governance of compensation: The NRC has oversight over compensation to senior management personnel and also provides overall guidance to the compensation paid to other employees.

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable remuneration that is prudent, it currently has predominantly a fixed remuneration structure with no guaranteed bonuses. Further, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their performance. The Bank seeks to align remuneration with financial and non-financial performance indicators.

During the period ended 30 September 2020, guaranteed bonus was approved for one employee after taking due approval from competent authorities.

In FY19-20, guaranteed bonus was approved for one employee after taking due approval from competent authorities.

In FY18-19, guaranteed bonus was approved for one employee after taking due approval from competent authorities.

Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made: The Board/NRC has been apprised of the Bank's remuneration policy and practices and the same is subject to periodic review.

In the FY 2020-21 the Board of the Bank has reviewed the policy in its meeting held on 21st May 2020.

In the FY 2019-20, the Board of the Bank has reviewed the policy in its meeting held on 14 March 2020.

In the FY 2018-19 the Board of the Bank has reviewed the policy in its meeting held on 16 February 2019.

In the FY 2017-18, the Board of the Bank has reviewed the policy in its meeting held on 16 February 2018.

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee: The remuneration of employees in control functions such as Risk and Compliance depends solely on their performance and is not linked to any business outcomes. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO, WTD and Risk Control and Compliance. The policy is applicable to MD & CEO and WTD and all employees in the grade of AVP and above in Risk and Compliance functions.

Utkarsh Small Finance Bank Limited
Schedules forming part of Financial Statements

C. Description of the ways in which current and future risks are taken into account in the remuneration processes.

Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance of the Bank and senior management, shall consider adherence to the policies and accordingly make its recommendations to the Board.

Overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure: The evaluation process shall incorporate both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and mentoring key members of the top and senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, the NRC takes into account adherence to the risk framework in addition to business performance.

Discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration: Not applicable

D. Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.

Overview of main performance metrics for the Bank, top level business lines and individuals: The main performance metrics include profitability, business growth, asset quality, compliance, and customer service.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The assessment of employees shall be based on their performance with respect to their result areas and shall include the metrics mentioned above.

Discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the Bank's criteria for determining 'weak' performance metrics: In case such an event should occur, the Board/NRC shall review and provide overall guidance on the corrective measures to be taken.

E. Description of the ways in which the Bank seeks to link performance during a performance measurement year with levels of remuneration.

Discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance: The Bank has a portion of Variable pay that can be deferred to the MD & CEO. However, this would be applicable only when the variable pay reaches a specified limit of CTC as mentioned in the policy.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements:

The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. This policy deals with the deferred payment of variable pay and claw back rule. In the H1 FY 2021, an amount of ₹3,070,591/- was paid to MD & CEO as a part of variable pay for the FY 18-19, (FY 2019-20: Nil), (FY 2018-19: Nil), (FY 2017-18: Nil)

F. Description of the different forms of variable remuneration that the Bank utilizes and the rationale for using these different forms.

The Bank has variable pay that is paid based on the performance that is applicable to all levels. The ESOP options of the Holding Company are currently given to eligible employees in Manager and above grade subject to performance. Employees in sales function do have incentives based on monthly business performance.

Overview of the forms of variable remuneration offered. A discussion of the use of different forms of variable remuneration and if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance: The variable remuneration is offered in the form of annual performance bonus. The same is determined on the basis of comprehensive performance appraisal system wherein the performance of each employee is evaluated on the basis of defined Goal Sheet and KRA at the beginning of year/ period and achievement against them.

Quantitative Disclosure-

(The quantitative disclosure covers MD& CEO and employees in the grade of Vice President and above)

(₹ in millions, except numbers)

Sr. No.	Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
1(i)	Number of meetings held by the Remuneration Committee during the financial year/ period.	5	7	4	1
1(ii)	Remuneration paid to its members during the financial year (sitting fees)	0.70	0.60	0.30	0.10
2(i)	Number of employees having received a variable remuneration award during the financial year/ period.	16	16	9	8
2(ii)	Number and total amount of sign-on awards made during the financial year/ period.	-	-	-	-
2(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	2.30	1.90	-	-
2(iv)	Details of severance pay, in addition to accrued benefits, if any.	-	-	-	-
3(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	-	-	-	-
3(ii)	Total amount of deferred remuneration paid out in the year.	-	-	-	-
4	Breakdown of amount of remuneration awards for the year/ period*:	-	-	-	-
	Fixed	Fixed CTC: 83.6	Fixed CTC: 137.3	Fixed CTC: 67.6	Fixed CTC: 50.9
	Variable	Variable: 14.3	Variable: 15.2	Variable: 2.8	Variable: 2.2
	Deferred	Deferred: Nil	Deferred: Nil	Deferred: Nil	Deferred: Nil
	Non-deferred	Non-deferred: 97.9	Non-deferred: 152.5	Non-deferred: 70.4	Non-deferred: 53.1
5(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-	-	-
5(ii)	Total amount of reductions during the year/ period due to ex- post explicit adjustments.	-	-	-	-
5(iii)	Total amount of reductions during the year/ period due to ex- post implicit adjustments	-	-	-	-

*Remuneration excludes the cost accounted under Employee Stock Option Plan of the Holding Company and other retirement benefits related costs which is accounted at entity level based on actuarial valuation.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.34 Contingent liabilities

1. Description of nature of contingent liabilities is set out below:

- a. The Bank is contingently liable to certain SPV with respect to securitization of loans and advances to the extent of cash collateral deposits and credit enhancements.
- b. There is a capital commitment towards open purchase orders.
- c. Pending litigation against the Bank.
- d. Demands against tax assessments.

Refer Annexure 17 for amounts relating to contingent liabilities.

23.35

Bank has not issued any letters of comfort during the period ended 30 September 2020, year ended 31 March 2020, year ended 31 March 2019 and year ended 31 March 2018. Further there are no outstanding comfort letters as at 30 September 2020, as at 31 March 2020, as at 31 March 2019 and 31 March 2018.

23.36 Liquidity Coverage Ratio (LCR)

Qualitative disclosure around LCR

Liquidity Coverage Ratio (LCR) is a global minimum standard for Bank's liquidity. The ratio aims to ensure that a bank has an adequate stock of unencumbered High - Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar days of severe liquidity stress scenario.

The LCR is a ratio of High Quality Liquid Unencumbered Assets (HQLA) to total estimated net outflows over a stressed period of 30 calendar days.

The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivative-related exposures, partially offset by inflows from assets maturing within 30 days.

The Board of Directors has the overall responsibility for management of liquidity risk. The Board at overall level decides the liquidity risk tolerance/limits and accordingly decides the strategy, policies and procedures of the Bank for managing liquidity risk.

The Board has constituted Risk Management Committee (RMC), which reports to the Board, and consisting of Chief Executive Officer (CEO) /Chairman and certain other Board members. The Committee is responsible for evaluating the overall risks faced by the Bank including liquidity risk. The potential interaction of liquidity risk with other risks is included in the risks addressed by the Risk Management Committee.

At the executive level, Asset Liability Management Committee (ALCO) ensures adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Bank in line with Bank's risk management objectives and risk tolerance. A dedicated desk within Treasury function of the Bank is responsible for the day-to-day / intra-day liquidity management.

ALCO of the Bank channelizes various business segments of the Bank to target good quality asset and liability profile to meet the Bank's profitability as well as Liquidity requirements with the help of robust MIS and Risk Limit architecture of the Bank.

The Bank has been maintaining HQLA (Level 1) primarily in the form of Excess CRR, excess SLR investments over and above mandatory requirement.

Utkarsh Small Finance Bank Limited
Schedules forming part of Financial Statements

Quantitative Disclosures

Following is the quantitative disclosures relating to LCR for the period ended 30 September 2020 , wherein the amounts are average of daily positions during the quarter: (₹ in millions)

	Particulars	Three months ended 30 September 2020		Three months ended 30 June 2020		Three months ended 31 March 2020		Three months ended 31 December 2019	
		Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		30,915.20		25,745.00		15,558.60		12,863.80
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	-	2,410.30	-	1,996.10	17,813.80	1,750.20	15,440.60	1,381.70
(i)	Stable Deposits	556.90	27.80	631.40	31.60	623.40	31.20	3,246.40	162.30
(ii)	Less Stable Deposits	23,824.70	2,382.50	19,644.60	1,964.50	17,190.40	1,719.00	12,194.20	1,219.40
3	Unsecured wholesale funding, of which:	-	8,083.20	-	6,865.30	15,443.20	9,014.10	11,669.10	6,303.20
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	6,531.10	1,127.70	5,919.10	1,128.10	8,814.20	2,385.10	7,054.60	1,688.70
(iii)	Unsecured debt	6,955.50	6,955.50	5,737.20	5,737.20	6,629.00	6,629.00	4,614.50	4,614.50
4	Secured wholesale funding		1,203.30		-		-		-
5	Additional requirements, of which	-	138.10	-	121.20	2,025.80	101.30	2,070.90	103.60
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	2,762.90	138.10	2,423.10	121.20	2,025.80	101.30	2,070.90	103.60
6	Other contractual funding obligations	2,525.70	2,525.70	1,293.70	1,293.70	285.00	285.00	145.00	145.00
7	Other contingent funding obligations	-	-	-	-	-	-	-	-
8	TOTAL CASH OUTFLOWS		14,360.60		10,276.30		11,150.60		7,933.50
Cash Inflow									
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	1,641.10	820.60	-	-	4,638.50	2,319.20	4,252.90	2,126.40
11	Other cash inflows	2,178.50	2,178.50	716.90	716.90	1,774.30	1,774.30	2,866.50	2,866.50
12	TOTAL CASH INFLOWS	3,819.60	2,999.10	716.90	716.90	6,412.80	4,093.50	7,119.40	4,992.90
		-	-	-	-	-	-	-	-
13	TOTAL HQLA		30,915.20		25,745.00		15,558.60		12,863.80
14	Total Net Cash Outflows (8-12)		11,361.50		9,559.40		7,057.10		2,940.60
15	25% of Total Cash outflows [8*0.25]		3,590.20		2,569.10		2,787.65		1,983.38
16	Total Net Cash Outflows [Higher of 14 or 15]		11,361.50		9,559.40		7,057.10		2,940.60
	Liquidity Coverage Ratio (%)		272.10%		269.32%		220.48%		437.47%

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2020, wherein the amounts are average of daily positions during the quarter:

(₹ in millions)

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2020, wherein the amounts are average of daily positions during the quarter. (€ in millions)									
	Particulars	Three months ended 31 March 2020		Three months ended 31 December 2019		Three months ended 30 September 2019		Three months ended 30 June 2019	
		Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		15,558.60		12,863.80		12,146.10		9678.5
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	17,813.80	1,750.20	15,440.60	1,381.70	12,837.30	1,148.30	10,167.50	908.20
(i)	Stable Deposits	623.40	31.20	3,246.40	162.30	2,708.60	135.40	2,170.60	108.50
(ii)	Less Stable Deposits	17,190.40	1,719.00	12,194.20	1,219.40	10,128.70	1,012.90	7,996.90	799.70
3	Unsecured wholesale funding, of which:	15,443.20	9,014.10	11,669.10	6,303.20	11,066.90	5,978.10	9,763.40	5,329.90
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	8,814.20	2,385.10	7,054.60	1,688.70	7,036.60	1,947.80	6,303.40	1,869.90
(iii)	Unsecured debt	6,629.00	6,629.00	4,614.50	4,614.50	4,030.30	4,030.30	3,460.00	3,460.00
4	Secured wholesale funding		-		-		200.90		121.00
5	Additional requirements, of which	2,025.80	101.30	2,070.90	103.60	1,907.20	95.40	1,584.40	79.20
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	2,025.80	101.30	2,070.90	103.60	1,907.20	95.40	1,584.40	79.20
6	Other contractual funding obligations	285.00	285.00	145.00	145.00	98.30	98.30	800.00	575.60
7	Other contingent funding obligations	-	-	-	-	-	-	-	-
8	TOTAL CASH OUTFLOWS		11,150.60		7,933.50		7,521.00		7,013.90
Cash Inflow									
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	4,638.50	2,319.20	4,252.90	2,126.40	3,884.60	1,942.30	3,601.90	1,801.00
11	Other cash inflows	1,774.30	1,774.30	2,866.50	2,866.50	3,876.90	3,876.90	5,601.90	5,601.90
12	TOTAL CASH INFLOWS	6,412.80	4,093.50	7,119.40	4,992.90	7,761.50	5,819.20	9,203.80	7,402.90
13	TOTAL HQLA		15,558.60		12,863.80		12,146.10		9,678.50
14	Total Net Cash Outflows (8-12)		7,057.10		2,940.60		1,701.80		(389.00)
15	25% of Total Cash outflows [8*0.25]		2,787.65		1,983.38		1,880.25		1,753.48
16	Total Net Cash Outflows [Higher of 14 or 15]		7,057.10		2,940.60		1,880.25		1,753.48
	Liquidity Coverage Ratio (%)		220.48%		437.47%		645.99%		551.96%

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2019, wherein the amounts are average of daily positions during the quarter:

(₹ in millions)

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2019, wherein the amounts are average of daily positions during the quarter. (€ in millions)									
	Particulars	Three months ended 31 March 2019		Three months ended 31 December 2018		Three months ended 30 September 2018		Three months ended 30 June 2018	
		Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		7485.10		5993.60		5115.20		5129.90
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	770.32	687.00	530.63	473.10	366.61	324.40	243.75	214.40
(i)	Stable Deposits	1,667.20	83.40	1,151.30	57.60	843.50	42.20	587.00	29.30
(ii)	Less Stable Deposits	6,036.00	603.60	4,155.00	415.50	2,822.60	282.30	1,850.50	185.00
3	Unsecured wholesale funding, of which:	616.79	3,577.40	386.11	1,476.40	304.67	533.10	271.93	454.90
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	3,681.80	1,091.30	2,645.30	260.50	2,789.30	275.80	2,513.60	249.20
(iii)	Unsecured debt	2,486.10	2,486.10	1,215.80	1,215.80	257.40	257.40	205.70	205.70
4	Secured wholesale funding		390.70		292.50		507.80		212.30
5	Additional requirements, of which	1,133.70	56.70	369.00	18.50	394.00	19.70	159.50	8.00
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	1,133.70	56.70	369.00	18.50	394.00	19.70	159.50	8.00
6	Other contractual funding obligations	951.40	951.40	391.70	391.70	34.40	34.40	414.70	414.70
7	Other contingent funding obligations	-	-	-	-	-	-	-	-
8	TOTAL CASH OUTFLOWS		5,663.10		2,652.10		1,419.50		1,304.30
Cash Inflow									
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	3,091.60	1,545.80	2,869.70	1,434.80	2,504.70	1,252.40	1,951.70	975.80
11	Other cash inflows	2,921.40	2,921.40	2,155.70	2,155.70	1,632.10	1,632.10	2,830.20	2,830.20
12	TOTAL CASH INFLOWS	6,012.90	4,467.10	5,025.40	3,590.50	4,136.90	2,884.50	4,781.80	3,806.00
13	TOTAL HQLA		7,485.10		5,993.60		5,115.20		5,129.90
14	Total Net Cash Outflows (8-12)		1,196.00		(938.40)		(1,465.00)		(2,501.70)
15	25% of Total Cash outflows [8*0.25]		1,415.78		663.03		354.88		326.08
16	Total Net Cash Outflows [Higher of 14 or 15]		1,415.78		663.03		354.88		326.08
	Liquidity Coverage Ratio (%)		528.68%		904.01%		1441.41%		1573.11%

Note:

1. Average for all the quarters is simple average of daily observations for the quarter.
2. Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors

Utkarsh Small Finance Bank Limited
Schedules forming part of Financial Statements

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2018.

	Particulars	As at 31 March 2018	
		Total Unweighted Value (average)*	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		1,720.60
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	1,959.60	160.70
(i)	Stable Deposits	706.10	35.30
(ii)	Less Stable Deposits	1,253.50	125.30
3	Unsecured wholesale funding, of which:	20,375.40	2,388.50
(i)	Operational deposits (all counterparties)	19,979.10	1,992.10
(ii)	Non-operational deposits (all counterparties)		
(iii)	Unsecured debt	396.40	396.40
4	Secured wholesale funding		236.70
5	Additional requirements, of which		
(i)	Outflows related to derivative exposures and other collateral requirements	-	-
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligations	757.50	246.10
7	Other contingent funding obligations	-	-
8	TOTAL CASH OUTFLOWS		3,032.00
Cash Inflows			
9	Secured lending (e.g. reverse repos)	-	-
10	Inflows from fully performing exposures	-	-
11	Other cash inflows	-	-
12	TOTAL CASH INFLOWS	4,152.90	2,976.50
13	TOTAL HQLA		1,720.60
14	Total Net Cash Outflows		758.00
15	Liquidity Coverage Ratio (%)		226.99%

* The weighted value and unweighted value are based on the balances as at March 31, 2018.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.37 Intra-Group exposures

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Total amount of intra-group exposures	-	-	-	-
Total amount of top-20 intra-group exposures	-	-	-	-
Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	-	-	-	-

23.38 Details of provisioning pertaining to fraud accounts

The following table sets forth, the details of provisioning pertaining to fraud accounts:

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Number of frauds reported*	11	47	39	30
Amount involved in frauds	0.50	8.50	8.40	9.40
Provision made	0.40	5.90	6.20	5.80
Unamortised provision debited from 'other reserves'	-	-	-	-

The Bank has recovered the amount of ₹0.1 million as at 30 September 2020, ₹2.6 millions as at 31 March 2020, ₹2.2 millions as at 31 March 2019 and ₹2.2 millions as at 31 March 2018 against amount involved in frauds.

*Number & Amount of fraud contains the Internal fraud & robbery / theft cases reported.

23.39 Transfers to Depositor Education and Awareness Fund (DEAF)

Below mentioned are the details of funds transferred to Depositor Education and Awareness Fund.

(₹ in millions)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Opening balance of amounts transferred to DEAF	-	-	-	-
Add: Amounts transferred to DEAF during the year/ period	-	-	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-	-	-
Closing balance of amounts transferred to DEAF	-	-	-	-

23.40 Credit Default Swap

The Bank has not entered into Credit Default Swap during the period ended 30 September 2020, year ended 31 March 2020, year ended 31 March 2019 and year ended 31 March 2018.

23.41 Unhedged Foreign Currency Exposure (UFCE) of Bank's Customer

The borrowers of the Bank do not have any Unhedged Foreign Currency Exposure as at 30 September 2020, 31 March 2020, 31 March 2019 and 31 March 2018.

23.42 The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any law / accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts) in the books of accounts.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.43

The board of directors in their meeting dated 22 May 2020 decided to contribute towards corporate social responsibility up to ₹25.00 millions which is higher than the amount required to be spent by Section 135 of the Companies Act, 2013.

The board of directors in their meeting dated 20 May 2019 decided to contribute towards corporate social responsibility up to ₹10.00 millions which is higher than the amount required to be spent by Section 135 of the Companies Act, 2013.

The board of directors in their meeting dated 20 July 2018 decided to contribute towards corporate social responsibility up to ₹4.10 millions which is higher than the amount required to be spent by Section 135 of the Companies Act, 2013.

The board of directors in their meeting dated 29 May , 2017 decided to contribute towards corporate social responsibility up to ₹4.00 millions which is higher than the amount required to be spent by Section 135 of the Companies Act, 2013.

(₹ in millions)

Particulars	For the half year ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
a) Gross amount required to be spent by the Company during the year / period	20.30	4.00	-	1.00
b) Amount spent during the year on purposes other than construction/acquisition of any asset	-	-	-	-
Paid in cash	17.50	10.00	4.10	4.00
Yet to be paid	7.50	-	-	-
Total of amount spent	25.00	10.00	4.10	4.00

23.44

The Bank's pending litigations include claims against the Bank by counterparties and proceedings pending with tax authorities. The Bank has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required, and disclosed as contingent liabilities where applicable.

The Bank have Nil pending litigations as at 31 March 2019 and 31 March 2018.

23.45 The following table sets forth, for the years indicated, the movement in software acquired by the Bank, as included in fixed assets.

(₹ in millions)

Particulars	As at 30 September 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
At cost at March 31 of preceding year	1,253.00	41.90	50.60	26.30
Additions during the year/ period	34.10	135.30	27.30	24.30
Deductions during the year/ period	-	-	-	-
Accumulated depreciation to date	31.80	51.90	36.00	18.10
Net block	1,255.30	125.30	41.90	32.50

23.46

Application for approval of the composite scheme of arrangement between the Company (USFBL) and Utkarsh CoreInvest Limited (UCL), its holding company and their respective shareholders under Section 230 and other applicable provisions of the Companies Act, 2013, was filed with the National Company Law Tribunal, bench at Allahabad ("NCLT") on 25 October 2019. The Bank had also approached RBI vide its letter dated 15 November 2019 seeking a certificate from RBI u/s 44B (1) of the Banking Regulation Act for the said Scheme.

During the quarter the Boards of UCL and the Bank deliberated on the RBI letter under reference and decided to withdraw the application filed with NCLT Allahabad for approval of the Scheme in the matter. In the hearing held on 27 August 2020, the Bank submitted an application to NCLT Allahabad for withdrawal of the Scheme, post which NCLT Allahabad issued an Order on the same day stating that the Scheme stands withdrawn at the request of the petitioners. DOR RBI CO has been informed of the withdrawal of the Scheme. The Bank has also written to DOR RBI CO towards withdrawal of the Bank's application to RBI seeking certificate u/s 44B (1) of the Banking Regulation Act.

The Bank is in the process of chalking out alternate plans for achieving the promoter shareholding dilution to 40% within the prescribed timelines.

23.47

COVID-19 virus, a global pandemic has affected the world economy including India. The extent to which the COVID-19 pandemic will impact the Bank's operations and financial results will depend on the future developments, which are highly uncertain.

In accordance with the RBI guidelines on 'COVID-19 Regulatory Package' of 27 March 2020 and 17 April 2020, the Bank has granted moratorium of three months on payment of all instalments/interest, as applicable, falling due between 1 March 2020 and 31 May 2020 to eligible borrowers. Further, in line with the additional Regulatory Package guideline of RBI of 23 May 2020, the Bank has granted a second three month moratorium on instalments or interest, as applicable, due between 1 June 2020 and 31 August 2020 to eligible borrowers. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of determining whether an asset is non-performing).

Bank had performed stress testing under different scenarios to assess the credit quality and possible impact on provision which may persist even after the restrictions related to the COVID-19 outbreak are lifted. The Bank holds provisions as at 30 September 2020 against the potential impact of COVID-19 based on the information available at this point in time. The provisions held by the Bank are in excess of the RBI prescribed norms.

The disclosure as required by RBI circular dated 17 April, 2020 for the period ended 30 September 2020 is given below:

Items	Amount (₹ in millions)
Amounts of advances that are SMA or overdue as of 29 February 2020, where the moratorium/deferment was extended	280.20
Amount of advances where asset classification benefits was extended as of 30 September 2020	269.30
Provisions made as on 30 September 2020	28.00
Provisions adjusted against slippages	-
Residual provisions as on 30 September 2020	28.00

23.48 The Reserve Bank of India, vide its circular dated 17 April 2020, has decided that banks shall not make any dividend pay-outs from profits pertaining to the financial year ended 31 March 2020 until further instructions, with a view that banks must conserve capital in an environment of highlighted uncertainty caused by COVID-19.

23.49 Figures of the previous years have been regrouped / reclassified, wherever necessary to confirm current year /period classification.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

For and on behalf of Board of Directors
Utkarsh Small Finance Bank Limited
CIN:U65992UP2016PLC082804

Purushottam Nyati
Partner
Membership No: 118970

Kajal Ghose
Director
DIN:07702190

P. H. Ravikumar
Director
DIN : 00280010

Govind Singh
Managing Director & CEO
DIN: 02470880

Mukund Barsagade
Chief Financial Officer
FCA: 048560

Nutan Rane
Company Secretary
ACS 20260

Place: Mumbai
Date: 16 February 2021

Place: Mumbai
Date: 16 February 2021

OTHER FINANCIAL INFORMATION

The accounting ratios required under Clause 11 of Part A of Schedule VI of the SEBI ICDR Regulations are given below:

A. Accounting Ratios

Particulars*	As at and for period ended 30 September 2020	As at and for Year Ended 31 March 2020	As at and for Year Ended 31 March 2019	As at and for Year Ended 31 March 2018
Basic earnings per share (₹) [Refer Note (a)(i) below]	1.03*	2.49	1.62	(2.13)
Diluted earnings per share (₹) [Refer Note (a)(ii) below]	1.03*	2.49	1.62	(2.13)
Return on net worth [Refer Note (a)(iii) below]	7.10%*	18.32%	14.35%	(19.61%)
Earnings before tax, depreciation and amortisation (EBTDA) (₹ in Millions) [Refer Note (b) below]	1,249.20	2,758.86	1,842.73	(952.65)
Net asset value per equity share [Refer Note (a)(iv) below]	14.45	13.43	10.48	8.40
Net profit after tax, as restated, attributable to equity shareholders (₹ in Millions)	778.69	1,867.43	1,108.67	(774.23)
Net worth at the end of the period/years (₹ in Millions)**	10,973.67	10,194.99	7,727.56	3,948.89
Weighted average number of equity shares outstanding during the period/years, used for Basic/Diluted earnings per share (Nos in Millions)	759.27	748.95	683.65	363.86
Face value per share [Refer Note (c) below] (in ₹)	10.00	10.00	10.00	10.00
Total number of shares outstanding at the end of the period/years (Nos in Millions)	759.27	759.27	737.05	470.05

* Not annualized

**Net Worth = Capital + Reserves

The figures disclosed in this section are derived from the Restated Financial Statements.

Note

(a) Ratios have been computed as per the following formulas:

- (i) Basic earnings per share = $\frac{\text{Net profit after tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of basic Equity Shares outstanding during the period/years}}$
- (ii) Diluted earnings per share = $\frac{\text{Net profit after tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of diluted Equity Shares outstanding during the period/years}}$
- (iii) Return on Net Worth = $\frac{\text{Net Profit, as restated, attributable to equity shareholders}}{\text{Net Worth at the end of the period/years}}$
- (iv) Net asset value per equity share = $\frac{\text{Net worth at the end of the period/years}}{\text{Total number of equity shares outstanding at the end of period/years}}$

(b) Earnings before tax, depreciation and amortisation (EBTDA) has been arrived at by adding back depreciation and tax expense to the net profit appearing in annexure II - restated summary statement of profit and loss

The following table sets forth a reconciliation of Bank's EBTDA to profit for the years:

Particulars	For the period ended 30 September 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Net Profit	778.69	1,867.43	1,108.67	(774.23)

	-	-	-	-
Add:				
Depreciation (On investment and Bank's property)	205.88	254.70	175.49	146.12
Current tax (included in Provision and Contingencies)	301.15	861.20	354.54	4.68
Deferred tax (included in Provision and Contingencies)	(36.52)	(224.47)	204.03	(329.22)
EBTDA	1,249.20	2,758.86	1,842.73	(952.65)

- (c) Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" ("AS 20") as notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014.

In accordance with the SEBI ICDR Regulations the audited financial statements of our Bank for the period ended March 31, 2020, March 31, 2019 and March 31, 2018, prepared in accordance with Indian GAAP (collectively, the "**Audited Financial Statements**") are available on our website at <https://www.utkarsh.bank/>.

Our Bank is providing a link to this website solely to comply with the requirements specified in the SEBI ICDR Regulations. The Audited Financial Statements do not constitute, (i) a part of this Draft Red Herring Prospectus; or (ii) a prospectus, a statement in lieu of a prospectus, an offering circular, an offering memorandum, an advertisement, an offer or a solicitation of any offer or an offer document or recommendation or solicitation to purchase or sell any securities under the Companies Act, the SEBI ICDR Regulations, or any other applicable law in India or elsewhere. The Audited Financial Statements should not be considered as part of information that any investor should consider subscribing for or purchase any securities of our Bank and should not be relied upon or used as a basis for any investment decision. None of our Bank or any of its advisors, nor BRLMs or the Promoter Selling Shareholder, nor any of their respective employees, directors, affiliates, agents or representatives accept any liability whatsoever for any loss, direct or indirect, arising from any information presented or contained in the Audited Financial Statements, or the opinions expressed therein.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, as per the requirements under applicable Accounting Standards i.e. Ind AS 18 'Related Party Disclosures' for Fiscal 2020, 2019 and 2018 and six month period ended September 30, 2020 and as reported in the Restated Financial Statement, see "*Financial Statements - Related Party Transactions*" beginning on page 273.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion of our financial condition and results of operations should be read in conjunction with our Financial Statements beginning on page 225. The Restated Financial Statements have been derived from audited financial statements prepared in accordance with Indian GAAP and restated as per the SEBI ICDR Regulations.

Indian GAAP differs in certain material respects from Ind AS, U.S. GAAP and IFRS. See "Risk Factors – Significant differences exist between Indian GAAP and other accounting principles, such as Ind AS, U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition" on page 56.

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" on page 21 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "– Factors affecting our Results of Operations and Financial Condition" beginning on pages 23 and 309, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Statements included in this Draft Red Herring Prospectus.

Unless the context otherwise requires, in this section, references to "we", "us", "our", "the Bank" or "our Bank" refers to Utkarsh Small Finance Bank Limited.

Unless otherwise indicated, industry and market data used in this section has been derived from the report "Report on Small Finance Bank and various loan products" dated January 2021 (the "CRISIL Report") prepared and released by CRISIL Limited and commissioned by us in connection with the Offer. Neither we, nor the BRLMs, any of their affiliates or advisors, nor any other person connected with the Offer has independently verified such information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. For further information, see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" on pages 18 to 19.

OVERVIEW

We are among the most profitable SFBs in India and among the leading SFBs in terms of return on assets and had the highest return on equity among SFBs in India in Fiscal 2020. (Source: CRISIL Report). Our Promoter, UCL, commenced its operations as a NBFC in Fiscal 2010 and was focused on providing microfinance to unserved or underserved segments and in particular in the states of Uttar Pradesh and Bihar. We are headquartered in Varanasi, Uttar Pradesh and have over the years expanded our SFB operations strategically in states where we have been able to leverage the prior microfinance experience of UCL.

On October 7, 2015, UCL received the RBI In-Principle Approval to establish an SFB, following which it incorporated Utkarsh Small Finance Bank Limited as a wholly-owned subsidiary on April 30, 2016. Subsequent to us obtaining the RBI Licence on November 25, 2016 to establish and carry on business as an SFB, UCL transferred its business of providing microfinance, as a going concern to our Bank, which commenced its operations from January 23, 2017. We were included in the second schedule to the RBI Act as a scheduled commercial bank pursuant to a notification dated October 4, 2017 issued by the RBI and published in the Gazette of India (Part III - Section 4) dated November 7, 2017.

Our operations are spread across India and are present in 18 States and Union Territories with 528 Banking Outlets and 8,729 employees, as of September 30, 2020. As of September 30, 2020, 27.08% of our Banking Outlets were located in Unbanked Rural Centres ("URCs") as against the regulatory requirement of 25% of banking outlets of SFBs to be located in URCs. Our operations are focused in rural and semi-urban areas and as of September 30, 2020, we had 2.74 million customers (both deposit and credit) majorly located in rural and semi-urban areas primarily in the states of Bihar, Uttar Pradesh and Jharkhand that have showcased strong economic growth but

with low credit penetration (*Source: CRISIL Report*). As of September 30, 2020, these states constituted 41.91%, 27.32% and 6.74% of our total Gross Loan Portfolio (based on location of the Banking Outlet), respectively. We are also focused on further strengthening our presence in newer geographies and also in existing states where we operate by entering into arrangements with business correspondents (“BCs”) and direct selling agents (“DSAs”) and as of September 30, 2020, we had tie-ups with seven BCs to source customers and 74 DSAs to grow our asset portfolio.

Given the legacy of UCL as a NBFC-MFI, microfinance remains a focused business segment for our Bank. We have been diversifying our product portfolio to include non-micro banking loans allowing us to reduce dependence on our microfinance business and grow our secured loan portfolio. We offer a range of financial products and services that address the specific requirements of our customer segments and while assessing factors including income profile and the type of security available. Our asset products include (i) microbanking loans that include joint liability group loans, individual loans and two-wheeler loans; (ii) retail loans that includes unsecured loans, such as business loans and personal loans, and secured loans, such as loans against property (“LAP”) and vehicle loans; (iii) wholesale lending that includes short term and long-term loan facilities to SMEs, mid and large corporates and institutional clients; and (iv) housing loans with a focus on affordable housing. On the liabilities side, we offer savings accounts, current accounts and a variety of term and recurring deposit accounts. In addition, 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. Our deposits have grown at a CAGR of 54.48% from ₹ 21,938.67 million as of March 31, 2018 to ₹ 52,352.12 million as of March 31, 2020 and were ₹ 59,692.98 million as of September 30, 2020. Our total number of deposit customers, that include microbanking customers to whom we also offer JLG loans, were 0.54 million, as of September 30, 2020. Our retail deposits comprised 43.81% of our total deposits while CASA as a percentage of overall deposits was 14.46%, as of September 30, 2020. We have been focusing on growing a stable and sustainable CASA base and our CASA was ₹ 8,630.15 million as of September 30, 2020.

Our 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 and as of September 30, 2020, 4,244 employees used handheld devices/ digital services for onboarding 23,070 saving account customers.

We are led by our Managing Director and chief executive officer, Mr. Govind Singh, who has over 25 years of experience in the banking and financial services sector. Our Board comprises individuals having diverse experience across industries and our Independent Directors provide strategic guidance to help improve and grow our operations. Our senior management team also has significant experience in the banking and financial services industry. Our Promoter, UCL, is an NBFC-CIC in India and is backed by a number of institutional investors including CDC Group PLC, International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, Housing Development Finance Corporation Limited, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Limited and Faering Capital India Evolving Fund.

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

Metric	As of and for the years ended March 31,			As of and for the six months ended September 30, 2020
	2018	2019	2020	
	(₹ million, except percentages)			
Gross Loan Portfolio	32,100.49	47,415.50	66,599.99	66,432.68
Disbursements	36,716.12	45,405.57	65,592.47	10,391.19
Deposits	21,938.67	37,913.87	52,352.12	59,692.98
Credit to Deposit Ratio	141.38%	123.13%	119.99%	110.68%
Capital + Reserves	3,948.89	7,727.56	10,194.99	10,973.67
Net Interest Income	2,511.58	5,170.85	7,282.24	4,194.05
Net Interest Margin	8.21%	10.78%	10.13%	8.64%* [4.32%]
Operating Profit (After provisions, excluding tax provisions)	(1,098.77)	1,667.24	2,504.16	1,043.32
Profit After Tax	(774.23)	1,108.67	1,867.43	778.69
Return on Average Assets	(2.38)%	2.21%	2.51%	1.52%*

Metric	As of and for the years ended March 31,			As of and for the six months ended September 30, 2020
	2018	2019	2020	
	(₹ million, except percentages)			
				[0.76%]
Return on Average Equity	(23.25)%	15.97%	20.32%	14.64%*
				[7.32%]
Average Yield	16.38%	18.76%	18.19%	16.20%*
				[8.10%]
Cost of Funds	8.85%	9.28%	9.40%	8.50%*
				[4.25%]
CASA + Retail Term Deposit Ratio (as percentage of total deposits)	15.26%	31.79%	48.16%	58.27%
CASA Ratio	5.31%	10.01%	13.50%	14.46%
Provision Coverage Ratio (including technical write off)	83.79%	97.49%	95.64%	100.34%
Cost to Income Ratio	79.23%	57.07%	57.63%	52.41%
Gross NPA	1.85%	1.39%	0.71%	0.64%
Net NPA	1.04%	0.12%	0.18%	(0.01)%

*Annualized. Figures in square brackets represent unannualized figures

As of March 31, 2018, 2019 and 2020 and as of September 30, 2020 our CRAR was 16.96% (Tier I capital of 12.46%), 24.14% (Tier I capital of 20.34%), 22.19% (Tier I capital of 19.41%) and 24.87% (Tier I capital of 19.02%), respectively. Our Bank's provisioning and write-off policy is more stringent than norms prescribed by the RBI.

We have the lowest gross and net NPA ratios among SFBs in India, as of March 31, 2020 (*Source: CRISIL Report*). As of September 30, 2020, our gross NPAs were ₹ 426.61 million and accounted for 0.64% of our Gross Advances, while our net NPAs were ₹ (8.53) million and accounted for (0.01)% of our net advances. As of September 30, 2020, gross NPAs in our microbanking, MSME, wholesale and housing loan segments accounted for 0.58%, 2.62 %, 0.00% and 0.68% of our Gross Advances, respectively. Our low NPA ratios have resulted in us obtaining high credit ratings from rating agencies and our certificate of deposit programme has the highest rating of "[ICRA] A1+" by ICRA and non-convertible debentures, long term – tier II bonds and long term bank facilities have a rating of "CARE A (Stable)" by CARE and "[ICRA] A (Stable)" from ICRA.

Our endeavour is to be a retail focused bank with the aim of providing financial services and quality products and solutions. We intend to develop and offer a comprehensive suite of assets and liabilities products that will help us attract new customers and deepen our relationship with our existing customer base. We intend to continue to grow our asset portfolio by offering new products that cater to all customer segments. We also intend to scale up our liabilities franchise by focussing on newer geographies including targeting top 100 cities in terms of overall deposits, including tapping metropolitan and urban areas by promoting our savings accounts and other deposit products. We expect technology to be a key enabler for our operations and we will look to enhance our digital capabilities through our internet and mobile banking application and other digital channels and undertake data analytics to gain deeper insights into customer trends and develop customized products for our customer segments. We intend to further the growth through diversification of product our offerings, customer segments and geography supported by technology, process and data analytics.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The impact of COVID-19 on our results of operations and financial condition

In late 2019, COVID-19 emerged and by March 11, 2020 was declared a global pandemic by The World Health Organization. Governments around the world instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, and closure of non-essential businesses. By the end of March, the macroeconomic impact became significant, exhibited by, among other things, a rise in unemployment and market volatility.

Effective March 24, 2020 consequent to the lockdown orders announced by the Indian Government, the operations in our Banking Outlets were affected and a substantial section of our employees had to work remotely. Additionally, many of our customers, service providers and business correspondents/ direct selling agents temporarily ceased operating their respective enterprises. While the Government of India has notified that all the

states may allow economic activities to function normatively, the trajectory of the eventual outcome remains uncertain and contingent on the future path of the viral outbreak and the effectiveness of measures to counter it. As a result, while our financial results for Fiscal 2020 reflect historical trends for the most part, we experienced a decline in collections, reduced disbursements and deposit mobilization due to the impact of COVID-19 and various regulatory measures in response to COVID-19, including moratorium availed by customers. The impact of the pandemic on our business, operations and future financial performance include, but are not limited to the following:

- decline in collections as most of our collections are cash-based given our microbanking portfolio and involve physical presence of our employees, which has not been possible due to the nation-wide lockdown and travel restrictions that have been imposed. This decline in collections could persist through and beyond a recessionary period.
- decline in disbursements due to reduced economic activity in the six months ended September 30, 2020, particularly for our microbanking and retail loans portfolio.
- increase in our NPA levels due to deterioration in the credit quality of our customers. While most of these borrowers had opted for the moratoriums available, there can be no assurance that our customers will be able to make timely repayments. As a result, we may experience higher NPAs than anticipated due to our borrower's reduced ability to make timely repayments. However, the full impact of the pandemic on our asset quality may be realized only once the moratorium periods have lifted and the relevant asset classification periods have subsequently lapsed. We may therefore be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19.
- Adverse impacts to our income and growth rates – particularly if operating expenses do not decrease at the same pace as revenue declines. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as employee benefit expenses, depreciation and other costs associated with operating and maintaining our Banking Outlets. As such, we may not be able to decrease them significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on long-term outlook and investment opportunities.
- The shift to a remote working environment creates inherent productivity, connectivity, and oversight challenges. The extent and/ or duration of ongoing workforce restrictions and limitations may result in us adopting alternative modes of introducing and growing our new products and services.
- Reduction in policy rates may be passed on to customers, however, there may not be a corresponding reduction in borrowing costs in-line with the reduction in policy rates.

In addition, the RBI has issued guidelines on March 27, 2020, April 17, 2020 and May 23, 2020 in an effort to contain the impact of the COVID-19 pandemic on the financial services sector. Under these guidelines, all term loans are eligible for moratoriums on instalments and working capital facilities on interest due during a period of three months, i.e., from March 1, 2020 to May 31, 2020. This was subsequently extended by another period of three months, i.e., until August 31, 2020 by the RBI, contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Such moratorium period shall be excluded by the lending institutions (including SFBs) for calculating the number of days past-due for the purpose of asset classification under the income recognition and asset classification norms prescribed by the RBI, in respect of all accounts classified as standard as on February 29, 2020.

In line with these guidelines, we have provided a moratorium to eligible borrowers, even if overdue, as on February 29, 2020, on the payment of all principal amounts and/ or interest, as applicable, falling due between March 1, 2020 to August 31, 2020, resulting in a decline in our collections during such period. Additionally, the matter of declaring accounts as NPAs if such accounts were not declared as NPAs till August 31, 2020, has been kept on hold by the Supreme Court, vide an interim order dated September 3, 2020, has also directed banks that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders, pending disposal of the case by the Supreme Court. The Supreme Court, through its order dated December 17, 2020 has reserved its judgment on these matters. For further information relating to the moratorium option exercised by our customers for the months of June 2020, July 2020, August 2020 and September 30, 2020, see “Our Business – Recent Development – Impact of COVID – 19 – Collection Efficiencies and Moratorium Information” on page 134.

The RBI guidelines also require us to make provisions of up to 10% on loans that were overdue but standard as of February 29, 2020 and were extended COVID related Moratorium. In order to address the impact of the COVID-19 pandemic on our Bank's business and in line with the RBI guidelines on COVID-19 regulatory package, our Bank made COVID-19 related provisions amounting to ₹ 14.01 million and ₹ 14.01 million in Fiscal 2020 and in the six months ended September 30, 2020, respectively for loans overdue but standard. In addition, the Bank created provision of ₹ 499.57 million and ₹ 950.00 million, in Fiscal 2020 and the six months ended September 30, 2020, respectively as COVID-19 specific provision to address future impact of COVID-19 on the financial position of our Bank. Amongst other changes/ impact, this provision impacted the net profit of our Bank which was ₹ 1,867.43 million in Fiscal 2020 and was ₹ 778.69 million in the six months ended September 30, 2020. In view of the evolving COVID-19 situation, there is no assurance that the provisions created by our Bank will be sufficient and our Bank may be required to make additional provisions in the future. Further, any unexpected or onerous requirements or regulations resulting from the pandemic or any changes in laws, or the promulgation of new laws, rules and regulations relating to our operations as a response to the pandemic may have a material adverse effect on our business, financial condition and results of operations.

Any resulting financial impact due to the above cannot be reasonably estimated at this time. In addition, we cannot predict the impact that the COVID-19 pandemic will have on our customers and their financial conditions; however, any material effect on these parties could adversely impact us. As a result of these uncertainties, the impact may vary significantly from that estimated by our management from time to time, and any action to contain or mitigate such impact, whether government-mandated or opted by us, may not have the anticipated effect or may fail to achieve its intended purpose altogether. Existing insurance coverage may not provide protection for all costs that may arise from all such possible events. Further, all our revenues are generated in India. As India is an emerging economy with limited medical resources and certain places with dense populations, the effects of COVID-19 in India may be of a greater magnitude, scope and duration than those experienced to date in other countries.

As of the date of this Draft Red Herring Prospectus, there is significant uncertainty relating to the severity of long-term adverse impact of the COVID-19 pandemic on the global economy, global financial markets and the Indian economy, and we are unable to accurately predict the long-term impact of the COVID-19 pandemic on our business. According to the RBI, the Indian economy has likely entered into a technical recession at the end of the first half of Fiscal 2021. The growth in nominal GDP during Fiscal 2021 is estimated at - 4.2% (*Source: Ministry of Statistics and Programme Implementation, Press note January 7, 2021*). To the extent that the COVID-19 pandemic adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this section.

Diversification of product offerings and geographies

We focus on customer segments that are unbanked or underbanked in terms of formal financing channels and believe that diversification of our business with respect to the products we offer is a key component of our success. As an SFB we have diversified our product portfolio that was primarily focused on microbanking products to now include retail loans including unsecured loans such as business loans and personal loans, and secured loans, such as loans against property, wholesale lending that includes short term and long-term loan facilities to SMEs, mid and large corporates and institutional clients and housing loans with a focus on affordable housing. Our micro banking and retail loan products are primarily aimed at customers that are not a part of the formal banking infrastructure. By increasing the proportion of secured to unsecured products, we aim to enhance the quality of our credit portfolio and build a scalable, sustainable and stable portfolio. Our secured advances have grown from ₹ 2,933.24 million as of March 31, 2018 to ₹ 5,236.40 million as of March 31, 2020 and were ₹ 6,779.91 million as of September 30, 2020. Our liability product portfolio comprises deposits, savings and investment options for customers in areas across demographics. Our deposits have grown at a CAGR of 54.48% from ₹ 21,938.67 million as of March 31, 2018 to ₹ 52,352.12 million as of March 31, 2020, and was ₹ 59,692.98 million as of September 30, 2020. We also offer customers with ATM-cum-debit cards and generate fee income from distribution of third party products such as insurance and mutual fund products. Our business is dependent on developing and introducing financial products and services relevant to our target customer segment on competitive terms and increasing our customer base for existing products as well as expanding our operations.

Based on bank credit accounts in rural areas, Bihar and Uttar Pradesh have more than 50% of total credit accounts in rural areas. Uttar Pradesh and Bihar have a relative low CRISIL Inclusix score, indicating low financial inclusion which presents a huge untapped market and headroom for improvement and growth in the region (*Source: CRISIL Report*). These areas offer potential for growth on account of being under penetrated and we believe that our deep understanding of the customer segments in rural and semi-urban areas and under-penetrated geographies coupled with our significant presence in these areas allows us to cater to the financing requirements

of potential customers. Historically our operations were focused in the states of Uttar Pradesh, where we are headquartered and also in Bihar and Jharkhand. As of March 31, 2020 and as of September 30, 2020, 77.77% and 75.97% of our Gross Loan Portfolio was generated from 89 districts in Bihar, Uttar Pradesh and Jharkhand, respectively. We have been able to expand our operations to other states in India. Our strategic diversification has helped us contain our operational costs and grow our Gross Loan Portfolio. We cannot assure you that such diversification or expansion of operations will in future yield and/ or continue to yield favourable or expected results, as our overall profitability and success will be subject to various other factors.

Regulatory Developments

Our results of operations and continued growth depend on stable government policies and regulation. The banking industry in India is subject to extensive regulation by governmental organizations and regulatory bodies such as the RBI. These regulations govern various aspects of our business including loans and advances, investments, deposits, risk management, foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, know-your customer and anti-money laundering, and provisioning for NPAs. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented, with an objective to provide tighter control and more transparency in India's banking sector. As an SFB, we are required to comply with such rules and regulations, which affect our business, operations, cash flows, profitability and financial condition.

Under the Operating Guidelines for Small Finance Banks dated October 6, 2016 issued by the RBI ("**SFB Operating Guidelines**"), we are required to maintain a minimum capital adequacy ratio of 15% of the risk weighted assets ("**RWAs**") on a continuous basis, to be computed as per the Basel II norms prescribed by RBI, including a minimum Tier I capital of at least 7.5% of the RWAs, and the Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, we are not required to maintain any capital conservation buffer or any counter-cyclical capital buffer. Our total capital to risk weighted asset ratio (CRAR) (as a percentage of RWA) was 16.96%, 24.14%, 22.19% and 24.87%, as of March 31, 2018, 2019 and 2020 and as of September 30, 2020, respectively. Further, we are subject to cash reserve ratio ("**CRR**") requirement as prescribed under RBI regulations. CRR is our balance held in a current account with the RBI and is calculated as a specified percentage of our net demand and time liabilities, excluding interbank deposits. Under the CRR requirements, we are required to maintain a minimum of 3.00% (i.e., a reduction from 4.00% and such reduction effective until March 26, 2021), of our eligible demand and time liabilities in a current account with the RBI on an average fortnightly basis and on a particular day, the minimum daily maintenance of CRR should be 90% of prescribed CRR. The RBI by its circular dated June 26, 2020, reduced the CRR from 90% of the prescribed CRR to 80% effective the fortnight beginning March 28, 2020 till June 26, 2020. Keeping in view the continuing hardships faced by banks in terms of social distancing of staff and consequent strains on reporting requirements, it was decided to extend the relaxation of the minimum daily maintenance of CRR of 80% for a further period of three months, i.e., up to September 25, 2020. In addition, we are also required to maintain, under the current requirements, a SLR equivalent to 18% of our NDTL, to be invested in state or central Government or other RBI-approved securities. We are also required to extend 75% of our ANBC to the sectors eligible for classification as priority sector lending by the RBI, while 40% of its adjusted net bank credit shall be allocated to different sub-sectors under priority sector lending as per the extant priority sector lending prescriptions, the SFB can allocate the balance of 35% to any one or more sub-sectors under priority sector lending where it has competitive advantage, maximum loan size and investment limit exposure to a single and group obligor being restricted to 10% and 15% of its capital funds, respectively, at least 50% of its loan portfolio should constitute loans and advances of up to ₹2.5 million. In addition, as of September 30, 2020, 27.08% of our Banking Outlets were located in Unbanked Rural Centres ("**URCs**") as against the regulatory requirement of 25% of banking outlets of SFBs to be located in URCs. We stand to benefit from the recent re-classification norms prescribed by the RBI which prescribe that from Fiscal 2022, our Banks' incremental priority sector credit to certain districts will be eligible for a PSL weightage of 125% and 100%, respectively. As of September 30, 2020 loan portfolio towards these districts accounted for 50.35% and 38.96% of our JLG portfolio, respectively.

Further, certain requirements that are applicable to SFBs in terms of the SFB Licensing Guidelines, SFB Operating Guidelines, and other banking laws and regulations, are more stringent in comparison to scheduled commercial banks and non-banking financial companies, and have and will continue to limit our ability to carry out certain businesses and improve our prospects, in order to ensure compliance. In addition, the SFB model is relatively new to India, and uncertainty in the applicability, interpretation or implementation of the governing law, specifically due to the absence of administrative or judicial precedent may be time consuming as well as costly for us to resolve. Our inability to comply with laws and regulations applicable to an SFB may have an adverse effect on our business, results of operations, financial condition and cash flows.

Strengthening our retail liability franchise to contain Cost of Funds

Our retail deposits have significantly grown from ₹ 2,183.32 million as of March 31, 2018 to ₹ 18,145.19 million as of March 31, 2020, and was ₹ 26,154.17 million as of September 30, 2020 and accounted for 34.66% and 43.81% of our total deposits, as of March 31, 2020 and as of September 30, 2020, respectively. Our retail deposits provide us with stable access to low cost funding and longer tenure borrowings. As a result, our Cost of Funds has reduced from 8.85% in Fiscal 2018 to 8.50% (annualized) / 4.25% (unannualized) in the six months ended September 30, 2020. We intend to continue to strengthen our retail liability franchise by opening branches in new geographies. We also intend to gradually expand our network of Banking Outlets to ensure optimum utilization of resources.

Our primary source of funds is our relatively low-cost deposit base, which is largely derived from retail depositors in India. To continue to source low cost and stable funds through deposits, we intend to develop a granular retail deposit customer base. Over the next few years while we will focus on acquiring new liability customers, we also intend to capitalise on our asset customer base by optimally utilising cross sell opportunities of our liability offerings by launching products customised for their needs. We intend to develop products and services designed for our rural, semi-urban as well as urban retail customers. Expansion of our deposit base through measured expansion of our Banking Outlets will also be a focus in the near future. For further information on growth of our retail liability franchise, see “*Our Business – Strategies*” beginning on page 131. As we focus on growing our deposit base through strategic expansion of our network, any new Banking Outlets we establish may not be profitable immediately upon their opening or may take time to break even. While we may generate higher deposits from these Banking Outlets, failure to do so within a reasonable period may adversely impact our profitability.

Operating expenses and productivity levels

Following the commencement of our operations as a SFB, we have incurred significant expenditure and expect to continue to incur further expenditure on expanding our network of Banking Outlets, human resources and information technology platforms for our operations. Our ability to continue to improve our cost-to-income ratio largely depends on our ability to contain our infrastructure costs and improve productivity levels. Our cost-to-income ratio for Fiscal 2018, 2019 and 2020 and the six months ended September 30, 2020 was 79.23%, 57.07%, 57.63% and 52.41%, respectively.

Our network of Banking Outlets has grown from 164 Banking Outlets as of March 31, 2018 to 507 Banking Outlets as of March 31, 2020 and had 528 Banking Outlets as of September 30, 2020. Of the total Banking Outlets, 143 outlets are present in URCs as of September 30, 2020, in accordance with RBI guidelines to have at least 25% of outlets at such centres. We intend to gradually open additional Banking Outlets in new geographies to expand our presence while also in the geographies where we are currently present to strengthen our base in such states. We intend to expand in a cost effective manner based on our growth plan and believe this approach has resulted in our low operating costs. Through stringent monitoring and cost approval processes, we have made efforts to minimize expenditure incurred towards our physical infrastructure. We have achieved relatively lower spend on branch infrastructure with comparatively small-sized premises and quality amenities. As our Banking Outlets and general banking operations mature, we expect that over the long-term, our cost-to-income ratio will decrease as we achieve benefit of scale and due to a relative shift towards non-micro lending, which tend to be lower margin products than micro loans.

From Fiscal 2018 to Fiscal 2020, we have invested ₹ 637.07 million towards our technology infrastructure that includes all software purchased and licensed, our core banking solution, investments towards ATMs and computer hardware related capital expenditure. We have partnered with a technology service provider for our core banking system. Our expenses for these services, as well as for our hardware including computers and other equipment are staggered over future periods, enabling us to better manage our expenses and productivity levels. We measure our performance and operational efficiency through productivity levels, and seek to consistently improve our productivity through rigorous monitoring and technology adoption. To this extent, we have carried out digitization of our processes including carrying out electronic KYC checks. We also use technology and analytics to regularly monitor and measure our performance and manage credit risk.

The productivity levels of our Banking Outlets network may vary according to the stage of operations of a Banking Outlet and the number of customers that the Banking Outlet is able to serve. Our Gross Loan Portfolio per banking outlet (including URCs) was ₹ 131.36 million and ₹ 125.82 million Fiscal 2020 and in the six months ended September 30, 2020, respectively. Our number of customers (borrowers and depositors) per Banking Outlet were 5,425 as of March 31, 2020 and were 5,183 as of September 30, 2020.

Asset quality, NPAs and provisioning requirements

Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. In addition to requiring us to make a provision on standard assets, the RBI requires us to classify and, depending on the duration of non-payment, make a provision on loans that become NPAs, which are further sub-classified as sub-standard, doubtful and loss assets. As the number of our loans that become NPAs increases, the credit quality of our loan portfolio decreases. In accordance with RBI norms, we are required to classify loans that are over 90 days past due as an NPA.

Our Bank's provisioning and write-off policy is as below and is more stringent than the norms prescribed by the RBI. For instance, for substandard assets, we make provision ranging from 40% to 100% depending on the days that the asset has been a NPA. Our standard asset provisioning is also stringent at 0.50% of JLG advances compared with the regulatory requirement of 0.25%. In addition, we provide floating provision equivalent to 20% of standard asset provisioning. As of September 30, 2020, we have an outstanding floating provision of ₹ 68.27 million on our outstanding standard portfolio. We have also provided for a COVID-19 provision of ₹ 499.57 million and ₹ 950.00 million for Fiscal 2020 and the six months ended September 30, 2020.

The following table illustrates our asset quality ratios as of the dates indicated:

	As of March 31,			As of September 30, 2020
	2018	2019	2020	
NPAs				
Gross NPA/ Gross Advances (%)	1.85%	1.39%	0.71%	0.64%
Net NPAs / Net Advances (%)	1.04%	0.12%	0.18%	(0.01)%

Our credit quality is dependent upon our credit appraisal processes and recovery mechanisms. With the growth of our business, our ability to manage the credit quality of our loans will be a key driver to our results of operations, as quality loans help reduce the risk of losses from loan impairment and write-offs.

We believe that the quality of our credit function, resulting in effective credit evaluation measures, as well as our systematic processes such as verification of borrower risk profile, source of repayment, underlying collateral and disbursement and collection processes, effective portfolio monitoring and timely corrective interventions have enabled us to maintain relatively low levels of NPAs. Our ability to reduce or contain the level of our NPAs is also dependent on a number of factors beyond our control, such as increased competition, adverse effect on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behavior and demographic patterns, central and state government decisions (including agricultural loan waivers) and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI. Any increase in the level of final credit losses or an inability to maintain our asset quality may adversely affect our NPA levels and require us to increase our provisions and write-offs.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. Our provision coverage ratio (including floating provision), excluding technical write offs was 43.99%, 91.32%, 75.16% and 101.99% in Fiscal 2018, 2019 and 2020 and in the six months ended September 30, 2020, respectively, and there can be no assurance that our provision coverage ratio will continue to increase or that it may not decline in the future. We may need to make further provisions if there is dilution/ deterioration in the quality of our security or down-grading of the account or recoveries with respect to such NPAs do not materialize in time or at all. This increase in provisions may adversely impact our financial performance.

Interest rate volatility

Our results of operations depend substantially on our Net Interest Income, which is the difference between our interest earned and interest expended. Interest earned is the largest component of our total income, and represented 91.98%, 93.94%, 92.99% and 94.20% of our total income in Fiscal 2018, 2019 and 2020 and in the six months ended September 30, 2020, respectively. Our Net Interest Income is affected by our interest expense, which is largely dependent on our deposits and associated interest rates. In Fiscal 2018, 2019 and 2020 and in the six months ended September 30, 2020, the total interest expended represented 40.17%, 45.21%, 47.52% and 48.50%, respectively, of our total expenditure. Accordingly, the magnitude and timing of interest rate changes in the asset and liability markets as well as the relative gradient of the rate curves, have a significant impact on our Net Interest Margins and our profitability. Movements in short and long-term interest rates affect our interest earned and

interest expended.

Prior to operating as an SFB, as an NBFC we met our funding requirements through a combination of term loans from banks and financial institutions, issuance of non-convertible debentures, refinancing arrangements, securitization/ assignment of receivables, and issuance of commercial paper. On transitioning into an SFB, our borrowings are subject to inter-bank borrowing limits, at par with scheduled commercial banks prescribed by RBI and thus our primary sources of funding have been deposits and refinancing from refinance institutions such as SIDBI and NABARD. Our ability to replace bank borrowings with customer deposits in order to fund our loans has allowed us to reduce our cost of funds. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds in a timely manner by creating a stable deposit base which in turn is function of suitable interest rates and terms. Our Net Interest Income is affected by debt service costs and costs of funds, which depend on external factors such as the status of bank lending rates in India, in particular, interest rate movements, as well as internal factors such as changes in our credit rating based on our growth, performance and profitability. Any change in our credit ratings may alter interest rates for refinancing our outstanding debt, which would affect our financing costs, and impact our future issuances of debt and our ability to raise new capital on a competitive basis.

We may also be affected by changes in RBI repo rates, which impact the interest rates charged on interest-earning assets and the interest rates paid on interest-bearing liabilities. Interest rates have a substantial effect on our cost of funding, our business volume and our profit margin. In addition, as there are varying maturity periods applicable to our interest-bearing assets and interest-bearing liabilities, a change in interest rates may result in an increase in interest expense relative to interest income leading to a reduction in our Net Interest Income.

Competition

We have a limited operating history as an SFB and the success of our banking operations depends on a number of factors, including the demand for our services and our ability to compete with other banks and financial institutions effectively. The banking and financing sector in India is highly competitive and we face competition in all our principal areas of business. We face our most significant organized competition from other SFBs, NBFCs, microfinance institutions and cooperative banks which have significant presence in rural areas, public sector banks, private sector banks, housing finance companies and other financial services companies in India. In addition, many of our potential customers in economically weaker segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at higher interest rates. In the organized sector, our competitors may have a better brand recognition, greater business experience, more diversified operations, greater customer and depositor base, wider network of branches and better access to, and lower costs of funding than we do. Further, the RBI has issued Guidelines for On-Tap Licensing of SFBs in the Private Sector on December 5, 2019, which permits applicants to apply for SFB license to the RBI at any time, subject to fulfilment of certain eligibility criteria and other conditions. We anticipate that this will increase competition within small finance banks operating in India, including our Bank. Further, consolidation in the industry driven by the merger of other banks is likely to further increase competition by creating larger, more homogeneous and potentially stronger competitors in the market. Increase in operations of existing competitors or entry of additional banks offering similar or a wider range of products and services could also increase competition. Further, with the advent of technology based initiatives and alternative modes of banking, we may face increased competition in this sector, which may in turn impact our revenues and profitability. We also face competition from specialized fintech companies who could disrupt our origination, sales and distribution process. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows.

Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business, future financial performance and the trading price of the Equity Shares. See *“Risk Factors – The Indian banking industry is very competitive and if we are unable to compete effectively it would adversely affect our business, financial condition, results of operations and cash flows.”* on page 39.

Transition to Ind AS and impact on preparation and presentation of our future financial statements

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to our Bank. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial statements for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all

scheduled commercial banks (except regional rural banks) to comply with Ind AS for financial statements commencing April 1, 2018 and also required such entities to prepare and submit proforma Ind AS financial statements to the RBI since the six months ended September 30, 2016. In compliance of such regulatory requirements, we have continued to submit such proforma Ind AS financial statements every quarter since June 2018 to the RBI. However, the RBI, through its notification dated March 22, 2019, decided to defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including our Bank, are not permitted to undertake early adoption of Ind AS. Accordingly, we continue to prepare and present our financial statements under Indian GAAP.

However, as a subsidiary of UCL, our Promoter, which was required to prepare its financial statements in accordance with Ind AS with effect from April 1, 2018, we were also required to prepare financial statements in accordance with Ind AS for the limited purpose of inclusion in UCL's consolidated financial statements. Our Ind AS financial statements have not been made publicly available by us, as these were only prepared for the limited purpose of inclusion in UCL's consolidated financial statements. However, in accordance with the RBI Circular DoR (NBFC) (PD) CC. No. 117/03.10.001/2020-21 dated August 13, 2020, since our Promoter, UCL, is a 'Core Investment Company' ("CIC"), it is required to upload its annual report on its website which includes UCL's annual consolidated Ind AS financial statements. Consequently, our Bank's Ind AS financial information is to an extent indirectly publicly available, as may be derived from or reflected in the publicly available consolidated Ind AS financial information of UCL.

The Restated Financial Statements included in this DRHP are based on our Indian GAAP audited financial statements for Fiscals 2018, 2019 and 2020 and the six months ended September 30, 2020 which have been restated in accordance with the SEBI ICDR Regulations. Since Ind AS differs in many respects from Indian GAAP, our Ind AS financial statements prepared for the limited purpose of inclusion in UCL's consolidated financial statements are therefore also not comparable to our Restated Financial Statements included herein. The key areas of difference between Indian GAAP and Ind AS as it applies to our Bank include accounting of financial instruments, effective interest rate accounting, accounting of fee income, fair value of ESOP calculation, leasing and calculation of credit cost and accounting for investment in available for sale and held to maturity category. Further, our Ind AS financial statements prepared for the limited purpose of inclusion in UCL's consolidated financial statements may also not be comparable to our future Ind AS financial statements when Ind AS is made applicable to scheduled commercial banks and the RBI has issued relevant interpretative guidance with respect thereto. In addition, given the relatively recent introduction of Ind AS in India, and in particular since under applicable regulations Ind AS is still not applicable to scheduled commercial banks, there is limited established practice available for drawing informed judgments regarding the implementation and application of Ind AS to the financial statements of scheduled commercial banks, and consequently our Bank.

To the extent that the Ind AS financial information relating to our Bank can be indirectly derived from the consolidated Ind AS financial statements of UCL as well as related investor presentations and investor interaction information made available publicly in the ordinary course by UCL as a CIC entity, investors are cautioned against placing reliance on such Ind AS financial information relating to our Bank. Investors should rely solely on our Restated Financial Statements included in this DRHP and to be included in the RHP for an assessment of our financial position and any investment decision.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

- a) Interest income on loan portfolio is recognised in the restated summary statement of profit and loss on accrual basis, however interest on delayed payment of principal for micro finance ('JLG') customers will be recognized on collection basis except for the moratorium period (i.e. March 2020 to August 2020) where such interest will be recognized on accrual basis. In the case of interest on non-performing advances ("NPA") where it will be recognized upon realization as per the prudential norms of RBI.
- b) Recoveries in respect of all past due loan accounts including classified as NPA are to be appropriated towards charges, interest, overdue and thereafter towards principal except for JLG loans where such recoveries would be appropriated towards instalment(s) outstanding.
- c) Fees paid / received for priority sector lending certificates ("PSLC") is recognised upfront.

- d) Recoveries in respect of debts written off are recognized in the year in which such amounts are recovered and the same are disclosed under 'other income'.
- e) Profit/ premium arising at the time of securitization / assignment of loan portfolio is amortized over the life of the underlying loan portfolio / securities and any loss arising therefrom is recognized immediately. Income from interest strip (excess interest spread) is recognized in the restated summary statement of profit and loss net of any losses when redeemed in cash. Interest retained under assignment of loan receivables is recognized on realization basis over the life of the underlying loan portfolio.
- f) Loan processing fees collected from the borrowers is recognized over the tenure of the loan.
- g) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate.
- h) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due.
- i) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.
- j) Dividend is accounted on an accrual basis when the right to receive the dividend is established.
- k) All other fees are accounted for as and when they become due.

Advances

Accounting and Classification

Advances are stated net of bills rediscounted and provisions made in respect of NPA's. Advances are classified as performing and NPA based on the relevant RBI guidelines.

Provisioning

Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under RBI guidelines with regard to the prudential norms on income recognition, asset classification and provisioning prescribed from time to time. In case of restructured accounts, provision is made for erosion/ diminution in fair value of restructured loans, in accordance with RBI guidelines.

The Bank also maintains provision on standard assets to cover potential credit losses which are inherent in any loan portfolio in accordance with RBI guidelines. However, provisioning rates prescribed by RBI are the regulatory minimum, and Bank may make additional provisions in respect of advances to stressed sectors of the economy as approved by the Board from time to time.

Floating Provision

The Bank recognises floating provision as per the Board approved policy, which is in addition to the specific and general provisions made by the Bank. The floating provision is utilised, with the approval of Board and RBI, in case of contingencies which do not arise in the normal course of business and are exceptional and non-recurring in nature and for making specific provision for impaired loans as per the requirement of extant RBI guidelines or any regulatory guidance / instructions. Floating provisions are netted off from gross advances to arrive at net advances.

Investments

Classification and valuation of Bank's Investments is carried out in accordance with RBI circular DBR No BP.BC.6/21.04.141/2015-16 dated 1 July 2015 and Fixed Income Money Market and Derivatives Association ('FIMMDA') and Financial Benchmark India Private Limited ('FBIL') guidelines prescribed in this regard from time to time.

Classification

Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' (HTM) categories at the time of purchase.

Investments that are acquired with an intention to hold till maturity are classified as “HTM”.

Investments that are held primarily for sale within 90 days from the date of purchase are classified as “HFT”.

Investments, which are not classified in the above two categories, are classified as ‘AFS’. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities.

The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and state government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

For the purpose of disclosure in the financial statements, the Investments are classified under six groups (a) government securities, (b) other approved securities, (c) shares, (d) debentures and bonds, (e) subsidiaries/ joint ventures, and (f) others. Investments are classified as performing or non-performing as per RBI guidelines. Non performing investments are subjected to prudential norms for classification, valuations and operation of investment portfolio by banks prescribed from time to time.

Valuation

Investments classified as ‘Held to Maturity’ securities need not to be marked to market and will be carried at acquisition cost, unless it is more than the face value, in which the premium should be amortised over the period remaining to maturity. Where in the opinion of the management, a diminution, other than temporary in the value of investments classified under HTM has taken place, appropriate provisions are made.

Investments classified as AFS and HFT are marked-to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

Treasury bills, commercial papers and certificates of deposit are valued at carrying cost including the pro rata discount accrued for the holding period.

Quoted investments are valued at traded quoted price available on the recognized stock exchanges, subsidiary general ledger account transactions are valued as per the price list of RBI or prices declared by Primary Dealers Association of India (‘PDAI’) jointly with FIMMDA/ FBIL applicable as at the balance sheet date. For deriving market value of unquoted fixed income securities (other than Central and State Government securities), yields / mark-up rates (reflecting associate credit risk) declared by the FIMMDA / FBIL are considered.

Quoted Mutual Fund units are valued as per stock exchange quotes and un-quoted mutual fund units are valued at last available re-purchase price or Net Asset Value where re-purchase price is not available.

Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available, or at ₹ 1, as per RBI guidelines.

Disposal of investments

Profit/ loss on sale of investments under the aforesaid three categories is recognized in the restated summary statement of profit and loss. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from restated summary statement of profit and loss to “capital reserve” in accordance with the RBI Guidelines.

Transfer between categories

Transfer of investments between categories is accounted in accordance with the extant RBI guidelines:

- a) Transfer from AFS/HFT to HTM is made at the lower of book value or market value at the time of transfer.
- b) Transfer from HTM to AFS/HFT is made at acquisition price/ amortised cost if originally placed in HTM at par or at a discount and at amortised cost if originally placed in HTM at a premium.

- c) Transfer from AFS to HFT category or vice-versa is made at book value and the provision for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against the HFT securities or vice-versa.

Repurchase transactions

Repurchase ('Repo') and reverse repurchase ('Reverse Repo') transactions including liquidity adjustment facility (with RBI) are accounted for as borrowing and lending transactions respectively. Accordingly, securities given as collateral under an agreement to repurchase them continue to be held under the investment account of the Bank and the Bank would continue to accrue the coupon/discount on the security during the repo period. The Bank continues to value the securities sold under repo as per the investment classification of the security. Borrowing cost on repo transactions is accounted for as interest expense and income on reverse repo transactions are accounted for as interest income.

Broken period interest, brokerage etc.

Broken period interest and costs such as brokerage paid at the time of acquisition of the security are charged to the restated summary statement of profit and loss.

Fixed assets and depreciation/ amortization

Tangible assets

Tangible fixed assets are accounted for at cost less accumulated depreciation and accumulated impairment losses. Cost includes freight, duties, taxes and all other directly attributable expenditures towards acquisition and installation of assets before it is ready for commercial use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Tangible fixed assets under construction and tangible fixed assets acquired but not ready for their intended use will be disclosed as capital work-in-progress.

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. Depreciation on assets sold during the year is charged to the restated summary statement of profit and loss up to the date of sale. Assets costing less than ₹ 5,000 are fully depreciated in the year of purchase. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then the depreciation is provided at a higher rate based on management's estimate of the useful life/remaining useful life. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of fixed assets which are in accordance with lives prescribed under Schedule II of Act.

Leasehold improvements are amortised on straight line basis over the primary period of the lease or the estimated useful life of the assets, whichever is lower.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognized in the restated summary statement of profit and loss.

Intangible assets

Intangible assets that are acquired by the Bank are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss. Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

Intangible assets are amortized in the restated summary statement of profit and loss over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Intangible assets are amortized on straight line basis. Computer software are amortized on straight line basis over their estimated useful life of three years.

Impairment

In accordance with AS-28- Impairment of assets, the Bank assesses at each balance sheet date whether there is any indication of impairment of assets based on internal / external factors. If any such indication exists, the Bank

estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount will be reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the restated summary statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

Derivative

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the balance sheet or reporting dates.

Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the restated summary statement of profit and loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the restated summary statement of profit and loss in the relevant period.

The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the restated summary statement of profit and loss. Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the balance sheet date.

Lease transactions

A lease is classified at the inception date as finance lease or an operating lease. Assets taken on lease where the Bank acquires substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance lease is capitalised at the commencement of the lease at an amount equal to lower of its fair value and present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of lease liability so as to achieve constant rate of interest on the remaining balance of the liability. The rental obligations, net of finance charges, are reflected as borrowings. Finance charges are recognised as finance costs in the restated summary statement of profit and loss.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Operating lease rentals are recognised as and when the payments are made over the lease terms.

Provisions and contingencies

The Bank recognizes a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

Segment reporting

The disclosures relating to segment reporting is done in accordance with AS 17 'Segment Reporting' and as per guidelines issued by the RBI.

Priority Sector Lending Certificates

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 trades in Priority Sector portfolio by selling or buying Priority Sector Lending Certificates (“**PSLCs**”). There is no transfer of risk on loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an ‘Expense’ and the fee received for the sale of PSLCs is treated as ‘Miscellaneous Income’.

For further information, see “*Financial Statements – Annexure 22 – Significant Accounting Policies*” on page 239.

CHANGES IN ACCOUNTING POLICIES

Our Bank has changed the accounting policy to recognize floating provision at 20% of provision on standard assets that resulted in a reduction in profit after tax by ₹ 7.29 million in Fiscal 2018 and increase in profit after tax by ₹ 15.28 million in Fiscal 2019. The cumulative impact of this change was accounted for in Fiscal 2019.

Interest income on loan portfolio is recognised in the restated summary statement of profit and loss on an accrual basis, however interest on delayed payment of principal for microbanking (JLG) customers is recognized on collection basis except for the moratorium period (i.e., between March 2020 to August 2020) where such interest will be recognized on accrual basis.

Except as disclosed above and elsewhere in the Draft Red Herring Prospectus, there have been no changes in our accounting policies during Fiscal 2018, 2019 and 2020 and in the six months ended September 30, 2020, except for the changes as necessitated by applicable laws.

PRINCIPAL COMPONENTS OF INCOME AND EXPENDITURE

Income

Interest Earned

Interest earned consists of interest on advances, income on investments, interest on balances with Reserve Bank of India and other inter-bank funds, and other interest.

Other Income

Other income consists principally of (i) commission, exchange and brokerage, primarily including, processing fee income on loan portfolio; (ii) profit/ (loss) on the sale/ redemption of investments (net); and (iii) miscellaneous income, which includes income from priority sector lending certificates (“**PSLC**”), recoveries from advances written off, ATM interchange fee income, income from distribution of third party products, transaction and service charges and other income.

Expenditure

Interest Expended

Interest expended include interest on deposits, interest on Reserve Bank of India/ inter-bank borrowings, and other interest such as interest on borrowings from refinance agencies, interest on debentures, interest on finance lease obligations, and subordinated debt and other interest expenses.

Operating Expenses

Our operating expenses, includes, (i) payments to and provision for employees, (ii) rent, taxes and lighting, (iii) printing and stationery, (iv) advertisement and publicity, (v) depreciation on the Bank’s property, (vi) directors’ fees/ remuneration, allowances and expenses, (vii) auditors’ fee and expenses, (viii) law charges, (ix) postage, telegrams, telephones, etc., (x) repairs and maintenance, (xi) insurance, and (xii) other expenditure, including professional fees, information technology expenses, security and housekeeping expenses, commission on BCs and ATM interchange fees.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision made towards NPAs (including advances and technical write off); (ii) provision for standard assets and floating provision, (iii) provision for income tax/ wealth tax, (iv)

provisions made towards deferred tax (net), (v) provision made towards depreciation on investments, and (vi) provision for COVID-19 and provision on SMA due to COVID-19 and other provisions.

RESULTS OF OPERATIONS

SIX MONTHS ENDED SEPTEMBER 30, 2020

The following table sets forth certain information with respect to our results of operations for the six months ended September 30, 2020:

Particulars	Six months ended September 30, 2020	
	(₹ million)	Percentage of total income
Income		
Interest earned	7,867.27	94.20%
Other income	484.62	5.80%
Total	8,351.89	100.00%
Expenditure		
Interest expended	3,673.22	43.98%
Operating expenses	2,452.05	29.36%
Provisions and contingencies	1,447.93	17.34%
Total	7,573.20	90.68%
Profit		
Net profit for the period	778.69	9.32%

Income

Total income amounted to ₹ 8,351.89 million in the six months ended September 30, 2020 primarily consisting of interest earned.

Interest Earned

Interest earned amounted to ₹ 7,867.27 million in the six months ended September 30, 2020 primarily comprising interest on advances of ₹ 6,944.10 million, income on investments of ₹ 657.95 million and other interest income on balance with RBI and other inter-bank funds and others of ₹ 265.03 million. Gross Loan Portfolio amounted to ₹ 66,432.68 million in the six months ended September 30, 2020 primarily comprising microbanking loans of ₹ 56,760.11 million, retail assets loan products of ₹ 3,238.77 million, housing loan of ₹ 1,262.67 million wholesale loan of ₹ 3,738.82 million and BC loans of ₹ 1,232.29 million.

Other Income

Other income amounted to ₹ 484.62 million in the six months ended September 30, 2020, primarily consisting of miscellaneous income of ₹ 316.39 million, including PSLC income of ₹ 192.70 million, ATM interchange fee & ATM Advertisement Income of ₹ 18.50 million, service charges of ATM, debit cards, SMS and cheque bounce and cheque book issue charges of ₹ 9.92 million and insurance commission of ₹ 21.68 million, gain/loss on sale of investment of ₹ 20.24 million and commission, exchange and brokerage income of ₹ 147.99 million.

Expenditure

Total expenditure amounted to ₹ 7,573.20 million in the six months ended September 30, 2020 comprising interest expended, operating expenses and provisions and contingencies.

Interest Expended

Interest expended amounted to ₹ 3,673.22 million in the six months ended September 30, 2020 consisting of interest on deposits of ₹ 2,357.88 million and other interest. Deposits amounted to ₹ 59,692.98 million as of September 30, 2020. Other interest, including interest on borrowing from refinance agencies of ₹ 1081.98 million, interest on finance lease of ₹ 8.85 million and interest on NCD of ₹ 176.00 million, amounted to ₹ 1,900.00 million in the six months ended September 30, 2020.

Operating Expenses

Operating expenses amounted to ₹ 2,452.05 million in the six months ended September 30, 2020 primarily comprising (i) payments to and provisions for employees of ₹ 1,458.08 million; (ii) other expenditure of ₹ 473.15

million, including banking software charges of ₹ 162.39 million, staff fooding and training of ₹ 23.31 million, ATM Fee of ₹ 9.51 million, commission on BCs of ₹ 72.32 million and security expenses of ₹ 49.71 million; (iii) rent, taxes and lighting of ₹ 176.80 million; and (iv) depreciation on Bank's property of ₹ 130.01 million.

Provisions and Contingencies

Provisions and contingencies amounted to ₹ 1,447.93 million in the six months ended September 30, 2020, primarily comprising provision for income tax/ wealth tax of ₹ 301.15 million and provision made towards NPAs-advances of ₹ 93.37 million. In the six months ended September 30, 2020, our Bank also created a provision for mark-to-market depreciation of 'available for sale' investments portfolio of ₹ 75.87 million and a provision on COVID-19 amounting to ₹ 950.00 million on account of the uncertain and volatile market environment as a result of the COVID-19 pandemic. Further, our Bank created a provision on SMA due to COVID-19 of ₹ 14.01 million in accordance with the minimum provision required by the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020.

Profit

For the reasons discussed above, net profit for the period was ₹ 778.69 million in the six months ended September 30, 2020.

FISCAL 2020 COMPARED TO FISCAL 2019

The following table sets forth certain information with respect to our results of operations for Fiscal 2019 and 2020:

Particulars	Fiscal 2019		Fiscal 2020	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Income				
Interest earned	9,002.04	93.94%	13,076.87	92.99%
Other income	580.45	6.06%	985.55	7.01%
Total	9,582.49	100.00%	14,062.42	100.00%
Expenditure				
Interest expended	3,831.19	39.98%	5,794.63	41.21%
Operating expenses	3,282.16	34.25%	4,764.83	33.88%
Provisions and contingencies	1,360.47	14.20%	1,635.53	11.63%
Total	8,473.82	88.43%	12,194.99	86.72%
Profit				
Net profit for the year	1,108.67	11.57%	1,867.43	13.28%

Income

Total income increased by 46.75% from ₹ 9,582.49 million in Fiscal 2019 to ₹ 14,062.42 million in Fiscal 2020 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 45.27% from ₹ 9,002.04 million in Fiscal 2019 to ₹ 13,076.87 million in Fiscal 2020, primarily due to an increase in interest on advances by 44.43% from ₹ 8,255.15 million in Fiscal 2019 to ₹ 11,922.72 million in Fiscal 2020 on account of an increase in advances. Gross Loan Portfolio increased by 40.46% from ₹ 47,415.50 million in Fiscal 2019 to ₹ 66,599.99 million in Fiscal 2020 primarily on account of an increase in microbanking loans portfolio by 43.63% from ₹ 40,769.93 million in Fiscal 2019 to ₹ 58,558.04 million in Fiscal 2020, retail loan portfolio by 49.24% from ₹ 1,649.31 million in Fiscal 2019 to ₹ 2,461.39 million in Fiscal 2020 other loan products (including business correspondent, housing loans and wholesale loans) by 11.69% from ₹ 4,996.26 million in Fiscal 2019 to ₹ 5,580.57 million in Fiscal 2020 and increase in the number of Banking Outlets from 436 as of March 31, 2019 to 507 as of March 31, 2020. Income on investments also increased by 54.18% from ₹ 614.60 million in Fiscal 2019 to ₹ 947.58 million in Fiscal 2020, as a result of increase in investment to meet SLR requirements and surplus liquidity maintained in SLR and non-SLR securities as part of prudent liquidity risk management strategy. Interest on balances with RBI and other inter-bank funds increased by 57.18% from ₹ 130.77 million in Fiscal 2019 to ₹ 205.55 million in Fiscal 2020, primarily due to increase in the interest in the liquidity adjustment facility ("LAF") with RBI.

Other Income

Other income increased by 69.79% from ₹ 580.45 million in Fiscal 2019 to ₹ 985.55 million in Fiscal 2020, primarily due to increase in commission, exchange and brokerage income, profit on sale of investments (net) and miscellaneous income.

Commission, exchange and brokerage significantly increased by 72.42% from ₹ 165.00 million in Fiscal 2019 to ₹ 284.49 million in Fiscal 2020 on account of relatively higher processing fee income due to higher disbursements in Fiscal 2020 compared to Fiscal 2019. Further, profit on sale of investments (net) was ₹ 7.50 million in Fiscal 2020, on account of sale of Government securities, compared to a loss on sale of investment ₹ 16.52 million in Fiscal 2019 on account adverse movement in interest rates. Miscellaneous income, primarily comprising of income from sale of PSLC, recovery from written-off accounts, ATM related income, transaction fees and income from sale of third party products increased by 60.56% from ₹ 431.97 million in Fiscal 2019 to ₹ 693.56 million in Fiscal 2020. Income from sale of PSLC increased from ₹ 242.80 million in Fiscal 2019 to ₹ 452.70 million in Fiscal 2020 as a result of higher PSL portfolio in Fiscal 2020.

Expenditure

Total expenditure increased by 43.91% from ₹ 8,473.82 million in Fiscal 2019 to ₹ 12,194.99 million in Fiscal 2020 primarily on account of an increase in interest expensed and operating expenses.

Interest Expended

Interest expended increased by 51.25% from ₹ 3,831.19 million in Fiscal 2019 to ₹ 5,794.63 million in Fiscal 2020, primarily due to a significant increase in interest on deposits by 76.86% from ₹ 2,338.98 million in Fiscal 2019 to ₹ 4,136.77 million in Fiscal 2020 on account of increase in deposits. Deposits increased by 38.08% from ₹ 37,913.87 million as of March 31, 2019 to ₹ 52,352.12 million as of March 31, 2020 on account of increase in Banking Outlets from 436 as of March 31, 2019 to 507 as of March 31, 2020 and addition of new customers. Other interest also increased by 20.08% from ₹ 1,332.22 million in Fiscal 2019 to ₹ 1,599.69 million in Fiscal 2020 primarily due to interest on borrowing from refinance agencies, interest on finance lease and interest on non-convertible debentures. This was partially offset by a decrease in interest on RBI/ inter-bank borrowings which significantly decreased from ₹ 159.99 million in Fiscal 2019 to ₹ 58.17 million in Fiscal 2020 on account of decrease in inter bank borrowings and borrowings from RBI due to lower borrowings by our Bank.

Operating Expenses

Operating expenses increased by 45.17% from ₹ 3,282.16 million in Fiscal 2019 to ₹ 4,764.83 million in Fiscal 2020 primarily due to an increase in payments to and provisions for employees by 40.51% from ₹ 1,865.73 million in Fiscal 2019 to ₹ 2,621.61 million in Fiscal 2020 on account of increase in number of employees from 6,282 employees as of March 31, 2019 to 8,831 employees as of March 31, 2020. Rent, taxes and lighting increased by 67.60% from ₹ 208.31 million in Fiscal 2019 to ₹ 349.11 million in Fiscal 2020 primarily due to increase in the number of Banking Outlets from 436 as of March 31, 2019 to 507 as March 31, 2020, particularly in our general Banking Outlets where rent expenses are relatively higher. There was also an increase in printing and stationery expenses from ₹ 54.39 million in Fiscal 2019 to ₹ 109.19 million in Fiscal 2020 primarily due to increase in number of customers, and law charges from ₹ 18.91 million in Fiscal 2019 to ₹ 145.37 million in Fiscal 2020 primarily due to increase in legal filings, credit rating fees, stamp duty, and consultancy and professional charges. Depreciation on the Bank's property increased by 37.60% from ₹ 184.65 million in Fiscal 2019 to ₹ 254.08 million in Fiscal 2020. Repairs and maintenance expenses also increased by 69.56% from ₹ 72.44 million in Fiscal 2019 to ₹ 122.83 million in Fiscal 2020 due to increase in Banking Outlets. In addition, other expenditure, primarily comprising professional charges, service charges for core banking software, ATM, travelling and other expenses, increased by 34.53% from ₹ 718.38 million in Fiscal 2019 to ₹ 966.41 million in Fiscal 2020, on account of increase in payment to outsourced vendors, including, payments for increased volume, increase in payment to credit bureaus, fees for ATM interchange fees and commission to BCs.

Provisions and Contingencies

Provisions and contingencies increased by 20.22% from ₹ 1,360.47 million in Fiscal 2019 to ₹ 1,635.53 million in Fiscal 2020, primarily due to provision on COVID-19 and increase in provision for income tax/ wealth tax. Our Bank created a provision on SMA due to COVID-19 of ₹ 14.01 million in accordance with the minimum provision required by the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020. In addition to the minimum provisions required by the RBI, our Bank created an additional provision on COVID-19 of ₹ 499.57 million on account of the uncertain and volatile market environment as a result of COVID-

19. Provision for income tax/ wealth tax increased from ₹ 369.79 million in Fiscal 2019 to ₹ 861.20 million in Fiscal 2020 due to increase in profit. Provision on standard assets increased from ₹ 46.05 million in Fiscal 2019 to ₹ 188.22 million in Fiscal 2020 on account of increase in standard asset provision for microbanking loans from 0.25% in Fiscal 2019 to 0.50% in Fiscal 2020.

The increase in COVID-19 provision was offset by a decrease in provision made towards NPAs by 65.77% from ₹ 755.80 million in Fiscal 2019 to ₹ 258.74 million in Fiscal 2020 on account of lower fresh NPA slippages. Further, there was a decrease in provisions made towards deferred tax (net) from ₹ 204.03 million in Fiscal 2019 compared to ₹ (224.47) million in Fiscal 2020 primarily on account of the provision on COVID-19, increase in provision on standard assets and floating provision, and increase in processing fees.

Profit

For the reasons discussed above, net profit for the year was ₹ 1,867.43 million in Fiscal 2020 as compared ₹ 1,108.67 million in Fiscal 2019.

FISCAL 2019 COMPARED TO FISCAL 2018

The following table sets forth certain information with respect to our results of operations for Fiscal 2018 and 2019:

Particulars	Fiscal 2018		Fiscal 2019	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Income				
Interest earned	5,010.64	91.98%	9,002.04	93.94%
Other income	436.90	8.02%	580.45	6.06%
Total	5,447.54	100.00%	9,582.49	100.00%
Expenditure				
Interest expended	2,499.06	45.88%	3,831.19	39.98%
Operating expenses	2,336.06	42.88%	3,282.16	34.25%
Provisions and contingencies	1,386.65	25.45%	1,360.47	14.20%
Total	6,221.77	114.21%	8,473.82	88.43%
Profit				
Net profit/ (loss) for the year	(774.23)	(14.21%)	1,108.67	11.57%

Income

Total income significantly increased by 75.91% from ₹ 5,447.54 million in Fiscal 2018 to ₹ 9,582.49 million in Fiscal 2019 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 79.66% from ₹ 5,010.64 million in Fiscal 2018 to ₹ 9,002.04 million in Fiscal 2019, primarily due to an increase in interest on advances by 84.74% from ₹ 4,468.62 million in Fiscal 2018 to ₹ 8,255.15 million in Fiscal 2019 on account of increase in advances. Gross Loan Portfolio increased by 47.71% from ₹ 32,100.49 million in Fiscal 2018 to ₹ 47,415.50 million in Fiscal 2019 primarily on account of an increase in microbanking portfolio by 43.43% from ₹ 28,424.26 million in Fiscal 2018 to ₹ 40,769.93 million in Fiscal 2019 and increase in the number of Banking Outlets from 164 as of March 31, 2018 to 436 as of March 31, 2019. Income on investments also increased by 54.51% from ₹ 397.78 million in Fiscal 2018 to ₹ 614.60 million in Fiscal 2019, as a result of increase in investment to meet SLR requirements and surplus liquidity maintained in SLR and non-SLR securities as part of prudent risk management strategy. This was partially offset by a marginal decrease in interest on balances with RBI and other inter-bank funds, which decreased by 8.22% from ₹ 142.48 million in Fiscal 2018 to ₹ 130.77 million in Fiscal 2019, primarily due to maturity of the fixed deposits placed with banks, including security deposits for grandfathered borrowings, which refer to the borrowings undertaken prior to conversion to an SFB.

Other Income

Other income increased by 32.86% from ₹ 436.90 million in Fiscal 2018 to ₹ 580.45 million in Fiscal 2019, primarily due to increase in commission, exchange and brokerage income and miscellaneous income. Commission, exchange and brokerage increased by 21.19% from ₹ 136.15 million in Fiscal 2018 to ₹ 165.00

million in Fiscal 2019 on account of increase in processing fees due to higher disbursements. Miscellaneous income increased by 36.45% from ₹ 316.58 million in Fiscal 2018 to ₹ 431.97 million in Fiscal 2019 due to recovery from written off accounts increased from ₹ 28.94 million in Fiscal 2018 to ₹ 102.27 million in Fiscal 2019. In addition, (i) insurance commission increased from ₹ 4.32 million in Fiscal 2018 to ₹ 20.28 million in Fiscal 2019, (ii) ATM interchange fees increased from ₹ 5.35 million in Fiscal 2018 to ₹ 16.52 million in Fiscal 2019 and (i) other miscellaneous income increased from ₹ 34.21 million in Fiscal 2018 to ₹ 113.83 million in Fiscal 2019 primarily on account of write off collection amounting to ₹ 102.27 million in 2019.

Expenditure

Total expenditure increased by 36.20% from ₹ 6,221.77 million in Fiscal 2018 to ₹ 8,473.82 million in Fiscal 2019 on account of an increase in interest expensed and operating expenses.

Interest Expended

Interest expended increased by 53.31% from ₹ 2,499.06 million in Fiscal 2018 to ₹ 3,831.19 million in Fiscal 2019, primarily due to a significant increase in interest on deposits from ₹ 572.71 million in Fiscal 2018 to ₹ 2,338.98 million in Fiscal 2019 on account of increase in deposits. Deposits increased by 72.82% from ₹ 21,938.67 million as of March 31, 2018 to ₹ 37,913.87 million as of March 31, 2019 on account of increase in Banking Outlets from 164 as of March 31, 2018 to 436 as of March 31, 2019 and addition of new customers. This was partially offset by a decrease in interest on RBI/ inter-bank borrowings by 62.92% from ₹ 431.50 million in Fiscal 2018 to ₹ 159.99 million in Fiscal 2019 due to decrease in inter-bank borrowings primarily due to repayment of grandfathered borrowings during Fiscal 2019, and other interests by 10.88% from ₹ 1,494.85 million in Fiscal 2018 to ₹ 1,332.22 million in Fiscal 2019 primarily due to interest on borrowing from refinance agencies, interest on finance lease and interest on non-convertible debentures.

Operating Expenses

Operating expenses increased by 40.50% from ₹ 2,336.06 million in Fiscal 2018 to ₹ 3,282.16 million in Fiscal 2019 primarily due to an increase in payments to and provisions for employees by 47.40% from ₹ 1,265.76 million in Fiscal 2018 to ₹ 1,865.73 million in Fiscal 2019 on account of increase in employees from 5,142 employees as of March 31, 2018 to 6,282 employees as of March 31, 2019. Rent, taxes and lighting increased by 30.07% from ₹ 160.15 million in Fiscal 2018 to ₹ 208.31 million in Fiscal 2019 primarily due to increase in Banking Outlets from 164 as of March 31, 2018 to 436 as of March 31, 2019. There was also an increase in postage, telegrams, telephones, etc. expenses from ₹ 32.87 million in Fiscal 2018 to ₹ 69.47 million in Fiscal 2019, primarily to due to increase in number of customers and Banking Outlets. Repairs and maintenance expenses increased by 50.85% from ₹ 48.02 million in Fiscal 2018 to ₹ 72.44 million in Fiscal 2019, on account of increase in Banking Outlets. Depreciation on the Bank's property increased by 30.06% from ₹ 141.98 million in Fiscal 2018 to ₹ 184.65 million in Fiscal 2020. In addition, other expenditure, primarily comprising of professional charges, service charges for core banking software and ATM, travelling and other expenses, increased by 18.07% from ₹ 608.43 million in Fiscal 2018 to ₹ 718.38 million in Fiscal 2019, on account of increase in payment to outsourced vendors including payments for increased volume, increase in payment to credit bureaus, payment to consultants and commission to BCs.

Provisions and Contingencies

Provisions and contingencies marginally decreased by 1.89% from ₹ 1,386.65 million in Fiscal 2018 to ₹ 1,360.47 million in Fiscal 2019, primarily due to a significant increase in provision for deferred tax (net) from ₹ (329.22) million in Fiscal 2018 to ₹ 204.03 million in Fiscal 2019 and provision for income tax/ wealth tax also significantly increased from ₹ 4.68 million in Fiscal 2018 to ₹ 369.79 million in Fiscal 2019 on account of increase in profit. In addition, provisions made towards NPAs – advances increased by ₹ 237.55 million in Fiscal 2018 to ₹ 336.78 million in Fiscal 2019 due to higher NPA slippages in Fiscal 2019. This increase was partially offset by provision made towards NPAs, which decreased significantly from ₹ 1,663.30 million in Fiscal 2018 to ₹ 755.80 million in Fiscal 2019 due to higher write-offs in Fiscal 2018 on account of demonetisation.

Profit

For the reasons discussed above, net profit for the year was ₹ 1,108.67 million in Fiscal 2019 compared to net loss for the years of ₹ 774.23 million in Fiscal 2019.

FINANCIAL CONDITION

Assets

The table below sets out the principal components of our assets as of the dates indicated:

	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million)			
Cash and balances with the Reserve Bank of India	2,055.64	1,575.73	1,916.58	1,933.95
Balance with banks and money at call and short notice	3,631.90	3,590.59	14,223.94	9,606.05
Investments	6,612.74	8,622.07	11,923.88	23,977.42
Net Advances	31,017.18	46,681.66	62,815.97	66,065.81
Fixed assets	756.97	898.82	1,097.97	1,405.96
Other assets	864.91	1,019.58	2,064.83	1,959.81
Total	44,939.34	62,388.45	94,043.17	104,949.00

Total assets increased by 11.60% from ₹ 94,043.17 million as of March 31, 2020 to ₹ 104,949.00 million as of September 30, 2020. This increase was primarily due to an increase in investments.

Total assets increased by 50.74% from ₹ 62,388.45 million as of March 31, 2019 to ₹ 94,043.17 million as of March 31, 2020. This increase was primarily due to an increase in advances, investments and balance with banks and money at call and short notice.

Total assets increased by 38.83% from ₹ 44,939.34 million as of March 31, 2018 to ₹ 62,388.45 million as of March 31, 2019. This increase was primarily due to an increase in advances and investments.

Advances

The following table sets forth a breakdown of total advances as of the dates indicated:

	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million)			
Bills, purchased and discounted	-	-	-	-
Cash credits, overdrafts and loans repayable on demand	-	1,265.65	391.30	195.05
Term loans	31,017.18	45,416.01	62,424.67	65,870.76
Total	31,017.18	46,681.66	62,815.97	66,065.81
Secured by tangible assets (includes advances against fixed deposits and book debts)	2,933.24	4,396.27	5,236.40	6,779.91
Covered by bank/ government guarantees	-	-	-	-
Unsecured	28,083.94	42,285.39	57,579.57	59,285.90
Total	31,017.18	46,681.66	62,815.97	66,065.81
Advances in India				
Priority sector	28,504.39	42,073.73	57,369.48	58,945.60
Public sector	-	-	-	-
Banks	-	950.54	39.07	-
Others	2,512.79	3,657.39	5,407.42	7,120.21
Total	31,017.18	46,681.66	62,815.97	66,065.81

Advances comprise microbanking loans, retail loans, wholesale loans, housing loans and others loans, such as overdrafts and staff loans.

Total advances increased by 5.17% from ₹ 62,815.97 million as of March 31, 2020 to ₹ 66,065.81 million as of September 30, 2020 on account of IBPC redemption. Total advances also increased by (i) 34.56% from ₹ 46,681.66 million as of March 31, 2019 to ₹ 62,815.97 million as of March 31, 2020; and (ii) 50.50% from ₹ 31,017.18 million as of March 31, 2018 to ₹ 46,681.66 million as of March 31, 2019, primarily due to increase in disbursements on account of improved productivity, opening of new Banking Outlets and increase in focus on new customer acquisition.

Investments

Our investments primarily represent investments in central and state government securities, debentures and bonds, and others, such as, certificate of deposits and mutual funds.

Investments significantly increased from ₹ 11,923.88 million as of March 31, 2020 to ₹ 23,977.42 million as of September 30, 2020, primarily due to an increase in investment in government securities to meet SLR requirements and maintain surplus liquidity maintained in SLR and non-SLR securities as part of liquidity risk management. Investment in Government securities increased by 60.28% from ₹ 11,923.88 million as of March 31, 2020 to ₹ 19,111.70 million as of September 30, 2020. In addition, investment debentures and bonds increased from nil as of March 31, 2020 to ₹ 1,771.35 million as of September 30, 2020 and others (certificate of deposits and mutual funds) from nil as of March 31, 2020 to ₹ 3,094.37 million as of September 30, 2020.

Investments increased by 38.29% from ₹ 8,622.07 million as of March 31, 2019 to ₹ 11,923.88 million as of March 31, 2020, primarily due to an increase in investment in government securities to meet SLR requirements and maintain surplus liquidity maintained in SLR and non-SLR securities as part of risk management. Investment in Government securities increased by 50.49% from ₹ 7,923.11 million as of March 31, 2019 to ₹ 11,923.88 million as of March 31, 2020. This increase was offset by a decrease in investment debentures and bonds increased from ₹ 200.00 million as of March 31, 2019 to nil as of March 31, 2020 and others (certificate of deposits and mutual funds) from ₹ 498.96 million as of March 31, 2019 to nil as of March 31, 2020.

Investments increased by 30.39% from ₹ 6,612.74 million as of March 31, 2018 to ₹ 8,622.07 million as of March 31, 2019, primarily due to an increase in investment in government securities to meet SLR requirements and maintain surplus liquidity maintained in SLR as part of risk management. Investment in Government securities increased by 39.88% from ₹ 5,664.09 million as of March 31, 2018 to ₹ 7,923.11 million as of March 31, 2019. This increase was offset by a decrease in others (certificate of deposits and mutual funds) from ₹ 748.65 million as of March 31, 2018 to ₹ 498.96 million as of March 31, 2019.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice decreased by 32.47% from ₹ 14,223.94 million as of March 31, 2020 to ₹ 9,606.05 million as of September 30, 2020. The decrease as of September 30, 2020 was primarily driven by a decrease in money at call and short notice with banks which decreased by 34.80% from ₹ 14,050.00 million as of March 31, 2020 to ₹ 9,160.00 million as of September 30, 2020 primarily due to lower funds placed with RBI under LAF. This decrease was marginally offset by an increase in balances with banks in current accounts, which increased from ₹ 138.12 million as of March 31, 2020 to ₹ 417.86 million as of September 30, 2020.

Balances with banks and money at call and short notice significantly increased from ₹ 3,590.59 million as of March 31, 2019 to ₹ 14,223.94 million as of March 31, 2020. The increase as of March 31, 2020 was primarily driven by an increase in funds placed with RBI under LAF from ₹ 2,950.00 million as of March 31, 2019 to ₹ 13,800.00 million as of March 31, 2020. This increase was offset by a decrease in balances with banks (i) in current accounts, which decreased from ₹ 198.74 million as of March 31, 2019 to ₹ 138.12 million as of March 31, 2020; and (ii) in other deposit accounts, which decreased from ₹ 141.85 million as of March 31, 2019 to ₹ 35.82 million as of March 31, 2020.

Balances with banks and money at call and short notice marginally decreased by 1.14% from ₹ 3,631.90 million as of March 31, 2018 to ₹ 3,590.59 million as of March 31, 2019. The decrease as of March 31, 2019 was primarily driven by decrease in balances with banks in other deposit accounts, which decreased by 85.55% from ₹ 981.94 million as of March 31, 2018 to ₹ 141.85 million as of March 31, 2019 due to maturity of deposits and balances with banks in current accounts, which decreased from ₹ 449.96 million as of March 31, 2018 to ₹ 198.74 million as of March 31, 2019. In addition, money at call and short notice with other institutions also decreased from ₹ 400.00 million as of March 31, 2018 to nil as of March 31, 2019. This decrease was offset by an increase in money at call and short notice with banks by 80.56% from ₹ 1,800.00 million as of March 31, 2018 to ₹ 3,250.00 million as of March 31, 2019 primarily due to funds placed with RBI under LAF of ₹ 2,950.00 million as of March 31, 2019 compared to no such fund placed with RBI under LAF as of March 31, 2018.

Other Assets

Other assets primarily include interest accrued, tax paid in advance/ tax deducted at source (net of provision for tax), deferred tax asset (net), and others.

Other assets decreased by 5.09% from ₹ 2,064.83 million as of March 31, 2020 to ₹ 1,959.81 million as of September 30, 2020. The decrease as of September 30, 2020 was primarily driven by a decrease in others by

10.42% from ₹ 775.47 million as of March 31, 2020 to ₹ 694.64 million as of September 30, 2020 primarily on account of decline in interest accrued on advances due to decrease in interest earning in microbanking portfolio. In addition, tax paid in advance/ tax deducted at source (net of provision) decreased from ₹ 95.37 million as of March 31, 2020 to nil as of September 30, 2020. This decrease was offset by an increase in interest accrued by 4.24% from ₹ 818.83 million as of March 31, 2020 to ₹ 853.51 million as of September 30, 2020 and deferred tax assets (net) by 9.73% from ₹ 375.16 million as of March 31, 2020 to ₹ 411.66 million as of September 30, 2020.

Other assets significantly increased from ₹ 1,019.58 million as of March 31, 2019 to ₹ 2,064.83 million as of March 31, 2020. The increase as of March 31, 2020 was primarily driven by an increase in interest accrued from ₹ 396.40 million as of March 31, 2019 to ₹ 818.83 million as of March 31, 2020 on account of increase in Gross Loan Portfolio. Deferred tax assets (net) also increased from ₹ 150.67 million as of March 31, 2019 to ₹ 375.16 million as of March 31, 2020. In addition, others increased by 86.91% from ₹ 414.89 million as of March 31, 2019 to ₹ 775.47 million as of March 31, 2020 primarily on account of increase in operations of our Bank.

Other assets increased by 17.88% from ₹ 864.91 million as of March 31, 2018 to ₹ 1,019.58 million as of March 31, 2019. The increase as of March 31, 2019 was primarily driven by a significant increase interest accrued from ₹ 83.64 million as of March 31, 2018 to ₹ 396.40 million as of March 31, 2019 on account of increase in Gross Loan Portfolio. Other assets also increased by 3.65% from ₹ 400.30 million as of March 31, 2018 to ₹ 414.89 million as of March 31, 2019 primarily on account of increase in input tax credits, security deposits of premises and securitization receivables. This increase was offset by a decrease in deferred tax assets (net) by 57.52% from ₹ 354.70 million as of March 31, 2018 to ₹ 150.67 million as of March 31, 2019.

Capital and Liabilities

The table below sets out the principal components of our shareholders' funds and liabilities as of the dates indicated:

	As of March 31,			As of September 30, 2020
	2018	2019	2020	
	(₹ million)			
Capital	4,700.50	7,370.50	7,592.72	7,592.72
Reserves and surplus	(751.61)	357.06	2,602.27	3,380.95
Deposits	21,938.67	37,913.87	52,352.12	59,692.98
Borrowings	17,888.47	14,297.67	26,750.37	28,092.17
Other liabilities and provisions	1,163.31	2,449.35	4,745.69	6,190.18
Total	44,939.34	62,388.45	94,043.17	104,949.00

Total capital and liabilities increased by (i) 11.60% from ₹ 94,043.17 million as of March 31, 2020 to ₹ 104,949.00 million as of September 30, 2020; (ii) 50.74% from ₹ 62,388.45 million as of March 31, 2019 to ₹ 94,043.17 million as of March 31, 2020; and (iii) 38.83% from ₹ 44,939.34 million as of March 31, 2018 to ₹ 62,388.45 million as of March 31, 2019, primarily due to increase in deposits and capital and reserves and surplus.

Deposits

The following table sets forth a breakdown of our Bank's deposits, as well as the percentage of total deposits that each item contributes, as of the dates indicated:

	As of March 31,						As of September 30, 2020	
	2018		2019		2020		2020	
	Amount (₹million)	Percentage of total deposits (%)	Amount (₹million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)
Demand Deposits								
(i) from banks	74.01	0.34%	81.70	0.22%	78.25	0.15%	38.26	0.06%
(ii) from others	426.12	1.94%	780.55	2.06%	1,113.37	2.13%	1,339.71	2.24%
Saving Bank Deposits	665.15	3.03%	2,932.11	7.73%	5,875.02	11.22%	7,252.18	12.15%
Term Deposits								
(i) from		59.81%		40.64%		35.13%		28.81%

	As of March 31,						As of September 30,	
	2018		2019		2020		2020	
	Amount (₹million)	Percentage of total deposits (%)	Amount (₹million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)
banks	13,121.03		15,408.10		18,390.20		17,195.56	
(ii) from others	7,652.36	34.88%	18,711.41	49.35%	26,895.28	51.37%	33,867.27	56.74%
Total	21,938.67	100.00%	37,913.87	100.00%	52,352.12	100.00%	59,692.98	100.00%

Deposits mainly comprise term deposits, savings bank deposits and demand deposits.

Deposits increased by (i) 14.02% from ₹ 52,352.12 million as of March 31, 2020 to ₹ 59,692.98 million as of September 30, 2020; (ii) 38.08% from ₹ 37,913.87 million as of March 31, 2019 to ₹ 52,352.12 million as of March 31, 2020; and (iii) 72.82% from ₹ 21,938.67 million as of March 31, 2018 to ₹ 37,913.87 million as of March 31, 2019 primarily due to increase in our network of Banking Outlets and new customer acquisition.

Borrowings

Borrowings primarily comprise borrowings from the RBI, other banks, other institutions and agencies, tier 2 capital in the form of unsecured redeemable debentures and term loans, finance lease obligations and non-convertible debentures.

Our borrowings increased by 5.02% from ₹ 26,750.37 million as of March 31, 2020 to ₹ 28,092.17 million as of September 30, 2020, primarily attributable to an increase in borrowing in the form of bonds and debentures (subordinated debt qualifying as Tier 2 capital) from ₹ 1,900.00 million as of March 31, 2020 to ₹ 3,850.00 million as of September 30, 2020 on account of new tier 2 capital raising of ₹ 1,950.00 million, and borrowings from financial institutions by ₹ 22,515.00 million as of March 31, 2020 to ₹ 22,975.80 million as of September 30, 2020.

Our borrowings significantly increased by 87.10% from ₹ 14,297.67 million as of March 31, 2019 to ₹ 26,750.37 million as of March 31, 2020, primarily attributable to an increase in borrowings from financial institutions from ₹ 7,625.00 million as of March 31, 2019 to ₹ 22,515.00 million as of March 31, 2020 primarily on account of refinancing borrowings raised by our Bank to maintain enhanced liquidity surplus during the COVID-19 pandemic. This increase was offset by a decrease in borrowings outside India in the form of debentures which decreased from ₹ 1,735.55 million as of March 31, 2019 to nil as of March 31, 2020.

Our borrowings decreased by 20.07% from ₹ 17,888.47 million as of March 31, 2018 to ₹ 14,297.67 million as of March 31, 2019, primarily attributable to a decrease in borrowings outside India in the form of debentures by ₹ 2,895.55 million as of March 31, 2018 to ₹ 1,735.55 million as of March 31, 2019 on account of repayment of grandfathered borrowings. Borrowings in India from other banks also decreased from ₹ 2,887.89 million as of March 31, 2018 to ₹ 1,209.09 million as of March 31, 2019. In addition, borrowings in the form of bonds and debentures (excluding subordinated debt) decreased by 46.03% from ₹ 2,585.00 million as of March 31, 2018 to ₹ 1,395.00 million as of March 31, 2019. This decrease was offset by an increase in borrowings in India from financial institutions by 62.07% from ₹ 4,704.76 million as of March 31, 2018 to ₹ 7,625.00 million as of March 31, 2019 on account of refinance borrowings from NABARD and SIDBI.

Other Liabilities and Provisions

Other liabilities and provisions represent bills payable, interest accrued, others (including provisions) and comprising contingent provisions against standard assets, and other liabilities.

Other liabilities and provisions increased by 30.44% from ₹ 4,745.69 million as of March 31, 2020 to ₹ 6,190.18 million as of September 30, 2020, primarily due to an increase in (i) other liabilities (including provisions) by 63.00% from ₹ 2,019.70 million as of March 31, 2020 to ₹ 3,292.08 million as of September 30, 2020 on account of increase in COVID-19 specific provision from ₹ 499.57 million as of March 31, 2020 to ₹ 1,449.57 million as of September 30, 2020; and (ii) interest accrued by 6.10% from ₹ 2,329.73 million as of March 31, 2020 to ₹ 2,471.90 million as of March 31, 2020.

Other liabilities and provisions significantly increased by 93.75% from ₹ 2,449.35 million as of March 31, 2019 to ₹ 4,745.69 million as of March 31, 2020, primarily due to an increase in (i) other liabilities (including

provisions) from ₹ 1,002.60 million as of March 31, 2019 to ₹ 2,019.70 million as of March 31, 2020 on account of increase in COVID-19 specific provision from nil as of March 31, 2019 to ₹ 499.57 million as of March 31, 2020; and (ii) interest accrued by 76.69% from ₹ 1,318.52 million as of March 31, 2019 to ₹ 2,329.73 million as of March 31, 2020 on account of increase in deposits.

Other liabilities and provisions significantly increased from ₹ 1,163.31 million as of March 31, 2018 to ₹ 2,449.35 million as of March 31, 2019, primarily due to an increase in interest accrued from ₹ 647.39 million as of March 31, 2018 to ₹ 1,318.52 million as of March 31, 2019 as result of increase in deposits, and other liabilities (including provisions) from ₹ 439.52 million as of March 31, 2018 to ₹ 1,002.60 million as of March 31, 2019 on account of increase in deposits.

LIQUIDITY AND CAPITAL RESOURCES

The purpose of the liquidity management function is to ensure that we have funds available to extend loans to our customers across our various products, to repay principal and interest on our borrowings and deposits and to fund our working capital requirements. As of March 31, 2018, 2019 and 2020, and September 30, 2020, we had cash and cash equivalents available for use in our operations of ₹ 5,687.54 million, ₹ 5,166.32 million, ₹ 16,140.52 million and 11,540.00 million, respectively.

We manage our liquidity position by raising funds periodically. We regularly monitor our funding levels to ensure we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. Further, some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. See *“Risk Factors - We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and suspension of further drawdowns, which may adversely affect our business, results of operations, financial condition and cash flows.”* on page 45.

CASH FLOWS

The following table sets forth certain information relating to our cash flows in the periods indicated:

Particulars	Fiscal			Six months ended September 30, 2020
	2018	2019	2020 (₹ million)	
Net cash flow (used in)/ from operating activities	9,052.84	2,181.92	1,152.07	(3,865.57)
Net cash flow (used in) investing activities	(1,985.44)	(1,760.92)	(3,221.43)	(2,087.95)
Net cash flow (used in)/ from financing activities	(3,299.82)	(942.22)	13,043.56	1,353.00
Net increase/ (decrease) in cash and cash equivalents	3,767.58	(521.22)	10,974.20	(4,600.52)
Cash and cash equivalents as at the beginning of the period/ year	1,919.96	5,687.54	5,166.32	16,140.52
Cash and cash equivalents at the end of the period/ year	5,687.54	5,166.32	16,140.52	11,540.00

Operating Activities

Six months ended September 30, 2020

In the six months ended September 30, 2020, net cash flow used in operating activities was ₹ 3,865.57 million. Profit before taxes was ₹ 1,043.32 million in the six months ended September 30, 2020 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of provision for standard assets and other contingencies of ₹ 1,000.86 million on account of provision on COVID-19, depreciation on fixed assets of ₹ 130.01 million, provision for non-performing advances (net of reversal) of ₹ 93.37 million and depreciation on investments of ₹ 75.87 million. Operating profit before working capital changes was ₹ 2,384.80 million in the six months ended September 30, 2020. The main working capital adjustments in the six months ended September 30, 2020, included increase in investments of ₹ 10,518.82 million on account of increase in investments in SLR and non-SLR securities and increase in advances of ₹ 3,343.22 million. This was significantly offset by an increase in deposits of ₹ 7,340.85 million. Income taxes paid (net) amounted to ₹ 77.30 million in the six months ended September 30, 2020.

Fiscal 2020

In Fiscal 2020, net cash flow from operating activities was ₹ 1,152.07 million. Profit before taxes was ₹ 2,504.15 million in Fiscal 2020 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of provision for standard assets and other contingencies of ₹ 739.45 million on account of provision on COVID-19 and increase in standard asset provisioning, write-off of non-performing advances of ₹ 559.58 million primarily on account of technical write-offs in wholesale lending portfolio, provision for non-performing advances (net of reversal) of ₹ (300.84) million and depreciation on fixed assets of ₹ 254.08 million. Operating profit before working capital changes was ₹ 3,872.82 million in Fiscal 2020. The main working capital adjustments in Fiscal 2020, included increase in deposits of ₹ 14,438.26 million on account of increase in deposits. This was significantly offset by an increase in advances of ₹ 16,393.05 million. Income taxes paid (net) amounted to ₹ 890.50 million in Fiscal 2020.

Fiscal 2019

In Fiscal 2019, net cash flow from operating activities was ₹ 2,181.92 million. Profit before taxes was ₹ 1,657.87 million in Fiscal 2019 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of provision for non-performing advances (net of reversal) of ₹ 336.78 million on account of increase in NPA portfolio from ₹ 574.68 million in Fiscal 2018 to ₹ 655.74 million in Fiscal 2019, write-off of non-performing advances of ₹ 298.59 million, depreciation on fixed assets of ₹ 184.65 million and other provisions and write off of ₹ 120.43 million. Operating profit before working capital changes was ₹ 2,509.55 million in Fiscal 2019. The main working capital adjustments in Fiscal 2019, included increase in deposits of ₹ 15,975.20 million on account of acquisition of new customers and addition of Banking Outlets. This was significantly offset by an increase in advances of ₹ 16,299.84 million and increase in investments of ₹ 457.72 million. Income taxes paid (net) amounted to ₹ 23.87 million in Fiscal 2019.

Fiscal 2018

In Fiscal 2018, net cash flow from operating activities was ₹ 9,052.84 million. Loss before taxes was ₹ 1,093.17 million in Fiscal 2018 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of write-off of non-performing advances of ₹ 1,425.75 million primarily on account of demonetization related write-offs, provision for non-performing advances (net of reversal) of ₹ 237.55 million and depreciation on fixed assets of ₹ 141.98 million. Operating profit before working capital changes was ₹ 925.30 million in Fiscal 2018. The main working capital adjustments in Fiscal 2018, included increase in deposits of ₹ 21,751.45 million. This was significantly offset by an increase in advances of ₹ 16,549.42 million on account of new disbursements, acquisition of new customers and addition of Banking Outlets. Income taxes paid (net) amounted to ₹ 36.98 million in Fiscal 2018.

Investing Activities

Six months ended September 30, 2020

Net cash used in investing activities was ₹ 2,087.95 million in the six months ended September 30, 2020, primarily on account of purchase of held to maturity securities of ₹ 1,649.81 million and purchase of fixed assets including capital work in progress of ₹ 438.23 million.

Fiscal 2020

Net cash used in investing activities was ₹ 3,221.43 million in Fiscal 2020, primarily on account of purchase of held to maturity securities of ₹ 2,765.66 million and purchase of fixed assets including capital work in progress of ₹ 455.91 million.

Fiscal 2019

Net cash used in investing activities was ₹ 1,760.92 million in Fiscal 2019, primarily on account of purchase of held to maturity securities of ₹ 1,593.46 million and purchase of fixed assets including capital work in progress of ₹ 309.86 million, partially offset by proceeds from sale of fixed assets of ₹ 142.40 million.

Fiscal 2018

Net cash used in investing activities was ₹ 1,985.44 million in Fiscal 2018, primarily on account of purchase of held to maturity securities of ₹ 1,165.04 million and purchase of fixed assets including capital work in progress of ₹ 820.43 million

Financing Activities

Six months ended September 30, 2020

Net cash flow from financing activities was ₹ 1,353.00 million in the six months ended September 30, 2020 on account of net proceeds from borrowings of ₹ 1,353.00 million.

Fiscal 2020

Net cash flow from financing activities was ₹ 13,043.56 million in Fiscal 2020 on account of net proceeds from borrowings of ₹ 12,443.56 million and proceeds from issue of share capital of ₹ 600.00 million.

Fiscal 2019

Net cash used in financing activities was ₹ 942.22 million in Fiscal 2019 on account of repayments of borrowings of ₹ 942.22 million.

Fiscal 2018

Net cash used in financing activities was ₹ 3,299.82 million in Fiscal 2018 on account of repayments of borrowings of ₹ 3,799.82 million, partially offset by proceeds from issue of share capital of ₹ 500.00 million.

CAPITAL ADEQUACY

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of September 30, 2020, we were required to maintain a minimum CRAR of 15.00%, based on the total capital to risk-weighted assets. The following table sets forth certain information relating to the CRAR of our Bank as of the periods indicated:

	As of and for the year ended March 31,			As of and for the six months ended September 30, 2020
	2018	2019	2020	
	(₹ million, except percentages)			
Common Equity Tier I Capital	3,469.23	7,365.27	9,545.52	10,093.16
Tier I Capital	3,469.23	7,365.27	9,545.52	10,093.16
Tier II Capital	1,254.55	1,374.13	1,363.08	3,105.47
Total Capital	4,723.78	8,739.40	10,908.60	13,198.63
Total Credit Risk Weighted Assets	27,187.27	36,210.13	49,169.48	53,072.52
Capital Adequacy Ratio				
Common Equity Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	12.46%	20.34%	19.41%	19.02%
Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	12.46%	20.34%	19.41%	19.02%
Tier II Capital Ratio (as a percentage of Credit Risk Weighted Assets)	4.50%	3.80%	2.78%	5.85%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	16.96%	24.14%	22.19%	24.87%

CREDIT RATING

The following table sets forth our credit ratings:

Particulars/ Instrument	Amount (₹million)	Rating	Rating Agency
Subordinate debt	1,900.00	CARE A (Stable)	CARE
	2,000.00	[ICRA]A (Stable)	ICRA
Certificate of deposit	10,000.00	[ICRA] A1+	ICRA

INDEBTEDNESS

As of September 30, 2020, our total borrowings were ₹ 28,092.17 million (with long-term borrowings (including current maturity) of ₹ 24,992.17 million and short-term borrowings of ₹ 3,100.00 million) representing a Debt Equity Ratio (calculated as deposits plus borrowings divided by net worth) of 8.00. For further information regarding our indebtedness, see “Financial Statements” and “Financial Indebtedness” on pages 225 and 342, respectively.

The following table sets forth certain information relating to our outstanding indebtedness as of September 30, 2020, and our repayment obligations in the periods indicated:

Particulars	As of September 30, 2020				
	Payment due by period				
	(₹ million)				
	Total	Not later than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Borrowings					
Term Loan (unsecured)	100.00	100.00	-	-	-
Term Loan (secured)	138.32	92.21	46.11	-	-
NCD (secured)	-	-	-	-	-
Refinance (Secured)	30.00	20.00	10.00	-	-
Refinance (Unsecured)	19,845.80	5,079.30	10,666.50	4,100.0	-
Subordinate Debt (unsecured)	3,850.00	-	1,500.00	400.00	1,950.00
Repo	870.00	-	870.00	-	-
Financial lease obligation	158.05	33.79	81.77	35.72	6.77
Total long-term borrowings	24,992.17	5,325.30	13,174.38	4,535.72	1,956.77
Short Term Borrowings					
Refinance (unsecured)	3,000.00	3,000.00	-	-	-
Term Money (unsecured)	100.00	100.00	-	-	-
Total Short-Term Borrowings	3,100.00	3,100.00	-	-	-
Total Borrowings	28,092.17	8,425.30	13,174.38	4,535.72	1,956.77

Some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders’ consent prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business and operations. These covenants vary depending on the requirements of the financial institution extending such loan and the conditions negotiated under each financing agreement. Some of the corporate actions that require prior consents from certain lenders include, amongst others, changes to the (a) capital structure of our Bank, (b) memorandum and/or articles of association of our Bank, (c) composition of its board of directors / management set-up and lock-in of or dilution or changes in shareholding of our Promoter in our Bank. Further, under certain financing agreements, we are required to maintain specific credit ratings, certain financial ratios and ensure compliance with regulatory requirements such as the prudential norms prescribed by the RBI. For further information, see “Risk Factors - We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and suspension of further drawdowns, which may adversely affect our business, results of operations, financial condition and cash flows.” on page 45.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth certain information relating to future payments due under known contractual commitments as of September 30, 2020, aggregated by type of contractual obligation:

Particulars	As of September 30, 2020				
	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(₹ million)				
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance)	82.94	77.51	5.43	-	-
IT related	194.09	98.24	42.84	53.01	-
Total Contractual Obligations	277.03	175.75	48.27	53.01	-

Operating Lease

Lease payments made under cancellable operating lease amounted to ₹ 161.10 million, ₹ 212.50 million, ₹ 349.10 million and ₹ 176.80 million in Fiscal 2018, Fiscal 2019, Fiscal 2020 and the six months ended September 30, 2020, respectively, and have been recognized as an expense in the profit and loss account. There were no subleases. The requirement of minimum lease payments does not arise as our Bank does not have any non-cancellable operating leases.

The following table sets forth certain information in relation to minimum lease payments outstanding in respect of leased assets as of the periods indicated:

Particulars	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of September 30, 2020
	(₹ million)			
Due within one year	169.00	274.10	332.70	333.40
Due later than one year and not later than five years	721.90	1,381.40	1,405.30	1,427.20
Due later than five years	666.50	1,071.20	714.60	573.50
Total	1,557.40	2,726.70	2,452.60	2,334.10

For further information, see “Financial Statements – Annexure 23 – Note 23.14 - Leases” on page 278.

SECURITISATION AND ASSIGNMENT ARRANGEMENTS

The following table sets forth information regarding our securitization deals outstanding as of the periods indicated:

Particulars (Securitisation)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of September 30, 2020
	(₹ million)			
(i) Total number of loans securitized	76,230.00	-	-	-
(ii) Total book value of loans securitized	1,185.70	-	-	-
(iii) Total book value of loans securitized including loans placed as collateral	1,248.10	-	-	-
(iv) Sale consideration received for loans securitized	1,185.70	-	-	-
(v) Excess interest spread recognised in the profit and loss account	28.50	-	-	-

For further information, see “Financial Statements” on page 225.

CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

The following table sets forth certain information relating to our contingent liabilities which have not been disclosed, as of September 30, 2020:

Particulars	As of September 30, 2020
	(₹ million)
Claims against the bank not acknowledged as debts – taxation	-
Claims against the bank not acknowledged as debts – others	-
Liability on account of outstanding forward exchange contracts	-
Liability on account of outstanding derivative contracts	-

Particulars	As of September 30, 2020 (₹ million)
Guarantees given on behalf of constituents:	-
- In India	122.05
- Outside India	-
Acceptances, endorsements and other obligations	-
Other items for which the Bank is contingently liable (refer to the notes below)	291.93
Total	413.98

Note 1: The Supreme Court of India in its judgement in the case of The Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and others on February 28, 2019 has clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board is to be considered as basic wage and accordingly needs to be considered for calculation of provident fund contribution. Our Bank would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject, if necessary and the effect of this order has been taken into effect from April 1, 2019.

Note 2: Includes capital commitment of ₹ 277.03 million, as of September 30, 2020.

For further information, see “Financial Statements - Annexure 17 – Restated Statement of Contingent Liabilities” on page 237.

Except as disclosed in this Draft Red Herring Prospectus, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

CAPITAL EXPENDITURE/ ADDITIONS TO FIXED ASSETS

Our capital expenditure consists principally of expenditure relating to Banking Outlets and investment in technology infrastructure. In Fiscals 2018, 2019 and 2020, and the six months ended September 30, 2020, we incurred ₹ 737.43 million, ₹ 287.97 million, ₹ 482.74 million and ₹ 122.86 million, respectively, as capital expenditure. In Fiscals 2018, 2019 and 2020, and the six months ended September 30, 2020, additions made to software amounted to ₹ 189.89 million, ₹ 27.37 million, ₹ 135.29 million and ₹ 34.10 million, respectively.

RELATED PARTY TRANSACTIONS

Our Bank enters into various transactions with related parties in the ordinary course of business. These transactions principally include remuneration paid to KMP, rent received from our holding company and others. For further information relating to our related party transactions, see “Financial Statements” on page 225.

AUDITOR’S OBSERVATIONS

Except as set out below, there have been no reservations/ qualifications/ adverse remarks/ matters of emphasis highlighted by our statutory auditors in their auditor’s reports on the audited financial statements as of and for the years ended March 31, 2018, 2019 and 2020, and the six months ended September 30, 2020.

The auditor’s report on the financial statements as of and for the year ended March 31, 2020 and period ended September 30, 2020, included a matter of emphasis regarding Schedule 18 – Note 18.47 to the financial statements, which describes that the extent to which the COVID-19 pandemic will impact the Bank’s financial statements will depend on future developments, which are highly uncertain. For further information, see “Financial Statements” on page 225.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks during the normal course of business such as credit risk, liquidity risk, operational and cash management risk, market and interest rate risk, information security and cyber risk, and reputational risk.

Credit Risk

Credit risk is possibility of losses due to the outright default arising from the inability or unwillingness of a customer or counterparties to meet commitments in relation to lending, trading, settlement and other financial transactions due to deterioration in credit quality of borrowers or counterparties. Our Bank has implemented various policies, including credit risk management policy, investment policy, credit policy, product specific credit policies, NPA management and restructuring policy and collection policy, which facilitates the management of credit risks. Based on the predefined-evaluation methods and sanction from respective authorities, credit approvals and follow-ups including reporting of portfolio-at-risk figures and portfolio performance to respective authorities.

Further, our Bank has adopted internal capital adequacy assessment process and stress testing framework. The purpose of the internal capital adequacy assessment process is to provide detailed information on the on-going assessment of our Bank's entire spectrum of risks, how our Bank intends to mitigate such risks and to establish a well-defined internal assessment process within our Bank. It also ensures that adequate capital is held towards the material risks to which our Bank is exposed. As per our policy, all loans greater than more than 365 days of being considered as NPAs are eligible for write-off. Based on collections in the recent past, a final decision to write-off such loan is taken.

Our Bank has an approved delegation of authorities including various credit committees for credit approvals. Our credit risk management committee at the management level proactively assess portfolio quality, prudential limits and inherent risks. In addition, our credit risk management committee review the asset quality and other issues related to loan portfolio as well as provide recommendations for corrective actions.

Operational Risk

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. We have a dedicated team within the risk management function which is responsible for assessment, monitoring and reporting of operational risk exposures across our operations. We have implemented a Board approved operational risk management framework along with processes to collect the operational risk loss/ event data from all the business units and analyze the same to ascertain the process gaps and take steps to avoid the recurrence of such events. We review all the new products and processes, and changes to the existing products and processes, to assess risks and suggest suitable controls for risk mitigation.

Our Bank has developed a hierarchical structure to effectively manage operational risk through the formation of several internal committees, such as operational risk management committee, product and process management committee and outsourcing committee. We have a Board approved internal financial control policy as well. Risk management function is responsible for review of internal financial controls of our Bank periodically. The gap in controls are identified and captured in the risk and control matrices towards risk mitigation. An update on internal financial controls open points has to be submitted to our Board on a quarterly basis. In addition, we have a business continuity policy to ensure that our banking operations continue with minimum disruption. Further, crisis management team has also been constituted to take suitable decisions during business disruptions.

Liquidity Risk

Liquidity risk arises out of maturity mismatch between its assets and liabilities. Our Bank has developed a comprehensive ALM policy that incorporates RBI guidelines. The asset liability committee is responsible for the overall formulation of the asset liability strategies and oversight of asset liability Management. Our Bank has also set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowing, deposits and placements, which is presented to the asset liability committee on a monthly basis. Treasury is responsible for managing day-to-day liquidity as per the liquidity risk management framework. Our Bank monitors next three months liquidity position on a daily basis and ensure that adequate liquidity is available all the time. We typically maintain adequate liquidity with a buffer to mitigate the risk of unanticipated large premature closure of deposits or to meet any other large unanticipated outflows. As of September 30, 2020, we maintained excess liquidity of ₹ 21,159.00 million in addition to mandatory SLR and CRR requirement and deployed primarily in 'Liquidity Adjustment Facility' with RBI, SLR securities and other liquid and marketable (non-SLR) securities. We endeavour to ensure that liquidity coverage ratio of our Bank is higher than the regulatory requirements to meet any unforeseen outflow in the short term.

Market and Interest Rate Risk

Market risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, volatilities, credit spreads, and equity prices. We are exposed mainly to interest rate risk and liquidity risk. While we do not have any exposure to equity or equity related instruments, any significant impact on the global capital markets can affect us through other markets. Interest rate risk is the exposure of our financial conditions to adverse movements in interest rates. Interest rate risk can pose a significant threat to earnings and capital base. Interest rate risk arises from mismatches in re-pricing of interest rate sensitive assets, rate sensitive liabilities and rate sensitive off-balance sheet items. The interest rate risk is managed on a balance sheet level.

In order to manage interest rate risk, most of the interest rates on advances as well as liabilities are fixed in nature and not subject to market-related resets, to contain any adverse effects. In addition, majority of our advances are for medium-term tenures with monthly repayments in order to limit the period of impact, if any. A significant

portion of our investments are in SLR securities/ sovereign backed securities and are therefore exposed to limited credit risk.

The Asset Liability Management Committee (“**ALCO**”) meets regularly and at least once every month, to review the extent of exposure to movement in interest rates to the capital values as well as possible impact on our net interest income. The ALCO also reviews a range of parameters including compliance with various regulatory limits on treasury portfolio, interest rates offered on deposits, and movements in assets and liabilities. The Investment Committee and the ALCO function together to manage interest rate risk and maintain the investment portfolio.

Fraud Risk Management and Risk Containment Unit

The basic role of the risk containment unit is to scrutinise the applications /documents on the basis of dynamic triggers and online checks to detect and prevent fraudulent applications from entering into the system at the on boarding stage. Fraud risk management unit is responsible for external fraud investigations, internal reporting to various committees, such as, special committee of our Board to review high value frauds and audit committee of our Board. Currently, our Bank is using the transaction monitoring, ‘NPCI fraud risk management tool’, for monitoring of fraudulent debit card based transactions on ATMs. The alerts for suspicious transactions are generated in near to real time basis with a predefined risk score and actions are initiated based on the risk score.

Information Security and Cyber Risk

We have an independent information security department which is responsible for information-related risk management and compliance and is responsible for establishing and maintaining the enterprise vision, strategy, and program to ensure information assets and technologies are adequately protected. Our Risk Management Committee is responsible for overseeing our information security program, policies and processes aligned with business requirements and provides directions to manage the risk. Management of this risk include proper and timely response to incidents, establishing appropriate standards and controls, managing and upgrading security technologies, and implementing policies and procedures. Periodical awareness exercise is ensured to update employees on information security practices. Our security operations centre operates on a 24x7 basis to protect our Bank’s assets. Our cyber crisis management plan, in line with the guidelines of the RBI and approved by the Board, has also been implemented. Further, a cyber incident response team has also been constituted, which is responsible to promptly and correctly handle cyber-security incidents, in order for it to be quickly contained, investigated and recovered from.

Reputational Risk

Reputation risk is the risk of the loss arising from the adverse perception of the image of the Bank by our customers, counterparties, investors or regulators. This is particularly relevant as our business involves ensuring customers that we are credible and can offer basic, secure services expected by the customers. This risk typically follows once other risks materialize. It compounds the effect of other risks, such as strategy, fraud and regulatory risks. Our ongoing risk review process takes into account reputational risk.

Reputational risks, if materialized, will affect our ability to establish new relationships or services or continue servicing existing relationships. This risk may expose us to litigation, financial loss, or a decline in our customer base. Reputational risk exposure is present throughout the Bank and includes the responsibility to exercise abundant caution in dealing with our customers and the community. We monitor reputational risk on an ongoing basis, by reviewing various relevant parameters including customer complaints, internal and external frauds, stakeholder satisfaction, business service disruption, senior management attrition and financial performance.

For further information, see “*Our Business – Risk Management*” on page 149.

TOTAL TURNOVER OF EACH MAJOR INDUSTRY SEGMENT IN WHICH THE BANK OPERATED

We are primarily engaged in the banking business. For further information, see “*Industry Overview*” on page 96, and for information on segment reporting for Fiscal 2018, 2019 and 2020, and the six months ended September 30, 2020, see “*Financial Statements – Segment Reporting*” on page 245.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

Except as described in this Draft Red Herring Prospectus, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

KNOWN TRENDS OR UNCERTAINTIES

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in “– *Factors Affecting our Results of Operations and Financial Condition*” and the uncertainties described in “*Risk Factors*” on pages 309 and 23, respectively. To our knowledge, except as discussed in this Draft Red Herring Prospectus, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income.

SIGNIFICANT ECONOMIC CHANGES THAT MATERIALLY AFFECT OR ARE LIKELY TO AFFECT INCOME FROM CONTINUING OPERATION

Our business has been subject, and we expect it to continue to be subject, to significant economic changes that materially affect or are likely to affect income from continuing operations identified above in “– *Factors Affecting our Results of Operations and Financial Condition*” and the uncertainties described in “*Risk Factors*” on pages 309 and 23, respectively.

NEW PRODUCTS OR BUSINESS SEGMENTS

Except as described in this Draft Red Herring Prospectus, we have not publicly announced any new products or business segments nor have there been any material increases in our revenues due to increased disbursements and introduction of new products.

FUTURE RELATIONSHIP BETWEEN COST AND INCOME

Other than as described elsewhere in the sections “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 23, 125 and 307, respectively, to our knowledge, there are no known factors that will have a material adverse impact on our operations and financial condition.

SIGNIFICANT DEPENDENCE ON A SINGLE OR FEW CUSTOMERS OR SUPPLIERS

We are dependent on a limited number of customers for a substantial portion of our deposits. As of March 31, 2020, our top five, 10 and 20 depositors accounted for 17.39%, 26.10% and 36.26%, respectively, of our total deposits, while as of September 30, 2020, our top five, 10 and 20 depositors accounted for 13.93%, 19.48% and 27.57%, respectively, of our total deposits. See, “*Risk Factors - Our deposits depend on a limited number of customers and a loss of such customers could materially and adversely affect our deposit portfolio, funding sources, financial condition, results of operations and cash flows. Further, a significant portion of our deposits from such customers are from the states of Haryana, Maharashtra and Uttar Pradesh, any adverse change in the economy of such states could have an adverse effect on our financial condition, results of operations and cash flows.*” on page 32.

COMPETITIVE CONDITIONS

We operate in a competitive environment. See sections, “*Our Business*”, “*Industry Overview*”, “*Risk Factors - The Indian banking industry is very competitive and if we are unable to compete effectively it would adversely affect our business, financial condition, results of operations and cash flows.*” and “–*Factors Affecting our Results of Operations and Financial Condition – Competition*” on pages 125, 96, 39 and 315, respectively.

SEASONALITY/ CYCLICALITY OF BUSINESS

Our business operations are not seasonal in nature.

SIGNIFICANT DEVELOPMENTS AFTER SEPTEMBER 30, 2020 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

Other than as disclosed in this Draft Red Herring Prospectus including disclosure with respect to the impact of COVID-19 on our operations, to our knowledge no circumstances have arisen since September 30, 2020, that could materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

CAPITALISATION STATEMENT

The following table sets forth our Bank's capitalization as at September 30, 2020, on the basis of our Restated Financial Statements, and as adjusted for the Offer. This table should be read in conjunction with the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Financial Statements" and "Risk Factors" on pages 307, 225 and 23, respectively.

Particulars	Pre-Offer (₹ in million) as at September 30, 2020	Post-Offer*
Debt[#]		
Short term debt (A)	3,100.00	[•]
Long term debt (B)	24,992.17	[•]
Total debt (C = A+B)	28,092.17	[•]
Shareholders' Funds		
Share Capital (D)	7,592.72	
Reserves & Surplus (E)	3,380.95	[•]
Total Shareholder's Funds (F = D+E)	10,973.67	[•]
Long Term Debt/ Total Shareholder's Fund (G = B/F)	2.28	[•]
Total Debt/ Total Shareholder's Fund (H = C/F)	2.56	[•]

*Note: The corresponding post-Offer capitalization data for each of the amounts given in the above table is not determinable at this stage pending the completion of the Book Building process and hence the same have not been provided in the above statement.

Borrowings with original contractual maturity of more than 1 year are classified as long term, per RBI regulations. All other borrowings have been classified as short term.

FINANCIAL INDEBTEDNESS

Our Bank avails credit facilities in the ordinary course of business for the purposes of its business including onward lending.

Set forth below is a brief summary of our aggregate borrowings as at September 30, 2020:

Category of borrowing	Sanctioned Amount (₹ in million)	Outstanding Amount (₹ in million) as on September 30, 2020 [^]
Term Borrowing		
Unsecured	200.00	200.00
Refinance Borrowing		
Secured***	500.00	30.00
Unsecured	29,750.00	22,845.80
Subordinate Debt (Unsecured)*	3,850.00	3,850.00
External Commercial Borrowing (Secured)***	317.20	138.32
Long Term Repo Operation (Secured)	870.00	870.00
Other Borrowings**	-	158.05
Total	35,487.20	28,092.17

(*) Subordinated debt include borrowing of ₹ 1,500 million from outside India in the nature of non-convertible debenture.

(**) Represents payable under lease obligation.

(***) Outstanding secured loan of ₹ 171.92 million disclosed under the Restated Financial Statements as on September 30, 2020 represent refinance loan from NABARD was secured against the book debts at 1.12 times of outstanding loan amount and ECB loan from BIO was secured against the book debts at 1.00 times of outstanding loan amount.

[^]As certified by JHS & Associates LLP, Chartered Accountants pursuant to their certificate dated March 4, 2021.

Principal terms of the subsisting borrowings of our Bank:

1. **Interest:** The interest rates for the various facilities availed by our Bank typically ranges from 5.15% per annum to 13.27% per annum. The interest rate on the long-term repo operation (LTRO) availed by our Bank is linked to the repo rate.

Our Bank has issued (i) 1500 unsecured, subordinated, rated, listed, redeemable, nonconvertible debentures of face value of ₹10,00,000 each, at a coupon rate of 12% per annum payable quarterly; (ii) 4,000 unsecured, rated, listed, taxable, transferable, redeemable, Basel III compliant tier 2 bonds in the nature of non-convertible debentures of face value of ₹1,00,000 each at a coupon rate of 10.58% p.a. payable quarterly; and (iii) 1,950 unsecured, subordinated, rated, listed, redeemable, non-convertible debentures of face value of ₹10,00,000 each at a coupon rate of 12.50% per annum payable quarterly. The abovementioned NCDs are listed on the debt segment of BSE.

2. **Tenor and Repayment:** The tenor of the facilities availed by our Bank typically ranges between 11 months and 84 months (*approximately*). Further, the tenor of the NCDs issued by us typically ranges between 66 months and 84 months (calculated from the date of deemed allotment).
3. **Security:** The secured facilities availed by our Bank are secured by way of a first and exclusive charge on the receivables created out of the loan/facility, hypothecation of book debts and receivables of our Bank and Government securities, both past and future.

The nature of securities described herein is indicative and there may be additional requirements for creation of security under the various borrowing arrangements entered into by our Bank.

4. **Prepayment:** Certain facilities availed by our Bank have prepayment provisions which allow for prepayment of the outstanding amount by serving a written notice to the lender, and subject to payment of a prepayment penalty at 2% or 2.50% of the residual period of the amount being prepaid. Further, in certain cases we are restricted from prepaying amounts outstanding without the prior approval of the lender or debenture holders or other parties as specified in the relevant agreements.
5. **Restrictive Covenants:** The loans availed by our Bank contain certain restrictive covenants which require prior approval of the lender, or prior intimation to be made to the lender, for certain specified events or corporate actions, including:

- a) Change in capital structure of our Bank;

- b) Change in the management control of our Bank;
- c) Dilution of the shareholding of the Promoter in our Bank;
- d) Change in the constitutional documents of our Bank;
- e) Declaration or payment of dividends; and
- f) Bank undertaking any merger, consolidation, reorganisation (by any corporate action), scheme of arrangement or compromise with its creditors or shareholders.

This is an indicative list and there may be such other additional terms under the various borrowing arrangements entered into by our Bank.

6. ***Events of default:***

In terms of our facility agreements and sanction letters the following, among others, constitute events of default:

- a) Failure or inability to pay amount on due dates;
- b) Breach of any financial covenant in the loan/facility agreement;
- c) Misrepresentation or incorrect information furnished by our Bank;
- d) Cross defaults across other borrowings of our Bank;
- e) Declaration of moratorium in respect of indebtedness of our Bank;
- f) Cessation of business by our Bank;
- g) Revocation or suspension of the licence of our Bank;
- h) Liquidation or dissolution of our Bank;
- i) Violation of any term of the relevant agreement or any other borrowing arrangement by our Bank; or
- j) Any other event or circumstance that could have a material adverse effect on the lender.

This is an indicative list and there may be additional terms that may amount to an event of default under the various borrowing arrangements entered into by our Bank.

7. ***Consequences of occurrence of events of default:*** The consequences of occurrence of events of default under our facility agreements and sanction letters are, among others, as follows, whereby the lenders may:

- a) Terminate the facility/ loan agreements;
- b) Suspend or cancel any portion of the loan/facility;
- c) Declare any or all amounts under the facility, either whole or in part, as immediately due and payable to the lender; or
- d) Impose of penal interest over and above the contracted rate on the amount in default.

For the purpose of the Offer, our Bank has intimated and obtained necessary consents from its lenders and debenture trustees, as required under the relevant facility documentations for undertaking activities relating to the Offer including consequent actions, such as change in the capital structure, change in the shareholding pattern of our Bank and/or change in management, amendments to the Articles of Association, of our Bank, etc.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated in this section, there are no (i) outstanding criminal litigation involving our Bank, our Promoter and our Directors (“**Relevant Parties**”); (ii) outstanding actions taken by statutory or regulatory authorities involving the Relevant Parties; (iii) outstanding claims involving the Relevant Parties related to direct and indirect taxes, in a consolidated manner; (iv) outstanding litigation as determined to be material by our Board of Directors as per the Materiality Policy (defined below) in accordance with the SEBI ICDR Regulations; (v) outstanding dues to creditors of our Bank as determined to be material by our Board of Directors as per the Materiality Policy in accordance with the SEBI ICDR Regulations; (vi) outstanding dues to micro, small and medium enterprises and other creditors; and (vii) outstanding litigation involving our Group Company which has a material impact on our Bank. Further, except as stated in this section, there are no disciplinary actions including penalty imposed by the SEBI or stock exchanges against our Promoter in the last five Financial Years including outstanding action.

For the purpose of (iv) and (v) above, our Board of Directors in its meeting held on February 16, 2021 has considered and adopted a policy on materiality for identification of material litigation involving the Relevant Parties and material outstanding dues to creditors (the “**Materiality Policy**”).

In terms of the Materiality Policy, all pending litigation involving the Relevant Parties, other than criminal litigation, actions by regulatory authorities and statutory authorities, disciplinary action including penalty imposed by SEBI or stock exchanges against our Promoter in the last five Financial Years including outstanding action, and tax matters, would be considered ‘material’:

- a) where the aggregate amount involved in such individual litigation exceeds 1 % of the net profit of our Bank, that is ₹ 18.67 million, as per the Restated Financial Statements for the Financial Year ended March 31, 2020; or

where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in an individual litigation may not exceed ₹ 18.67 million; or

all outstanding litigation filed against our Bank which are winding up petitions under the Companies Act or are corporate insolvency resolutions processes under the Insolvency and Bankruptcy Code, 2016, as amended; and

- b) all other outstanding litigation which may not meet the specific threshold and parameters as set out above, or where the monetary liability is not quantifiable, but where an adverse outcome would materially and adversely affect the business, operations, performance, prospects or financial position or reputation of our Bank.

For the purposes of the above, pre-litigation notices received/issued by the Relevant Parties from/to third parties (excluding those notices issued by statutory/regulatory/tax authorities or notices threatening criminal action) have not and shall not, unless otherwise decided by our Board of Directors, be considered as litigation until such time that any of the Relevant Parties, as the case may be, is impleaded as a defendant in the litigation before any judicial/arbitral forum or governmental authority.

In terms of the Materiality Policy, outstanding dues to any creditor of our Bank having monetary value which exceeds ₹ 19.88 million, which is 5 % of the total outstanding dues to creditors as per the latest Restated Financial Statements as at September 30, 2020, shall be considered as ‘material’.

I. Litigation involving our Bank

- a) Criminal litigation against our Bank

A criminal miscellaneous writ petition has been filed before the Allahabad High Court (“**Court**”) by Ms. Priyanka Mishra against our Bank and others, on account of restrictions imposed over the operation of the Petitioner’s accounts with our Bank. Our Bank had frozen these accounts in compliance with the order dated November 15, 2018 (“**Order**”) passed by the Investigating Officer, Crime Branch, Varanasi, who was conducting an investigation against the husband of Ms. Priyanka Mishra. Ms. Priyanka Mishra has claimed that the Order passed by the Investigating Officer is illegal and arbitrary as she is not an accused in the ongoing investigation

and has sought from the Court, among other things, (a) a writ, order or direction quashing the Order; and (b) a writ, order or direction commanding our Bank to remove the restriction imposed over the operation of her accounts.

b) Criminal litigation by our Bank

- i. Our Bank, in the ordinary course of its business, has filed 67 FIRs under several sections of the IPC before various police authorities alleging offences relating to misappropriation, embezzlement of cash and criminal breach of trust by staff members of our Bank, and robbery, dacoity, and theft committed by certain other individuals.
- ii. Our Bank, in the ordinary course of its business, has submitted 39 complaint letters under several sections of the IPC before various police authorities alleging offences relating to burglary committed by certain individuals and misappropriation and criminal breach of trust committed by certain staff members of our Bank.
- iii. Our Bank, in the ordinary course of its business, has filed 1,879 cases against various individuals under the provisions of the Negotiable Instruments Act, 1881, as amended, in relation to dishonour of cheques. The total amount involved in these matters is ₹ 151.99 million. These matters are currently pending before various courts in India.

c) Actions by regulatory and statutory authorities involving our Bank

- i. Our Bank has received a notice dated February 12, 2019 (“**Notice**”) from the Additional Labour Commissioner, Varanasi, pursuant to the inspection of our Bank by the investigating officer on June 22, 2018, on grounds of irregularity between April 1, 2018 and May 31, 2018 (“**Period**”) pertaining to delay in payment of wages, unauthorised deduction of amounts from the wages payable by our Bank and failure to maintain a register of wages. Our Bank submitted a reply dated August 8, 2019 refuting the claims and submitted an extract of the register showing details of the salary paid to employees for the Period.
- ii. A suit has been filed before the Assistant Labour Commissioner, Gorakhpur, by Mr. Mahesh Kumar Upadhyay against our Bank, alleging that the branch manager, area manager, regional manager and an IT personnel of our Bank physically assaulted him, kept him as hostage for a period of 24 hours, confiscated his personal things which included, among other things, his mobile phone, motorbike and ₹ 20,300 from his purse, and forcefully sought his resignation. Thereafter, his salary was withheld for the month of June, 2019, and his travelling allowance for April and May, 2019. Our Bank has submitted a written statement dated October 4, 2019 refuting Mr. Mahesh Kumar Upadhyay’s allegations and stated that he had embezzled ₹153,470 which he had collected from the debtors and thereafter tendered his resignation upon being questioned on the aforesaid by the officers of our Bank. Our Bank also submitted that Mr. Mahesh Kumar Upadhyay’s employment was not terminated by it and the final decision regarding his salary payment and termination of services would be taken in accordance with the rules of the Bank. Further, our Bank submitted that an FIR was filed against Mr. Mahesh Kumar Upadhyay on August 1, 2019 under certain sections of the IPC to investigate the embezzlement and a charge sheet was issued on September 10, 2019 on the basis of the investigation.
- iii. Our Bank received a show cause notice dated January 22, 2021 (“**SCN**”) from the RBI in relation to a term loan of ₹400 million disbursed by our Bank to an NBFC wherein the stated purpose was for onward lending to group companies and subsidiaries of the NBFC in the year 2018 alleging failure on part of our Bank to adhere to the relevant RBI guidelines during disbursement of the term loan. Our Bank replied to the SCN *vide* its letter dated February 11, 2021 stating that the term loan was sanctioned to the NBFC after due assessment of credit risk, and requiring the compliance of the NBFC with the norms prescribed by the RBI. Our Bank requested the RBI to consider the credit appraisal note and the sanction letter issued in relation to the term loan and grant a personal hearing to our Bank in the said matter.

- iv. Our Bank has received a summons order dated January 19, 2021 from the Regional Provident Fund Commissioner – II, Uttar Pradesh (“**Commissioner**”) in relation to certain non-payment of contributions by our Bank, towards the employees’ provident funds for the period from April 1, 2017 till March 30, 2020. The Commissioner has assessed the damages of ₹161,331 and interest amount of ₹223,397 payable by our Bank and directed our Bank to appear before the Commissioner in person or through authorised representative.

d) *Other matters involving our Bank*

Our Bank has suo moto filed a settlement application dated February 25, 2021 (“**Settlement Application**”) with SEBI under Regulation 3(1) of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018, as amended, in relation to the proceedings which may be initiated by SEBI regarding inadvertent delay by our Bank in making certain disclosures and regulatory filings to BSE under the Listing Regulations with respect to the non-convertible debentures of our Bank listed on BSE. Our Bank has proposed to settle the matter by paying a total amount of ₹0.30 million. Further, our Bank has submitted that, as on date of the Settlement Application, no show cause notice/ summons/ communication indicating probable cause of action has been issued by SEBI and that the inadvertent defaults have not caused a market wide impact or loss to investors or affected the integrity of the market. Additionally, our Bank has also filed a letter with BSE along with the documents pertaining to the inadvertent lapses as required under the applicable reporting requirements under the Listing Regulations.

II. **Litigation involving our Promoter**

a) *Actions by regulatory and statutory authorities involving our Promoter*

- i. A complaint was filed before the Labour Court, New Delhi (“**Court**”) against our Promoter by Mr. Dev Nayak Mishra, an ex- employee of our Promoter, seeking full and final settlement of his dues including encashment of his earned leaves, sick leaves, casual leaves, bonus, pursuant to the termination of his services by our Promoter on May 13, 2015. The Court passed an *ex parte* order dated January 15, 2019 (“**Ex- Parte Order**”) citing absence of representation and written statements from our Promoter in the proceedings and ordered to proceed on *ex-parte* evidence. Our Promoter filed an application before the Court to set aside the Ex-Parte Order and sought permission to file the written statements by claiming that the summons were served on the commercial branch of our Promoter and not on the branch which dealt with legal matters. Our Promoter further refuted Mr. Dev Nayak Mishra’s claims stating that his appointment had been terminated due to acts performed by him in derogation of his assigned duties and after multiple warnings and intimation letters being issued to him by our Promoter.
- ii. A complaint was filed before the Labour Court, Uttar Pradesh (“**Court**”) against our Promoter by Mr. Ved Prakash, an ex-employee of our Promoter, alleging that our Promoter had forcefully sought his resignation and terminated his services thereafter. Mr. Prakash further claimed that our Promoter did not pay the amount of ₹40,735 (“**Amount Due**”) due to him in lieu of encashment of his earned leaves, sick leaves, casual leaves, bonus, earned salary for three days. Mr. Prakash has sought an order from the Court directing our Promoter to pay 10 times the Amount Due as compensation and litigation costs to him. Our Promoter vide letter dated October 5, 2018 submitted that Mr. Prakash resigned and didn’t complete two months’ notice period as mandated by the company rules and the terms of his appointment letter. Our Promoter further refuted Mr. Prakash’s claim of non-payment of earned salary for three days and claimed that after calculating the full and final settlement of payments, he owes ₹ 36,070 (“**Amount Owed**”) to our Promoter and has sought an order from the Court directing Mr. Prakash to deposit the Amount Owed.

b) *Disciplinary actions including penalty imposed by the SEBI or Stock Exchanges against our Promoter in the last five Financial Years*

Our Promoter had filed an application with the Foreign Exchange Department, RBI, Central Office on June 13, 2019 for compounding contraventions in relation to the foreign investments made in our Promoter (including share transfers among non- residents) without the necessary prior governmental approval in line with the then prevailing foreign investment rules and regulations. The Foreign Exchange Department, RBI, Central Office issued the compounding order dated November 18, 2019, under the Foreign Exchange Act, 1999 and the Foreign Exchange (Compounding Proceedings) Rules, 2000, directing our Promoter to pay a sum of ₹ 4.31 million which had been paid by our Promoter and a certificate dated December 12, 2019 had been received from the RBI to that effect and this matter is no longer outstanding.

III. Litigation involving our Directors

As on the date of this Draft Red Herring Prospectus, there is no outstanding criminal litigation, civil litigation or actions taken by statutory or regulatory authorities involving our Directors.

IV. Litigation involving our Group Company

As on the date of this Draft Red Herring Prospectus, there is no outstanding litigation involving our Group Company which has a material impact on our Bank.

Tax Matters

Except as disclosed below, there are no outstanding claims related to direct and indirect taxes, involving our Bank and our Promoter:

Sr. No.	Particulars	Number	Aggregate amount involved (in ₹ million)
Our Bank			
1.	Direct Tax	1	12.60
2.	Indirect Tax	1	4.47
Our Promoter			
1.	Direct Tax	1	116.80*
Total		3	133.87

*An appeal has been filed against the order determining an income tax refund of ₹2.49 million for assessment year 2017 - 2018.

Outstanding dues to creditors

In terms of the Materiality Policy, creditors of our Bank to whom an amount exceeding 5% of the total outstanding dues to creditors as at September 30, 2020, were considered 'material' creditors. As per the Restated Financial Statements, our total outstanding dues to creditors as at September 30, 2020 was ₹ 397.58 million and accordingly, creditors to whom outstanding dues exceed ₹ 19.88 million have been considered as material creditors for the purposes of disclosure in this Draft Red Herring Prospectus.

Based on the above criteria, details of outstanding dues owed to the micro, small and medium enterprises and other creditors as at September 30, 2020 by our Bank are set out below:

Type of Creditors	Number of Creditors	Amount involved (in ₹ million)
Micro, small and medium enterprises	72	50.91
Other creditors	614	346.67
Total	686	397.58

As of September 30, 2020, there were three material creditors to whom our Bank owed an aggregate amount of ₹185.25 million. The details pertaining to outstanding dues owed to our material creditors, along with their names and amount involved for each such material creditor, are available on the website of our Bank at <https://www.utkarsh.bank/creditors>. It is clarified that such details available on our website do not form a part of this Draft Red Herring Prospectus and investors should not make any investment decision based on information available on the website of our Bank. Anyone placing reliance on any other source of information, including our Bank's website, would be doing so at their own risk.

Material Developments

Other than as stated in the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” beginning on page 307, there have not arisen, since the date of the last financial information disclosed in this Draft Red Herring Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our operations, our profitability taken as a whole or the value of our consolidated assets or our ability to pay our liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

Our Bank is in possession of all approvals which are considered material and necessary for the purpose of undertaking its business activities. Set out below, is an indicative list of approvals obtained by our Bank. In light of these key approvals, our Bank can undertake this Offer and its business activities. In addition, certain of our key approvals may expire in the ordinary course of business and our Bank has either already made an application to the appropriate authorities for renewal of such key approvals or is in the process of making such renewal applications. For further details in connection with the regulatory and legal framework within which we operate, see “Key Regulations and Policies” beginning on page 156.

I. Incorporation details

1. Certificate of incorporation dated April 30, 2016 issued to our Bank by the Registrar of Companies, Central Registration Centre.
2. The CIN of our Bank is U65992UP2016PLC082804.

II. Approvals in relation to the Offer

For details regarding the approvals and authorisations obtained by our Bank in relation to the Offer, see “Other Regulatory and Statutory Disclosures – Authority for the Offer” on page 353.

III. Material approvals in relation to the business operations of our Bank

Regulatory approvals for setting up an SFB

1. The RBI has, pursuant to its letter dated October 7, 2015 bearing no. DBR.PSBD.NBC(SFB-UMFPL).No. 4923/16.13.216/2015-16, granted our Promoter an in-principle approval to establish an SFB in the private sector under Section 22 of the Banking Regulation Act.
2. The RBI has, pursuant to its letter dated November 25, 2016 bearing no. DBR.NBD.(SFB-UMFL).No. 5993/16.13.216/2016-17 granted a license bearing no. MUM:125 to our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act.
3. The RBI has, pursuant to a letter dated November 16, 2017, intimated our Bank of its inclusion in the second schedule to the RBI Act, *vide* its notification dated October 4, 2017, published in the Gazette of India dated November 7, 2017.

Regulatory approvals for carrying on the business of SFB

1. The RBI has, pursuant to its letter dated December 14, 2016, granted our Bank approval to participate in the Centralised Payment Systems viz. RTGS, NEFT and NECS.
2. The RBI has, pursuant to a letter dated February 22, 2017, granted our bank membership of RTGS System in the ‘Type A’ category and a RTGS Settlement Account in the name of our Bank has been opened at the banking department, Mumbai. The intra-day liquidity limit sanctioned to our Bank is ₹3000.5 million.
3. The RBI has, pursuant to its letter dated February 2, 2017, intimated us of the opening of a subsidiary general ledger account in the name of our Bank.
4. The RBI has, pursuant to its letter dated December 27, 2016, intimated us of the opening of our current account with the RBI in the name of our Bank.
5. The RBI has, pursuant to its e-mail dated December 29, 2016 allotted primary IFSC UTKS0000001 to our Bank.
6. The Department of Telecommunication, Ministry of Communication and Information Technology, Government of India has, pursuant to its letter dated May 3, 2017 granted our Bank a certificate of registration to set up a Domestic OSP in Varanasi.
7. The RBI has granted our Bank membership of NDS-Call and NDS-OM system.

8. The RBI has, pursuant to its letter dated December 22, 2016, granted our Bank approval to commence and operate mobile banking services, with flexible channels for registration of customers.
9. The CERSAI has, pursuant to an email dated May 16, 2017, confirmed the registration of our Bank within the central registry.
10. The RBI has, pursuant to its letter dated January 3, 2017, granted the membership to Indian Financial Network (INFINET) to our Bank.
11. The CCIL has, granted our Bank membership to the Triparty Repo Dealing System.
12. The RBI has, pursuant to its certificate dated October 31, 2017, authorised our Bank as an authorized dealer – category II under FEMA.
13. The Deposit Insurance and Credit Guarantee Corporation has, pursuant to its letter dated January 10, 2017, registered our Bank as an insured bank in terms of the Deposit Insurance and Credit Guarantee Corporation Act, 1961, as amended.
14. The RBI has, pursuant to its letter dated March 17, 2017, issued a no-objection certificate to our Bank to undertake the activity of distribution of insurance products on a non-risk sharing basis without any commitment of own funds.
15. The RBI has, pursuant to its letter dated March 23, 2018, issued a no-objection certificate to our Bank for undertaking the activity of distribution of mutual fund units on a non-risk sharing basis without any commitment of own funds.
16. The RBI has, pursuant to its letter dated June 11, 2018, permitted our Bank to open non-residential rupee accounts in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016, as amended, as an authorised dealer category-II Bank.
17. The NPCI has granted our Bank access to the NACH platform.
18. The RBI has, allotted Depositor Education and Awareness Fund code to our Bank.
19. The RBI has, pursuant to its letter dated August 7, 2018, conveyed their no-objection for our Bank to act as a 'Point of Presence' for Atal Pension Yojana Scheme and for providing Demat Accounts and Online Trading Accounts through referral arrangement.
20. PFRDA has, pursuant to its letter dated December 30, 2019, issued a certificate of registration as point of presence – Atal Pension Yojana under the National Pension System.
21. The RBI has, pursuant to an email dated January 31, 2017, issued a 3 digit Basic Statistical Return – BSR Code 205, to our Bank
22. The IRDAI has issued a certificate of renewal registration dated March 25, 2020 to our Bank as a Category Corporate Agent (Composite).
23. AMFI has, pursuant to its letter dated March 17, 2020, renewed the AMFI registration.
24. The RBI has, pursuant to its letter dated July 19, 2017, granted our Bank an in-principle approval to operate as a Bharat Bill Payment Operating Unit.
25. Unique Identification Authority of India pursuant to an e-mail dated July 6, 2018, granted our Bank a license to act as an Authentication User Agency and KYC User Agency.
26. FIMMDA has, pursuant to its letter dated December 13, 2016, approved our membership in the FIMMDA. The said membership, being an annual subscription, is renewed by our Bank at the beginning of each Financial Year.
27. Indian Banks' Association has, pursuant to its letter dated May 2, 2017, granted our Bank the membership of the Indian Banks' Association with effect from May 2, 2017 as an 'Ordinary Member'.

RBI approvals – Annual Banking Outlet Expansion Plan

The RBI has, pursuant to the letters set forth below, permitted our Bank to open Banking Outlets, central processing centres, training centres, administrative offices and a call centre -

1. Letter dated January 18, 2017 from the RBI for opening of 52 Banking Outlets.
2. Letter dated January 18, 2017 from the RBI for setting up one central processing centre (in Varanasi).
3. Letter dated July 31, 2017 from the RBI for opening of 386 Banking Outlets.
4. Letter dated January 23, 2019 from RBI for opening 65 Banking Outlets.
5. Letter dated May 8, 2019 from RBI for opening 10 offices including training centres, administrative offices, a central processing centre (in Mumbai) and a call centre.
6. Letter dated December 18, 2019 from the RBI for opening 131 Banking Outlets.

Tax related approvals

1. The permanent account number of our Bank is AABCU9355J.
2. The tax deduction account number of our Bank is ALDU01500C.
3. GST registrations issued under the central and state specific GST laws, as applicable to our Bank.

IV. Key approvals obtained for the material Banking Outlets of our Bank

Our Bank has obtained registrations in the normal course of business for its Banking Outlets across various states in India including registration under shops and establishments related laws, RBI approvals for opening of Banking Outlets, allotment of MICR Codes and registrations under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and Employee State Insurance Act, 1948, each as amended. Our Bank has obtained GST registrations with the relevant authorities for its Banking Outlets. Certain approvals may lapse in their normal course and our Bank has either made an application to the appropriate authorities for renewal of such registration or is in the process of making such applications.

V. Pending applications

1. The RBI had, pursuant to its letter dated July 19, 2017, granted our Bank an in-principle approval to operate as a Bharat Bill Payment Operating Unit which was valid for a period of six months. Our Bank has, post satisfaction of the conditions precedent, approached the RBI for seeking final approval to operate as a Bharat Bill Payment Operating Unit *vide* its email dated December 16, 2020.
2. Our Bank has made applications for obtaining trade licenses for 29 branches located in the states of Assam, Bihar, Chhattisgarh, Haryana, Jharkhand Odisha and Telangana.
3. Our Bank has made applications for obtaining a shops and establishments license for five branches located in Assam, Telangana, Odisha and Punjab.

VI. Approvals for which no application has been made

Our Bank is in the process of making applications for trade licenses for 44 branches located across the states of Bihar, Chhattisgarh, Haryana, Jharkhand, Odisha and West Bengal.

VII. Intellectual property

Our Bank has 18 trademark registrations under classes 16 and 36 of the Trade Marks Act, 1999, as amended. Further, our Bank has made applications for registration of the wordmark 'AAPKI UMMEED KA KHAATA' and for device marks comprising this wordmark. For details, see "*Our Business – Intellectual Property*" and "*Risk Factors – Our intellectual property rights may be subject to infringement or we may breach third party intellectual property rights. If we fail to successfully enforce our intellectual property rights, our business, results of operations and cash flows would be adversely*

affected.” on pages 153 and 46.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

The Offer has been authorised by our Board of Directors pursuant to the resolution passed at its meeting dated February 16, 2021 and by our Shareholders pursuant to the resolution passed at their EGM dated March 3, 2021. This DRHP had been approved by our Board pursuant to a resolution passed on March 3, 2021 and a resolution passed by the CSFR Committee on March 4, 2021.

Our Promoter Selling Shareholder has confirmed and approved its participation in the Offer for Sale in relation to of the Offered Shares vide its resolutions dated February 15, 2021 and February 22, 2021 and consent letter dated March 3, 2021.

Our Bank has received the in-principle approval from BSE and NSE for the listing of the Equity Shares pursuant to the letters dated [•] and [•], respectively.

Pursuant to RBI In-Principle Approval and RBI Licence, the Equity Shares of our Bank are mandatorily required to be listed within a period of three years from reaching a net worth of ₹5,000 million.

Prohibition by SEBI, RBI or other Governmental Authorities

Our Bank, Promoter, Promoter Group, Directors, the persons in control of our Bank and the persons in control of our Promoter are not debarred or prohibited from accessing the capital market or debarred from buying, selling or dealing in securities under any order or direction passed by the Board or any securities market regulator in any other jurisdiction or any other authority/court.

Our Promoter or Directors are not a promoter or director of any other company which is debarred from accessing the capital market by SEBI. None of our Directors are associated with the securities market in any manner and there has been no outstanding action against them initiated by SEBI in the past five years.

Our Bank, Promoter or Directors have not been declared as wilful defaulters by any bank or financial institution (as defined under the Companies Act) or consortium thereof in accordance with the guidelines on wilful defaulters issued by the RBI.

Our Promoter or Directors have not been declared as fugitive economic offenders under Section 12 of the Fugitive Economic Offenders Act, 2018.

Confirmation under Companies (Significant Beneficial Owner) Rules, 2018

Our Bank, our Promoter and members of Promoter Group are in compliance with the Companies (Significant Beneficial Owner) Rules, 2018, to the extent applicable, as on the date of this Draft Red Herring Prospectus.

Eligibility for the Offer

Our Bank is eligible for the Offer in accordance with Regulation 6(2) of the SEBI ICDR Regulations, which states as follows:

“An issuer not satisfying the condition stipulated in sub-regulation (1) shall be eligible to make an initial public offer only if the issue is made through the book-building process and the issuer undertakes to allot at least seventy five per cent. of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so.”

We are an unlisted company, not satisfying the conditions specified in Regulation 6(1) of the SEBI ICDR Regulations and are therefore required to allot not less than 75% of the Net Offer to QIBs to meet the conditions as detailed under Regulation 6(2) of the SEBI ICDR Regulations. In the event that we fail to do so, the full application monies shall be refunded to the Bidders, in accordance with the SEBI ICDR Regulations.

Our Bank is in compliance with the conditions specified in Regulation 5 of the SEBI ICDR Regulations, to the extent applicable. Our Bank confirms that it is also in compliance with the conditions specified in Regulation 7(1) of the SEBI ICDR Regulations, to the extent applicable, and will ensure compliance with the conditions specified in Regulation 7(2) of the SEBI ICDR Regulations, to the extent applicable.

Our Promoter Selling Shareholder confirms that the Offered Shares have been held by it for a period of at least

one year prior to the filing of this Draft Red Herring Prospectus with SEBI and are eligible for sale in the offer in accordance with Regulation 8 of the SEBI ICDR Regulations.

Our Bank shall not make an Allotment if the number or prospective allottees is less than 1,000 in accordance with Regulation 49(1) of the SEBI ICDR Regulations

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BRLMs HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI ICDR REGULATIONS. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BRLMs ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BRLMs HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MARCH 4, 2021 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992, IN THE FORMAT PRESCRIBED UNDER SCHEDULE V (FORM A) OF THE SEBI ICDR REGULATIONS.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE BANK FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BRLMs ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to this Offer will be complied with at the time of filing of this Red Herring Prospectus with the RoC in terms of Section 32 of the Companies Act. All legal requirements pertaining to this Offer will be complied with at the time of filing of the Prospectus with the RoC in terms of sections 26, 32, 33(1) and 33(2) of the Companies Act.

Disclaimer clause of RBI

A license authorizing our Bank to carry on small finance bank business has been obtained from the RBI in terms of Section 22 of the Banking Regulation Act. It must be distinctly understood, however, that in issuing the license, the RBI does not undertake any responsibility for the financial soundness of our Bank or for the correctness of any of the statements made or opinion expressed in this connection.

Disclaimer from our Bank, our Directors, our Promoter Selling Shareholder and the BRLMs

Our Bank, our Directors, our Promoter Selling Shareholder and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our Bank's instance and anyone placing reliance on any other source of information, including our Bank's website www.utkarsh.bank, or the respective websites of our Promoter, Promoter Group or any affiliate of our Bank would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Offer Agreement and the Underwriting Agreement.

All information shall be made available by our Bank, our Promoter Selling Shareholder and the BRLMs to the Bidders and the public at large and no selective or additional information would be made available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports, at the Bidding Centres or elsewhere.

None among our Bank, our Promoter Selling Shareholder or any member of the Syndicate shall be liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise; or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

Bidders will be required to confirm and will be deemed to have represented to our Bank, our Promoter Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not sell, pledge, or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Bank, our Promoter Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

The BRLMs and their respective associates and affiliates in their capacity as principals or agents may engage in transactions with, and perform services for, our Bank, our Promoter Selling Shareholder, their respective directors and officers, group companies, affiliates or associates or third parties in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Bank, our Promoter Selling Shareholder, and their respective directors, officers, agents, group companies, affiliates or associates or third parties, for which they have received, and may in the future receive, compensation.

Disclaimer in respect of Jurisdiction

This Offer is being made in India to persons resident in India (who are competent to contract under the Indian Contract Act, 1872, including Indian nationals resident in India, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, domestic Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in equity shares, state industrial development corporations, insurance companies registered with IRDAI, provident funds (subject to applicable law) and pension funds, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds set up and managed by the Department of Posts, GoI, Systemically Important NBFCs registered with the RBI) and permitted Non-Residents including FPIs and Eligible NRIs and AIFs that they are eligible under all applicable laws and regulations to purchase the Equity Shares.

This Draft Red Herring Prospectus does not constitute an offer for sale or an invitation to subscribe to Equity Shares offered hereby, in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform him or herself about, and to observe, any such restrictions.

Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Mumbai, Maharashtra, India only.

Invitations to subscribe to or purchase the Equity Shares in the Offer will be made only pursuant to this Draft Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Offer, which comprises this Red Herring Prospectus and the preliminary international wrap for the Offer, if the recipient is outside India.

No person outside India is eligible to Bid for Equity Shares in the Offer unless that person has received the preliminary offering memorandum for the Offer, which contains the selling restrictions for the Offer outside India.

Eligibility and Transfer Restrictions

The Equity Shares offered in the Offer have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, such Equity Shares are being offered and sold (i) within the United States only to persons reasonably believed to be “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as “U.S. QIBs”) in transactions exempt from, or not subject to, the

registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers are made. For the avoidance of doubt, the term “U.S. QIBs” does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as “QIBs”.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Until the expiry of 40 days after the commencement of this Offer, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in this Offer) may violate the registration requirements of the U.S. Securities Act if such an offer for sale is made otherwise than in compliance with Section 4(a)(2) or Rule 144A or another available exemption from registration under the U.S. Securities Act.

Equity Shares Offered and Sold within the United States

Each purchaser that is acquiring the Equity Shares offered pursuant to this Offer within the United States, by its acceptance of this Draft Red Herring Prospectus and of the Equity Shares, will be deemed to have acknowledged, represented to and agreed with our Bank, our Promoter Selling Shareholder and the BRLMs that it has received a copy of this Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Offer in compliance with all applicable laws and regulations;
2. the purchaser acknowledges that the Equity Shares offered pursuant to this Offer have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;
3. the purchaser (i) is a U.S. QIB, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act, and (iii) is acquiring such Equity Shares for its own account or for the account of a U.S. QIB with respect to which it exercises sole investment discretion;
4. the purchaser is not an affiliate of our Bank or a person acting on behalf of an affiliate;
5. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the states of the United States. The purchaser understands that the transfer restrictions will remain in effect until our Bank determines, in its sole discretion, to remove them;
6. the Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Equity Shares;
7. the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act;
8. the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any “directed selling efforts” as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares;

9. the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless our Bank determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

10. our Bank will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; and
11. the purchaser acknowledges that the Bank, the Selling Shareholders, the BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

All Other Equity Shares Offered and Sold in this Offer

Each purchaser that is acquiring the Equity Shares offered pursuant to this Offer outside the United States, by its acceptance of this Draft Red Herring Prospectus and of the Equity Shares offered pursuant to this Offer, will be deemed to have acknowledged, represented to and agreed with the Bank, the Selling Shareholders and the BRLMs that it has received a copy of this Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Offer in compliance with all applicable laws and regulations;
2. the purchaser acknowledges that the Equity Shares offered pursuant to this Offer have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;
3. the purchaser is purchasing the Equity Shares offered pursuant to this Offer in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act;
4. the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares offered pursuant to this Offer, was located outside the United States at the time (i) the offer for such Equity Shares was made to it and (ii) when the buy order for such Equity Shares was originated and continues to be located outside the United States and has not purchased such Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States;
5. the purchaser is not an affiliate of our Bank or a person acting on behalf of an affiliate;
6. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements

of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the States of the United States. The purchaser understands that the transfer restrictions will remain in effect until our Bank determines, in its sole discretion, to remove them;

7. the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any “directed selling efforts” as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares;
8. the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless our Bank determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

9. our Bank will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; and
10. the purchaser acknowledges that our Bank, our Promoter Selling Shareholder, the BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

In relation to each European Economic Area State that has implemented the Prospectus Directive (Directive 2003/71/EC) and amendments thereto, including Directive 2010/73/EU and to the extent applicable, Prospectus Regulation (EU) 2017/1129 (each, a “**Relevant Member State**”), an offer to the public of any Equity Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- a. to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- b. to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors), subject to obtaining the prior consent of the BRLMs; or
- c. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Equity Shares shall result in a requirement for our Bank, our Promoter Selling Shareholder or any BRLM to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who receives any communication in respect of, or who acquires any Equity Shares under, the offers contemplated in this Draft Red Herring Prospectus will be deemed to have represented, warranted and agreed to with the BRLMs and our Bank and our Promoter Selling Shareholder that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information

on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares to the public in a Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, other than their offer or resale to qualified investors or in circumstances in which the prior consent of the BRLMs has been obtained to each such proposed offer or resale.

Our Bank, each of the Selling Shareholders, the BRLMs and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

This Draft Red Herring Prospectus is an advertisement and is not a prospectus for the purposes of EU Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU and to the extent applicable, Prospectus Regulation (EU) 2017/1129).

Bidders are advised to ensure that any Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Further, each Bidder where required must agree in the Allotment Advice that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Bidders are advised to ensure that any Bid from them does not exceed the investment limits or the maximum number of Equity Shares that can be held by them under applicable law.

Disclaimer Clause of BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. The disclaimer clause as intimated by BSE to our Bank, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus and the Prospectus prior to the RoC filing.

Disclaimer Clause of NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. The disclaimer clause as intimated by NSE to our Bank, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus and the Prospectus prior to the RoC filing.

Listing

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on the Stock Exchanges. Application will be made to the Stock Exchanges for obtaining permission for listing and trading of the Equity Shares. [•] will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

Consents

Consents in writing of: (a) our Promoter Selling Shareholder, our Directors, our Company Secretary and Compliance Officer, Statutory Auditor, legal counsel to our Bank and Promoter Selling Shareholder as to Indian law, legal counsel to the BRLMs as to Indian law, international legal counsel to the BRLMs, the BRLMs, the Registrar to the Offer, in their respective capacities, have been obtained; (b) CRISIL has been obtained; and (c) the Syndicate Members, the Banker(s) to the Offer, to act in their respective capacities, will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus.

Expert to the Offer

Except as stated below, our Bank has not obtained any expert opinions:

Our Bank has received written consent dated March 4, 2021 from our Statutory Auditor, Haribhakti & Co. LLP, Chartered Accountants to include their name as required under Section 26(5) of the Companies Act read with SEBI ICDR Regulations in this Draft Red Herring Prospectus as an “expert” as defined under Section 2(38) of the Companies Act to the extent and in its capacity as an independent Statutory Auditor and in respect of its (i) examination report dated February 16, 2021 on our Restated Financial Statements; and (ii) its report dated March 2, 2021 on the statement of possible special tax benefits in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus.

However, the term “expert” shall not be construed to mean an “expert” as defined under the U.S. Securities Act.

Particulars regarding capital issues by our Bank and listed group companies, subsidiaries or associate entity during the last three years

Other than as disclosed in “*Capital Structure*” on page 76, our Bank has not made any capital issues during the three years preceding the date of this Draft Red Herring Prospectus. Our Group Company is not listed on any stock exchange and our Bank does not have any subsidiary or associate entity.

Commission and Brokerage paid on previous issues of the Equity Shares in the last five years

Since this is the initial public issue of the Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Bank's incorporation.

Performance vis-à-vis objects – Public/ rights issue of our Bank

Our Bank has not undertaken any public or rights issue in the five years preceding the date of this Draft Red Herring Prospectus.

Performance vis-à-vis objects – Public/ rights issue of the listed subsidiaries/listed Promoter of our Bank

The securities of our Promoter are not listed on any stock exchange.

Price information of past issues handled by the BRLMs

A. ICICI Securities Limited

1. Price information of past issues handled by ICICI Securities Limited

S. No.	Issue name	Issue size (in ₹ million)	Issue Price (in ₹)	Listing date	Opening price on listing date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30 th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90 th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180 th calendar days from listing
1.	Happiest Minds Technologies Limited	7,020.20	166.00	17-Sep-20	350.00	+96.05%, [+2.14%]	+93.25%, [+17.82%]	NA*
2.	Route Mobile Limited	6,000.00	350.00	21-Sep-20	717.00	+105.81%, [+5.74%]	+231.04%, [+22.31%]	NA*
3.	Computer Age Management Services Limited	22,421.05	1,230.00 ⁽¹⁾	01-Oct-20	1,518.00	+5.52%, [+1.97%]	+49.25%, [+22.03%]	NA*
4.	Angel Broking Limited	6,000.00	306.00	05-Oct-20	275.00	-2.32%, [+2.70%]	+10.02%, [+21.86%]	NA*
5.	UTI Asset Management Company Limited	21,598.84	554.00	12-Oct-20	500.00	-10.43%, [+5.87%]	-0.60%, [+20.25%]	NA*
6.	Mrs. Bectors Food Specialities Limited	5,405.40	288.00 ⁽²⁾	24-Dec-20	500.00	+37.69%, [+4.53%]	NA*	NA*
7.	Indian Railway Finance Corporation Limited	46,333.79	26.00	29-Jan-21	24.90	-5.19%, [+6.56%]	NA*	NA*
8.	Indigo Paints Limited	11,691.24	1,490.00 ⁽³⁾	02-Feb-21	2,607.50	75.72%, [+4.08%]	NA*	NA*
9.	Home First Finance Company India Limited	11,537.19	518.00	03-Feb-21	618.80	NA*	NA*	NA*
10.	Railtel Corporation of India Limited	8,192.42	94.00	26-Feb-21	109.00	NA*	NA*	NA*

*Data not available

(1) Discount of ₹122 per equity share offered to eligible employees. All calculations are based on Issue Price of ₹1,230.00 per equity share

(2) Discount of ₹15 per equity share offered to eligible employees. All calculations are based on Issue Price of ₹288.00 per equity share.

(3) Discount of ₹148 per equity share offered to eligible employees. All calculations are based on Issue Price of ₹1,490.00 per equity share.

Notes:

1. All data sourced from www.nseindia.com, except for Computer Age Management Services Limited for which the data is sourced from www.bseindia.com
2. Benchmark index considered is NIFTY
3. 30th, 90th, 180th calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30th, 90th, 180th calendar day is a holiday, in which case we have considered the closing data of the previous trading day

2. Summary statement of price information of past issues handled by ICICI Securities Limited

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ in million)	No. of IPOs trading at discount as on 30 th calendar day from listing date			No. of IPOs trading at premium as on 30 th calendar day from listing date			No. of IPOs trading at discount as on 180 th calendar day from listing date			No. of IPOs trading at premium as on 180 th calendar day from listing date		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2020-21*	11	1,51,162.63	-	-	3	4	1	1	-	-	-	1	-	-
2019-20	4	49,850.66	-	-	2	-	1	1	1	-	-	2	-	1
2018-19	4	60,843.16	-	-	2	1	-	1	-	-	2	-	1	1

*This data covers issues upto YTD

B. IIFL Securities Limited

1. Price information of past issues handled by IIFL Securities Limited

Sr. No.	Issue Name	Issue Size (in ₹ million)	Issue Price (in ₹)	Listing Date	Opening Price on Listing Date (in ₹)	+/- % change in closing price*, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price*, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price*, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	HDFC Asset Management Company Limited	28,003.31	1,100.00	August 6, 2018	1,726.25	+58.04%, [+1.17%]	+30.61%, [-7.32%]	+23.78%, [-4.33%]
2.	Credit Access Grameen Limited	11,311.88	422.00	August 23, 2018	390.00	-21.16%, [-3.80%]	-14.91%, [-8.00%]	-5.71%, [-8.13%]
3.	Polycab India Limited	13,452.60	538.00	April 16, 2019	633.00	+15.36% [-5.35%]	+14.70% [-1.99%]	+23.76% [-4.09%]
4.	Spandana Sphoorty Financial Ltd	12,009.36	856.00	August 19, 2019	825.00	-0.56% [-2.14%]	+52.76% [+7.61%]	+17.32% [+9.59%]
5.	Sterling and Wilson Solar Ltd	28,809.42	780.00	August 20, 2019	706.00	-21.88%, [-1.60%]	-48.63%, [+7.97%]	-64.78%, [+9.95%]
6.	CSB Bank Ltd	4,096.77	195.00	December 4, 2019	275.00	+8.36%, [+1.98%]	-12.18%, [-7.56%]	-36.95%, [-20.45%]
7.	Ujjivan Small Finance Bank Limited	7,459.46	37.00	December 12, 2019	58.75	+41.08%, [+2.38%]	+10.27%, [-12.70%]	-16.62%, [-15.07%]
8.	Equitas Small Finance Bank Ltd	5,176.00	33.00	November 2, 2020	31.10	+5.45%, [+12.34%]	+19.55%, [16.84%]	N.A.
9.	Mrs. Bectors Food Specialities Ltd	5,405.40	288.00	December 24, 2020	500.00	+37.69%, [+4.53%]	N.A.	N.A.
10.	Antony Waste Handling Cell Limited	2,999.85	315.00	January 1, 2021	436.10	-10.27%, [-2.74%]	N.A.	N.A.

Source: www.nseindia.com

Note: Benchmark Index taken as CNX NIFTY. Price on NSE is considered for all of the above calculations. The 30th, 90th and 180th calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30th /90th / 180th calendar day from listing day is a holiday, the closing data of the previous trading day has been considered. % change taken against the Issue Price in case of the Issuer. The Nifty 50 index is considered as the benchmark index. NA means Not Applicable.

2. Summary statement of price information of past issues handled by IIFL Securities Limited

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ in million)	No. of IPOs trading at discount as on 30 th calendar day from listing date			No. of IPOs trading at premium as on 30 th calendar day from listing date			No. of IPOs trading at discount as on 180 th calendar day from listing date			No. of IPOs trading at premium as on 180 th calendar day from listing date		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2018-19	4	94,013.29	-	1	1	1	-	1	-	1	2	-	-	1
2019-20	5	65,827.61	-	-	2	-	1	2	1	1	1	-	-	2
2020-21	3	13,581.25	-	-	1	-	1	1	-	-	-	-	-	-

Source: www.nseindia.com

Note: Data for number of IPOs trading at premium/discount taken at closing price on NSE on the respective date. In case any of the days falls on a non-trading day, the closing price on the previous trading day has been considered. NA means Not Applicable.

NA means Not Applicable.

C. Kotak Mahindra Capital Company Limited

1. Price information of past issues handled by Kotak Mahindra Capital Company Limited

Sr. No.	Issue Name	Issue Size (in ₹ Mn)	Issue Price (₹)	Listing Date	Opening Price on Listing Date	+/- % change in closing price*, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price*, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price*, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	Home First Finance Company India Limited	11,537.19	518	February 3, 2021	618.80	-	-	-
2.	Indigo Paints Limited	11,691.24	1,490 ¹	February 2, 2021	2,607.50	-	-	-
3.	Burger King India Limited	8,100.00	60	December 14, 2020	115.35	+146.50%[+7.41%]	-	-
4.	Gland Pharma Limited	64,795.45	1,500	November 20, 2020	1,710.00	+48.43%[+7.01%]	+57.27%[+18.27%]	-
5.	UTI Asset Management Company Limited	21,598.84	554	October 12, 2020	500.00	-10.43%[+5.87%]	-0.60%[+20.25%]	-
6.	Computer Age Management Services Limited	22,421.05	1,230 ²	October 1, 2020	1,518.00	+5.43%[+2.37%]	+49.52%[23.04%]	-
7.	SBI Cards And Payment Services Limited	103,407.88	755 ³	March 16, 2020	661.00	-33.05%[-2.21%]	-21.79%[+8.43%]	+12.50%[+24.65%]
8.	Ujjivan Small Finance Bank Limited	7,459.46	37 ⁴	December 12, 2019	58.75	+41.08%[+2.38%]	+10.27%[-12.70%]	-16.62%[-15.07%]
9.	Polycab India Limited	13,452.60	538 ⁵	April 16, 2019	633.00	+15.36%[-5.35%]	+14.70%[-1.99%]	+23.76%[-4.09%]
10.	Metropolis Healthcare Limited	12,042.88	880	April 15, 2019	958.00	+3.75%[-4.01%]	+21.39%[-1.18%]	+45.93%[-3.30%]

Source: www.nseindia.com and www.bseindia.com

Notes:

1. In Indigo Paints Limited, the issue price to eligible employees was ₹ 1,342 after a discount of ₹ 148 per equity share
2. In Computer Age Management Services Limited, the issue price to eligible employees was ₹ 1,108 after a discount of ₹ 122 per equity share
3. In SBI Cards and Payment Services Limited, the issue price to eligible employees was ₹ 680 after a discount of ₹ 75 per equity share
4. In Ujjivan Small Finance Bank Limited, the issue price to eligible shareholders of Ujjivan Financial Services Limited was ₹ 35 per equity share
5. In Polycab India Limited, the issue price to employees was ₹ 485 after a discount of ₹ 53 per equity share.
6. In the event any day falls on a holiday, the price/index of the immediately preceding trading day has been considered.
7. The 30th, 90th, 180th calendar days from listed day have been taken as listing day plus 29, 89 and 179 calendar days.
8. Nifty is considered as the benchmark index except for Computer Age Management Services Limited where SENSEX is considered as benchmark index.
9. Restricted to last 10 equity initial public issues.

2. Summary statement of price information of past issues handled by Kotak Mahindra Capital Company Limited

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ in million)	No. of IPOs trading at discount as on 30 th calendar day from listing date			No. of IPOs trading at premium as on 30 th calendar day from listing date			No. of IPOs trading at discount as on 180 th calendar day from listing date			No. of IPOs trading at premium as on 180 th calendar day from listing date		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2020-21	6	140,143.77	-	-	1	1	1	1	-	-	-	-	-	-
2019-20	4	136,362.82	-	1	-	-	1	2	-	-	1	-	1	2
2018-19	6	98,942.90	-	-	3	1	1	1	-	1	3	-	-	2

Notes:

1. The information is as on the date of this Draft Red Herring Prospectus.
2. The information for each of the financial years is based on issues listed during such financial year.

Track record of past issues handled by the Book Running Lead Managers

For details regarding the track record of the Book Running Lead Managers, as specified in circular (reference CIR/MIRSD/1/2012) dated January 10, 2012 issued by SEBI, please see the websites of the Book Running Lead Managers, as set forth in the table below:

Sr. No.	Name of the Book Running Lead Manager	Website
1.	I-Sec	www.icicisecurities.com
2.	IIFL	www.iiflcap.com
3.	Kotak	www.investmentbank.kotak.com

Stock Market Data of Equity Shares

This being an initial public offer of our Bank, the Equity Shares are not listed on any stock exchange and accordingly, no stock market data is available for the Equity Shares.

Mechanism for Redressal of Investor Grievances

The Registrar Agreement provides for the retention of records with the Registrar to the Offer for a period of at least eight years from the date of listing and commencement of trading of the Equity Shares on BSE, subject to agreement with our Bank for storage of such records for longer period, to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances in relation to the Bidding process may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary to whom the Bid cum Application Form was submitted. The Bidder should give full details such as name of the sole or first Bidder, Bid cum Application Form number, Bidder DP ID, Client ID, PAN, date of the submission of Bid cum Application Form, address of the Bidder, number of the Equity Shares applied for and the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder.

The Registrar to the Offer shall obtain the required information from the SCSBs and Sponsor Banks for addressing any clarifications or grievances of ASBA Bidders. Our Bank, the BRLMs and the Registrar to the Offer accept no responsibility for errors, omissions, commission or any acts of SCSBs including any defaults in complying with its obligations under applicable SEBI ICDR Regulations. Investors can contact our Company Secretary and Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of Allotment, non-credit of allotted Equity Shares in the respective beneficiary account, non-receipt of refund intimations and non-receipt of funds by electronic mode.

Our Bank shall obtain authentication on the SCORES and comply with the SEBI circular (CIR/OIAE/1/2013) dated April 17, 2013 in relation to redressal of investor grievances through SCORES.

Anchor Investors are required to address all grievances in relation to the Offer to the BRLMs.

Further, the Bidder shall also enclose a copy of the Acknowledgment Slip duly received from the concerned Designated Intermediary in addition to the information mentioned hereinabove.

Our Group Company is not listed on any stock exchange.

Disposal of Investor Grievances by our Bank

Our Bank estimates that the average time required by our Bank or the Registrar to the Offer or the SCSB in case of ASBA Bidders, for the redressal of routine investor grievances shall be 10 Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our will seek to redress these complaints as expeditiously as possible.

Our Bank has not received any investor grievances in the last three Financial Years prior to the filing of the Draft Red Herring Prospectus and there are no outstanding investor complaints as on the date of this Draft Red Herring Prospectus.

Our Bank has appointed Ms. Nutan Rane, as the Company Secretary and Compliance Officer for the Offer and she may be contacted in case of any pre-Offer or post-Offer related problems. For details, see “*General Information*” beginning on page 68.

Our Bank has also constituted a Stakeholders' Relationship Committee comprising Ms. Kalpana Prakash Pandey (Chairperson), Mr. Nagesh Dinkar Pingre and Mr. Govind Singh as members, to consider and resolve grievances of shareholder's, debenture holders and other security holders. For details, see "*Our Management*" beginning on page 170.

SECTION VII: OFFER INFORMATION

TERMS OF THE OFFER

The Equity Shares being Allotted pursuant to the Offer shall be subject to the provisions of the Companies Act, SEBI ICDR Regulations, SCRA, SCRR, the Banking Regulation Act, the SFB Licensing Guidelines, the MoA, AoA, Listing Regulations, RBI Licence, RBI In-Principle Approval, the terms of the Red Herring Prospectus, the Prospectus, the Abridged Prospectus, Bid cum Application Form, the Revision Form, the CAN/Allotment Advice and other terms and conditions as may be incorporated in the Allotment Advice and other documents/certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws as applicable, guidelines, rules, notifications and regulations relating to the issue of capital, Offer for Sale and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Offer and to the extent applicable or such other conditions as may be prescribed by SEBI, the RBI, the Government of India, the Stock Exchanges, the RoC and/or any other authorities while granting its approval for the Offer.

Ranking of the Equity Shares

The Allottees upon Allotment of Equity Shares under the Offer will be entitled to dividend and other corporate benefits, if any, declared by our Bank after the date of Allotment. The Equity Shares issued in the Offer shall be *pari passu* with the existing Equity Shares in all respects including dividends. For further details, see “*Description of Equity Shares and Terms of Articles of Association*” beginning on page 397.

Mode of Payment of Dividend

Our Bank shall pay dividends, if declared, to the Shareholders as per the provisions of the Companies Act, our MoA, AoA, the Listing Regulations and other applicable laws including guidelines or directives that may be issued by the GoI in this respect. All dividends, declared by our Bank after the date of Allotment (pursuant to the Allotment of Equity Shares), will be payable to the Allottees, for the entire year, in accordance with applicable law. For further details in relation to dividends, see “*Dividend Policy*” and “*Description of Equity Shares and Terms of the Articles of Association*” beginning on pages 198 and 397, respectively.

Face Value, Offer Price and Price Band

The face value of each Equity Share is ₹10 and the Offer Price at Floor Price is ₹ [•] per Equity Share and at Cap Price is ₹ [•] per Equity Share. The Anchor Investor Offer Price is ₹ [•] per Equity Share.

The Price Band, the minimum Bid Lot size will be decided by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, and will be advertised, at least two Working Days prior to the Bid/Offer Opening Date, in [•] editions of [•], an English national daily newspaper, [•] editions of [•], a Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh, where our Registered and Corporate Office is located) each with wide circulation and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, shall be pre-filled in the Bid cum Application Forms available on the respective websites of the Stock Exchanges.

At any given point of time, there shall be only one denomination for the Equity Shares.

Compliance with Disclosure and Accounting Norms

Our Bank shall comply with all disclosure and accounting norms as specified by the SEBI from time to time.

Rights of the Shareholders

Subject to applicable laws, rules, regulations and guidelines and the AoA, our Shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy, in accordance with the provisions of the Companies

Act and the Banking Regulation Act;

- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and preferential claim being satisfied;
- Right of free transferability, subject to applicable laws including any RBI rules and regulations; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, Banking Regulation Act, the Listing Regulations and the AoA of our Bank and other applicable laws.

For a detailed description of the main provisions of the AoA of our Bank relating to voting rights, dividend, forfeiture and lien, transfer, transmission and/or consolidation/splitting, see “*Description of Equity Shares and Terms of Articles of Association*” beginning on page 397.

Allotment only in dematerialised form

Pursuant to Section 29 of the Companies Act and the SEBI ICDR Regulations, the Equity Shares shall be Allotted only in dematerialised form. As per the SEBI ICDR Regulations and the Listing Regulations, the trading of the Equity Shares shall only be in dematerialised form. In this context, two agreements have been entered into amongst our Bank, the respective Depositories and Registrar to the Offer:

- Tripartite agreement dated February 17, 2017 amongst our Bank, NSDL and Karvy Computershare Private Limited (now known as Karvy Fintech Private Limited).
- Tripartite agreement dated February 14, 2017 amongst our Bank, CDSL and Karvy Computershare Private Limited (now known as Karvy Fintech Private Limited).

Market Lot and Trading Lot

Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Offer will be in multiples of one Equity Share subject to a minimum Allotment of [•] Equity Shares. For the method of basis of allotment, see “*Offer Procedure*” beginning on page 378.

Joint Holders

Where two or more persons are registered as the holders of the Equity Shares, they will be deemed to hold such Equity Shares as joint tenants with benefits of survivorship.

Nomination facility to investors

In accordance with Section 72 of the Companies Act, read with the Companies (Share Capital and Debentures) Rules, 2014, as amended, the sole Bidder, or the first Bidder along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the holder of such Equity Shares. A nomination may be cancelled, or varied by nominating any other person in place of the present nominee, by the holder of the Equity Shares who has made the nomination, by giving a notice of such cancellation or variation to our Bank in the prescribed form. Fresh nomination can be made only on the prescribed form available on request at our Registered and Corporate Office or to the registrar and transfer agents of our Bank.

Any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act shall upon the production of such evidence as may be required by our Board, elect either:

- a) to register himself or herself as the holder of the Equity Shares; or
- b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Offer will be made only in dematerialized mode, there is no need to make a separate nomination with our Bank. Nominations registered with respective Depository Participant of the Bidder would prevail. If the Bidder wants to change the nomination, they are requested to inform their respective Depository Participant.

Bid/Offer Programme

BID/OFFER OPENS ON	[•] ⁽¹⁾
BID/OFFER CLOSES ON	[•] ⁽²⁾

- (1) Our Bank and Promoter Selling Shareholder may, in consultation with the BRLMs, consider participation by Anchor Investors. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date in accordance with the SEBI ICDR Regulations
- (2) Our Bank and Promoter Selling Shareholder may, in consultation with the BRLMs, consider closing the Bid/Offer Period for QIBs one day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations

An indicative timetable in respect of the Offer is set out below:

Event	Indicative Date
Bid/Offer Closing Date	[•]
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about [•]
Initiation of refunds (if any, for Anchor Investors)/ unblocking of funds from ASBA Account*	On or about [•]
Credit of Equity Shares to demat accounts of Allottees	On or about [•]
Commencement of trading of the Equity Shares on Stock Exchanges	On or about [•]

The above timetable, is indicative and does not constitute any obligation or liability on our Bank, the Promoter Selling Shareholder, or the BRLMs.

Whilst our Bank shall ensure that all steps for the completion of the necessary formalities for the listing and the commencement of trading of the Equity Shares on the Stock Exchanges are taken within six Working Days of the Bid/Offer Closing Date, the timetable may be extended due to various factors, such as extension of the Bid/Offer Period by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, revision of the Price Band or any delay in receiving the final listing and trading approval from the Stock Exchanges, and delay in respect of final certificates from SCSBs. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges and in accordance with the applicable laws. The Promoter Selling Shareholder confirms that it shall extend such reasonable support and co-operation required by our Bank and the BRLMs for completion of the necessary formalities for listing and commencement of trading of the Equity Shares at the Stock Exchanges within six Working Days from the Bid/Offer Closing Date or such other period as may be prescribed by SEBI.

Submission of Bids (other than Bids from Anchor Investors):

Bid/Offer Period (except the Bid/Offer Closing Date)	
Submission and Revision in Bids	Only between 10.00 a.m. and 5.00 p.m. IST
Bid/Offer Closing Date	
Submission and Revision in Bids	Only between 10.00 a.m. and 3.00 p.m. IST

On the Bid/Offer Closing Date, the Bids shall be uploaded until:

- (i) 4.00 p.m. IST in case of Bids by QIBs and Non-Institutional Bidders, and
- (ii) until 5.00 p.m. IST or such extended time as permitted by the Stock Exchanges, in case of Bids by RIBs and Eligible Employees Bidding under the Employee Reservation Portion.

On Bid/Offer Closing Date, extension of time will be granted by the Stock Exchanges only for uploading Bids received by Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion, after taking into account the total number of Bids received and as reported by the BRLMs to the Stock Exchanges.

Due to limitation of time available for uploading the Bids on the Bid/Offer Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/Offer Closing Date, and in any case no later than 3:00 p.m. IST on the Bid/Offer Closing Date. Any time mentioned in this Draft Red Herring Prospectus is IST. Bidders are cautioned that, in the event a large number of Bids are received on the Bid/Offer Closing Date, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under this Offer. Bids will be accepted only during Working Days, during the Bid/Offer Period. Bids will be accepted only during Monday to Friday (excluding any public holiday), during the Bid/Offer period. Bids and revisions shall not be accepted on Saturdays and public holidays.

It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by SCSBs or not blocked under the UPI Mechanism in the relevant ASBA Account, as the case may be, would be rejected.

Neither the Promoter Selling Shareholder, nor our Bank, nor any member of the Syndicate are liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise; and (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

Our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bid/Offer Period. The revision in the Price Band shall not exceed 20% on either side, i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly. The Floor Price will not be less than the face value of the Equity Shares. In all circumstances, the Cap Price shall be less than or equal to 120% of the Floor Price.

In case of revision in the Price Band, the Bid/Offer Period shall be extended for at least three additional Working Days after such revision, subject to the Bid/Offer Period not exceeding 10 Working Days. In cases of force majeure, strike or similar circumstances, our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, for reasons to be recorded in writing, extend the Bid/Offer Period for a minimum of three Working Days, subject to the Bid/Offer Period not exceeding 10 Working Days. Any revision in Price Band, and the revised Bid/Offer Period, if applicable, shall be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the change on the terminals of the Syndicate Members and by intimation to the Designated Intermediaries. In case of revision of Price Band, the Bid Lot shall remain the same.

In case of discrepancy in data entered in the electronic book vis-vis data contained in the Bid cum Application Form for a particular Bidder, the details as per the Bid file received from the Stock Exchanges shall be taken as the final data for the purpose of Allotment.

Minimum Subscription

If our Bank does not receive the minimum subscription in the Offer as specified under Rule 19(2)(b) of the SCRR including through devolvement of Underwriters, as applicable, within 60 days from the date of Bid/Offer Closing Date; or the minimum subscription of 90% of the Fresh Issue on Bid/Offer Closing Date; or withdrawal of applications; or after technical rejections; or if the listing or trading permission is not obtained from the Stock Exchanges for the Equity Shares so offered under the offer document, our Bank shall forthwith refund the entire subscription amount received. If there is a delay beyond fifteen days, our Bank and our Directors, who are officers in default, shall pay interest at the rate of 15% per annum.

In the event of an undersubscription in the Offer, Equity Shares offered pursuant to the Fresh Issue shall be allocated in the Fresh Issue prior to the Equity Shares offered pursuant to the Offer for Sale. However, after receipt of minimum-subscription of 90% of the Fresh Issue, the Offered Shares shall be allocated prior to the Equity Shares offered pursuant to the Fresh Issue.

Further, in terms of Regulation 49(1) of the SEBI ICDR Regulations, our Bank shall ensure that the number of Bidders to whom the Equity Shares will be Allotted will be not less than 1,000 failing which the entire application money shall be unblocked in the respective ASBA Accounts of the Bidders.

In case of delay, if any, in unblocking the ASBA Accounts within such timeline as prescribed under applicable laws, our Bank shall be liable to pay interest on the application money in accordance with applicable laws. The Promoter Selling Shareholder shall reimburse, in respect to its Offered Shares, any expenses and interest incurred

by our Bank on behalf of the Promoter Selling Shareholder for any delays in making refunds as required under the Companies Act and any other applicable law, provided that the Promoter Selling Shareholder shall be responsible or liable for payment of such expenses or interest, unless such delay is solely and directly attributable to an act or omission of the Promoter Selling Shareholder.

Arrangements for Disposal of Odd Lots

There are no arrangements for disposal of odd lots since our Equity Shares will be traded in dematerialised form only and market lot for our Equity Shares will be one Equity Share.

Restrictions, if any on Transfer and Transmission of Equity Shares

Except for lock-in of the pre-Offer capital of our Bank, lock-in of our Promoter's minimum contribution and the Anchor Investor lock-in as provided in "*Capital Structure*" on page 76 and except as provided under the Banking Regulation Act and the rules and regulations made thereunder and the AoA, there are no restrictions on transfer of the Equity Shares. Further, there are no restrictions on transmission of any shares of our Bank and on their consolidation or splitting, except as provided in the AoA. For details, see "*Description of Equity Shares and terms of Articles of Association*" beginning on page 397.

In accordance with Section 12B of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. For further details, see "*Key Regulations and Policies*" and "*Offer Procedure*" on pages 156 and 378, respectively.

OFFER STRUCTURE

Offer of up to [•] Equity Shares for cash at price of ₹[•] per Equity Share (including a premium of ₹[•] per Equity Share) aggregating up to ₹13,500 million comprising a Fresh Issue of up to [•] Equity Shares aggregating up to ₹7,500 million by our Bank and an Offer for Sale of up to [•] Equity Shares by our Promoter Selling Shareholder, aggregating up to ₹6,000 million. The Offer includes a reservation of up to [•] Equity Shares aggregating to ₹ [•] million for subscription by Eligible Employees.

Our Bank in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹2,500 million. The Pre-IPO Placement will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement, if any, will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Offer size constituting at least [•] % of the post-Offer paid-up Equity Share capital of our Bank.

The Offer and the Net Offer shall constitute at least [•]% and [•]%, respectively, of the post-Offer paid-up Equity Share capital of our Bank. The face value of each Equity Share is ₹10 each.

The Offer is being made through the Book Building Process.

Particulars	Eligible Employees [#]	QIBs ⁽¹⁾	Non Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for Allotment/allocation ^{*(2)}	Not more than [•] Equity Shares	Not less than [•] Equity Shares	Not more than [•] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and RIBs	Not more than [•] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Non Institutional Bidders
Percentage of Offer Size available for Allotment/allocation	The Employee Reservation Portion shall constitute approximately [•] of the Offer Size	Not less than 75% of the Net Offer Size shall be Allotted to QIBs. However, up to 5% of the QIB Portion (excluding Anchor Investor Portion) will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund Portion will be available for allocation to QIBs	Not more than 15% of the Net Offer or the Net Offer less allocation to QIB Bidders and RIBs shall be available for allocation	Not more than 10% of the Net Offer or the Net Offer less allocation to QIB Bidders and Non-Institutional Bidders shall be available for allocation
Basis of Allotment / allocation if respective category is oversubscribed*	Proportionate; unless the Employee Reservation Portion is under-subscribed, the value of allocation to an Eligible Employee shall not exceed ₹200,000. In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion may be Allotted, on a proportionate basis, to Eligible Employees for value exceeding ₹200,000, subject to total Allotment	Proportionate as follows (excluding the Anchor Investor Portion): 1. At least [•] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only; and 2. [•] Equity Shares shall be available for allocation on a proportionate basis to all other QIBs, including Mutual Funds receiving allocation as per 1. above	Proportionate	Allotment to each Retail Individual Bidder shall not be less than the maximum Bid lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares if any, shall be

Particulars	Eligible Employees [#]	QIBs ⁽¹⁾	Non Institutional Bidders	Retail Individual Bidders
	to an Eligible Employee not exceeding ₹500,000.	Up to 60% of the QIB Portion Equity Shares may be allocated on a discretionary basis to Anchor Investors of which one-third shall be available for allocation to Mutual Funds only, subject to valid Bid received from Mutual Funds at or above the Anchor Investor Allocation Price.		allotted on a proportionate basis. For further details, see the “Offer Procedure” beginning on page 378.
Minimum Bid	[•] Equity Shares	Such number of Equity Shares that the Bid Amount exceeds ₹200,000 and in multiples of [•] Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds ₹200,000 and in multiples of [•] Equity Shares thereafter	[•] Equity Shares and in multiples of [•] Equity Shares thereafter
Maximum Bid	Such number of Equity Shares in multiples of [•] Equity Shares so that the Bid Amount does not exceed ₹ 500,000	Such number of Equity Shares and in multiples of [•] Equity Shares not exceeding the size of the Net Offer, subject to applicable limits	Such number of Equity Shares and in multiples of [•] Equity Shares not exceeding the size of the Net Offer (excluding QIB portion), subject to applicable limits and such that the Bid Amount exceeds ₹200,000 in value.	Such number of Equity Shares and in multiples of [•] Equity Shares so that the Bid Amount does not exceed ₹200,000
Mode of Bidding	Through ASBA process only (except Anchor Investors)			
Bid Lot	[•] Equity Shares and in multiples of [•] Equity Shares thereafter			
Mode of Allotment	Compulsorily in dematerialised form			
Allotment Lot	A minimum of [•] Equity Shares and in multiples of one Equity Share thereafter			
Trading Lot	One Equity Share			
Who can apply ⁽⁴⁾	Eligible Employees	Public financial institutions as specified in Section 2(72) of the Companies Act, scheduled commercial banks, Mutual Funds, FPIs (other than individuals, corporate bodies and family offices), VCFs, AIFs, FVCIs registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporation, insurance companies registered with IRDAI, provident funds (subject to applicable law) with minimum corpus of ₹250 million, pension funds with minimum corpus of ₹250 million, National Investment Fund set up by the Government of India, the insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and	Resident Indian individuals, Eligible NRIs, HUFs (in the name of the karta), companies, corporate bodies, scientific institutions societies and trusts, FPIs who are individuals, corporate bodies and family offices.	Resident Indian individuals, Eligible NRIs and HUFs (in the name of karta).

Particulars	Eligible Employees [#]	QIBs ⁽¹⁾	Non Institutional Bidders	Retail Individual Bidders
		managed by the Department of Posts, India and Systemically Important NBFCs.		
Terms of Payment	In case of Anchor Investors: Full Bid Amount shall be payable by the Anchor Investors at the time of submission of their Bids⁽³⁾ In case of all other Bidders: Full Bid Amount shall be blocked by the SCSBs in the bank account of the ASBA Bidder (other than Anchor Investors) including UPI ID in case of RIBs, that is specified in the ASBA Form at the time of submission of the ASBA Form			

* Assuming full subscription in the Offer.

Eligible Employees Bidding in the Employee Reservation portion can Bid up to a Bid Amount of ₹500,000. However, a Bid by an Eligible Employee in the Employee Reservation Portion will be considered for allocation, in the first instance, for a Bid Amount of up to ₹200,000. In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹200,000, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000. Further, an Eligible Employee Bidding in the Employee Reservation Portion can also Bid in the Net Offer and such Bids will not be treated as multiple Bids subject to applicable limits. The unsubscribed portion if any, in the Employee Reservation Portion shall be added back to the Net Offer. In case of under-subscription in the Net Offer, spill-over to the extent of such under-subscription shall be permitted from the Employee Reservation Portion.

- (1) Our Bank in consultation with our Promoter Selling Shareholder and the BRLMs may allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis, in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. For details, see "Offer Procedure" beginning on page 378.
- (2) Subject to valid Bids being received at or above the Offer Price. This Offer is made in accordance with the Rule 19(2)(b) of the SCRR and is being made through the Book Building Process, in compliance with Regulation 6(2) of the SEBI ICDR Regulations.
- (3) Full Bid Amount shall be payable by the Anchor Investors at the time of submission of the Anchor Investor Application Forms, provided that any difference between the price at which Equity Shares are allocated to the Anchor Investors and the Anchor Investor Offer Price, shall be payable by the Anchor Investor Pay-in Date as mentioned in the CAN.
- (4) In case of joint Bids, the Bid cum Application Form should contain only the name of the First Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. The signature of only such First Bidder would be required in the Bid cum Application Form and such First Bidder would be deemed to have signed on behalf of the joint holders. Bidders will be required to confirm and will be deemed to have represented to our Bank, our Promoter Selling Shareholder, the Underwriters, their respective directors, officers, agents, affiliates and representatives that they are eligible under applicable law, rules, regulations, guidelines and approvals to acquire the Equity Shares.

Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in the Non-Institutional Portion or the Retail Portion would be allowed to be met with spill-over from other categories or a combination of categories at the discretion of our Bank in consultation with our Promoter Selling Shareholder and the BRLMs and the Designated Stock Exchange, on a proportionate basis. However, under-subscription, if any, in the QIB Portion will not be allowed to be met with spill-over from other categories or a combination of categories. For further details, see "Terms of the Offer" beginning on page 369.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, every person who intends to make an acquisition /make an agreement for acquisition which will/is likely to take the aggregate holding of such person together with shares/voting rights/compulsorily convertible debentures/bonds held by him, his relatives, associate enterprises and persons acting in concert with him, to five per cent or more of the paid-up share capital of a bank or entitles him to exercise five per cent or more of the total voting rights of a bank, shall seek prior approval of RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder) ("**Other Persons**") aggregate to five per cent or more of the post-Offer paid-up share capital of our Bank. It may be noted that in the event an approval from RBI is not obtained by any Bidder, it shall not be allotted five per cent or more of the post-Offer paid-up share capital of our Bank.

Our Bank, the BRLMs and the Registrar to the Offer will rely strictly and solely on the RBI approvals received from Bidders for making any Allotment of Equity Shares to such Bidders and to the Other Persons, if any, that results in such Bidder, either individually or on an aggregate basis with the Other Persons associated with such Bidder, holding Equity Shares equal to or in excess of five per cent of the post-Offer paid-up share capital of our Bank thereafter, after considering their existing aggregate shareholding in our Bank, if any. Our Bank, the Registrar to the Offer and the BRLMs will not be responsible for identifying the Other Persons associated with any Bidder, or for the consequences of any Bidder and the Other Persons holding Equity Shares, which together with their existing shareholding amount to five per cent or more of the post-Offer paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

A clear legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Offer at any time prior to the date falling one day before the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities, which propose to Bid in the Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

An 'associate enterprise' has the same meaning assigned to it in explanation 1(a) to Section 12B of Banking Regulation Act. A 'person acting in concert' has the same meaning as stated in explanation 1(c) to Section 12B of Banking Regulation Act. A 'relative' has the same meaning as defined in Section 2(77) of the Companies Act and rules made thereunder.

Withdrawal of the Offer

Our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Fresh Issue and the Promoter Selling Shareholder reserves the right not to proceed with the Offer for Sale, in whole or in part thereof, after the Bid/Offer Opening Date but before the Allotment. In such an event, our Bank would issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/Offer Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Offer and inform the Stock Exchanges promptly on which the Equity Shares are proposed to be listed. The BRLMs, through the Registrar to the Offer, shall notify the SCSBs and the Sponsor Bank, to unblock the bank accounts of the ASBA Bidders within one Working Day from the date of receipt of such notification and also inform the Bankers to the Offer to process refunds to the Anchor Investors, as the case may be. The notice of withdrawal will be issued in the same newspapers where the pre-Offer advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs withdraws the Offer after the Bid/Offer Closing Date and thereafter determines that it will proceed with an issue of the Equity Shares, our Bank shall file a fresh draft red herring prospectus with SEBI.

Notwithstanding the foregoing, this Offer is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Bank shall apply for after Allotment; and (ii) the filing of the Prospectus with the RoC.

OFFER PROCEDURE

All Bidders should read the General Information Document for Investing in Public Issues prepared and issued in accordance with the circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020 which is issued in supersession of the Circular dated October 23, 2013 and the UPI Circulars which highlights the key rules, processes and procedures applicable to public issues in general in accordance with the provisions of the Companies Act, the SCRA, the SCRR and the SEBI ICDR Regulations which is part of the abridged prospectus accompanying the Bid cum Application Form. The General Information Document is available on the websites of the Stock Exchanges and the BRLMs. Please refer to the relevant provisions of the General Information Document which are applicable to the Offer.

Additionally, all Bidders may refer to the General Information Document for information in relation to (i) category of investors eligible to participate in the Offer; (ii) maximum and minimum Bid size; (iii) price discovery and allocation; (iv) payment instructions for ASBA Bidders; (v) issuance of Confirmation of Allocation Note ("CAN") and Allotment in the Offer; (vi) general instructions (limited to instructions for completing the Bid cum Application Form); (vii) submission of Bid cum Application Form; (viii) other instructions (limited to joint bids in cases of individual, multiple bids and instances when an application would be rejected on technical grounds); (ix) applicable provisions of Companies Act relating to punishment for fictitious applications; (x) mode of making refunds; (xi) interest in case of delay in Allotment or refund and (xii) disposal of application.

SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018 read with its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, has introduced an alternate payment mechanism using Unified Payments Interface ("UPI") and consequent reduction in timelines for listing in a phased manner. From January 1, 2019, the UPI Mechanism for RIBs applying through Designated Intermediaries was made effective along with the existing process and existing timeline of T+6 days. ("UPI Phase I"). The UPI Phase I was effective till June 30, 2019.

With effect from July 1, 2019, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, read with circular bearing number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 with respect to Bids by RIBs through Designated Intermediaries (other than SCSBs), the existing process of physical movement of forms from such Designated Intermediaries to SCSBs for blocking of funds has been discontinued and only the UPI Mechanism for such Bids with existing timeline of T+6 days will continue for a period of three months or launch of five main board public issues, whichever is later ("UPI Phase II"). Subsequently however, SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 extended the timeline for implementation of UPI Phase II till March 31, 2020. However, given the prevailing uncertainty due to the COVID-19 pandemic, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, has decided to continue with the UPI Phase II till further notice. The final reduced timeline of T+3 days will be made effective using the UPI Mechanism for applications by RIBs ("UPI Phase III"), as may be prescribed by SEBI. The Offer will be undertaken pursuant to the processes and procedures under UPI Phase II, subject to any circulars, clarification or notification issued by the SEBI from time to time.

Our Bank, our Promoter Selling Shareholder and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated in this section and the General Information Document and are not liable for any amendment, modification or change in the applicable law which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids are submitted in accordance with applicable laws and do not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in the Red Herring Prospectus and the Prospectus.

Further, our Bank, our Promoter Selling Shareholder and the Syndicate do not accept any responsibility for any adverse occurrences consequent to the implementation of the UPI Mechanism for application in the Offer.

Book Building Procedure

The Offer is being made through the Book Building Process in accordance with Regulation 6(2) of the SEBI ICDR Regulations wherein not less than 75% of the Net Offer shall be allocated on a proportionate basis to QIBs, provided that our Bank and our Promoter Selling Shareholder may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations, of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. Further, 5% of the Net QIB Portion shall be available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the Net QIB

Portion shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, not more than 15% of the Net Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not more than 10% of the Net Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. Furthermore, up to [•] Equity Shares, aggregating approximately [•]% of the Offer shall be made available for allocation on a proportionate basis only to Eligible Employees Bidding in the Employee Reservation Portion, subject to valid Bids being received at or above the Offer Price.

Under-subscription, if any, in any category, including the Employee Reservation Portion, except in the QIB Portion, would be allowed to be met with spill-over from any other category or a combination of categories of Bidders, as applicable, at the discretion of our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange, subject to receipt of valid Bids received at or above the Offer Price. Under-subscription, if any, in the QIB Portion, would not be allowed to be met with spill-over from any other category or a combination of categories.

The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Bidders should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialized form. The Bid cum Application Forms which do not have the details of the Bidders' depository account, including DP ID, Client ID, PAN, and UPI ID, as applicable (for Retail Individual Bidders Bidding through the UPI Mechanism), shall be treated as incomplete and will be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. However, they may get the Equity Shares rematerialised subsequent to Allotment of the Equity Shares in the IPO.

Phased implementation of Unified Payments Interface

SEBI has issued the UPI Circulars in relation to streamlining the process of public issue of *inter alia*, equity shares. Pursuant to the UPI Circulars, the UPI Mechanism has been introduced in a phased manner as a payment mechanism (in addition to mechanism of blocking funds in the account maintained with SCSBs under ASBA) for applications by RIBs through Designated Intermediaries with the objective to reduce the time duration from public issue closure to listing from six Working Days to up to three Working Days. Considering the time required for making necessary changes to the systems and to ensure complete and smooth transition to the UPI payment mechanism, the UPI Circulars have introduced the UPI Mechanism in three phases in the following manner:

Phase I: This phase was applicable from January 1, 2019 until March 31, 2019 or floating of five main board public issues, whichever was later. Subsequently, the timeline for implementation of Phase I was extended till June 30, 2019. Under this phase, an RIB had the option to submit the ASBA Form with any of the Designated Intermediary and use his/ her UPI ID for the purpose of blocking of funds. The time duration from public issue closure to listing continued to be six Working Days.

Phase II: This phase has become applicable from July 1, 2019. Under this phase, submission of the ASBA Form without UPI by RIBs to Designated Intermediaries (other than SCSBs) for blocking of funds will be discontinued and is replaced by UPI Mechanism. However, the time duration from public issue closure to listing would continue to be six Working Days during this phase. SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 extended the timeline for implementation of UPI Phase II till March 31, 2020. Further, pursuant to SEBI circular dated March 30, 2020, this phase has been extended till further notice.

Phase III: The commencement period of Phase III is yet to be notified. In this phase, the time duration from public issue closure to listing would be reduced to three Working Days.

All SCSBs offering facility of making application in public issues shall also provide facility to make application using UPI. Our Bank will be required to appoint one of the SCSBs as a sponsor bank to act as a conduit between the Stock Exchanges and NPCI in order to facilitate collection of requests and / or payment instructions of the Retail Individual Bidders using the UPI.

For further details, refer to the General Information Document available on the websites of the Stock Exchanges and the BRLMs.

Bid cum Application Form

Copies of the Bid cum Application Form (other than for Anchor Investors) and the abridged prospectus will be available with the Designated Intermediaries at the Bidding Centres, our Registered and Corporate Office. An electronic copy of the Bid cum Application Form will also be available for download on the websites of NSE (www.nseindia.com) and BSE (www.bseindia.com) at least one day prior to the Bid/Offer Opening Date. The Bid cum Application Forms for Eligible Employees bidding in the Employee Reservation Portion will be available only at our offices and Banking Outlets in India.

All Bidders (other than Anchor Investors) shall mandatorily participate in the Offer only through the ASBA process. ASBA Bidders must provide either (i) the bank account details and authorisation to block funds in the ASBA Form, or (ii) the UPI ID, as applicable, in the relevant space provided in the ASBA Form. The ASBA Forms that do not contain such details are liable to be rejected. Applications made by the RIBs using third party bank account or using third party linked bank account UPI ID are liable for rejection. Anchor Investors are not permitted to participate in the Offer through the ASBA process. ASBA Bidders shall ensure that the Bids are made on ASBA Forms bearing the stamp of the relevant Designated Intermediary, submitted at the relevant Bidding Centres only (except in case of electronic ASBA Forms) and the ASBA Forms not bearing such specified stamp are liable to be rejected. Since the Offer is made under Phase II of the UPI Circulars, ASBA Bidders may submit the ASBA Form in the manner below:

- (i) RIBs (other than the RIBs using UPI Mechanism) may submit their ASBA Forms with SCSBs (physically or online, as applicable), or online using the facility of linked online trading, demat and bank account (3 in 1 type accounts), provided by certain brokers.
- (ii) RIBs using the UPI Mechanism, may submit their ASBA Forms with the Syndicate, sub-syndicate members, Registered Brokers, RTAs or CDPs, or online using the facility of linked online trading, demat and bank account (3 in 1 type accounts), provided by certain brokers.
- (iii) QIBs and NIBs may submit their ASBA Forms with SCSBs, Syndicate, sub-syndicate members, Registered Brokers, RTAs or CDPs.

ASBA Bidders are also required to ensure that the ASBA Account has sufficient credit balance as an amount equivalent to the full Bid Amount which can be blocked by the SCSB.

For Anchor Investors, the Anchor Investor Application Form will be available at the offices of the BRLMs.

The prescribed colour of the Bid cum Application Form for the various categories is as follows:

Category	Colour of Bid cum Application Form*
Resident Indians, including resident QIBs, Non-Institutional Bidders, Retail Individual Bidders and Eligible NRIs applying on a non-repatriation basis ⁽¹⁾	White
Eligible NRIs, FVCIs, FPIs and registered bilateral and multilateral institutions applying on a repatriation basis ⁽¹⁾	Blue
Anchor Investors ⁽²⁾	White
Eligible Employees bidding in the Employee Reservation Portion ⁽³⁾	Pink

* Excluding electronic Bid cum Application Forms

Notes:

(1) Electronic Bid cum Application forms and the abridged prospectus will also be available for download on the websites of NSE (www.nseindia.com) and BSE (www.bseindia.com).

(2) Bid cum Application Forms for Anchor Investors shall be available at the offices of the BRLMs.

(3) Bid cum Application Forms for Eligible Employees shall be available at the Registered and Corporate Office of our Bank.

The relevant Designated Intermediaries shall upload the relevant bid details in the electronic bidding system of the Stock Exchanges. For RIBs using the UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Bank on a continuous basis to enable the Sponsor Bank to initiate UPI Mandate Request to RIBs for blocking of funds.

In case of ASBA forms, the relevant Designated Intermediaries shall capture and upload the relevant bid details (including UPI ID in case of ASBA Forms under the UPI Mechanism) in the electronic bidding system of the Stock Exchanges.

For RIBs Bidding using UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Bank on a continuous basis through API integration to enable the Sponsor Bank to initiate UPI Mandate Request to RIBs, for blocking of funds. The Sponsor Bank shall initiate request for blocking of funds through NPCI to RIBs, who shall accept the UPI Mandate Request for blocking of funds on their respective mobile applications associated with UPI ID linked bank account. For all pending UPI Mandate Requests, the Sponsor Bank shall initiate requests for blocking of funds in the ASBA Accounts of relevant Bidders with a confirmation cut-off time of 12:00 pm on the first Working Day after the Bid/Offer Closing Date (“**Cut-Off Time**”). Accordingly, RIBs Bidding using through the UPI Mechanism should accept UPI Mandate Requests for blocking off funds prior to the Cut-Off Time and all pending UPI Mandate Requests at the Cut-Off Time shall lapse.

For ASBA Forms (other than RIBs Bidding using UPI Mechanism), Designated Intermediaries (other than SCSBs) shall submit/ deliver the ASBA Forms to the respective SCSB where the Bidder has an ASBA bank account and shall not submit it to any non-SCSB bank or any Escrow Collection Bank.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, every person who intends to make an acquisition /make an agreement for acquisition which will/is likely to take the aggregate holding of such person together with shares/voting rights/compulsorily convertible debentures/bonds held by him, his relatives, associate enterprises and persons acting in concert with him, to five per cent or more of the paid-up share capital of a bank or entitles him to exercise five per cent or more of the total voting rights of a bank, shall seek prior approval of RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder) (“**Other Persons**”) aggregate to five per cent or more of the post-Offer paid-up share capital of our Bank. It may be noted that in the event an approval from RBI is not obtained by any Bidder, it shall not be allotted five per cent or more of the post-Offer paid-up share capital of our Bank.

Our Bank, the BRLMs and the Registrar to the Offer will rely strictly and solely on the RBI approvals received from Bidders for making any Allotment of Equity Shares to such Bidders and to the Other Persons, if any, that results in such Bidder, either individually or on an aggregate basis with the Other Persons associated with such Bidder, holding Equity Shares equal to or in excess of five per cent of the post-Offer paid-up share capital of our Bank thereafter, after considering their existing aggregate shareholding in our Bank, if any. Our Bank, the Registrar to the Offer and the BRLMs will not be responsible for identifying the Other Persons associated with any Bidder, or for the consequences of any Bidder and the Other Persons holding Equity Shares, which together with their existing shareholding amount to five per cent or more of the post-Offer paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

A clear legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Offer at any time prior to the date falling one day before the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

An ‘associate enterprise’ has the same meaning assigned to it in Explanation 1(a) to Section 12B of Banking Regulation Act. A ‘person acting in concert’ has the same meaning as stated in Explanation 1(c) to Section 12B of Banking Regulation Act. A ‘relative’ has the same meaning as defined in Section 2(77) of the Companies Act and rules made thereunder.

Accordingly, in case of Bids for such number of Equity Shares, as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such person) exceeding 5% or more of the total paid- up share capital of our Bank or entitles him to exercise 5% or more of the voting rights in our Bank, such Bidder is required to submit the approval obtained from the RBI with the Registrar to the Offer, at least one Working Day prior to the finalisation of the Basis of Allotment. In case of failure by such Bidder to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, as adjusted for the Bid Lot (and in case of over-subscription in the Offer, after making applicable proportionate allocation for the Equity Shares Bid for), that will limit the aggregate shareholding of the Bidder (along with his relatives, associate enterprises or

persons acting in concert with such person and including existing shareholding, if any) to less than 5% of the post-Offer paid-up Equity Share capital of our Bank.

Participation by Promoter and Promoter Group of our Bank, the BRLMs and the Syndicate Members

The BRLMs and the Syndicate Members shall not be allowed to purchase Equity Shares in this Offer in any manner, except towards fulfilling their respective underwriting obligations. However, the associates and affiliates of the BRLMs and the Syndicate Members may Bid for Equity Shares in the Offer, either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis and such subscription may be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of the BRLMs and Syndicate Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

Neither (i) the BRLMs or any associates of the BRLMs (except Mutual Funds sponsored by entities which are associates of the BRLMs or insurance companies promoted by entities which are associate of BRLMs or AIFs sponsored by the entities which are associate of the BRLMs or FPIs, FPIs other than individuals, corporate bodies and family offices sponsored by the entities which are associates of the BRLMs) nor; (ii) any “person related to the Promoter/ Promoter Group” shall apply in the Offer under the Anchor Investor Portion.

For the purposes of this section, a QIB who has any of the following rights shall be deemed to be a “person related to the Promoter/Promoter Group”: (a) rights under a shareholders’ agreement or voting agreement entered into with the Promoter/Promoter group; (b) veto rights; or (c) right to appoint any nominee director on our Board.

Further, an Anchor Investor shall be deemed to be an associate of the BRLMs, if: (a) either of them controls, directly or indirectly through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or (c) there is a common director, excluding a nominee director, amongst the Anchor Investor and the BRLMs.

Except to the extent of participation in the Offer for Sale by our Promoter Selling Shareholder, the Promoter Group will not participate in the Offer.

Bids by Mutual Funds

With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Bank and our Promoter Selling Shareholder, in consultation with the BRLMs, reserve the right to reject any Bid without assigning any reason thereof.

Bids made by asset management companies or custodians of Mutual Funds shall specifically state names of the concerned schemes for which such Bids are made.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company’s paid-up share capital carrying voting rights.

Further, the Banking Regulation Act requires any person to seek prior approval of the RBI to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by itself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by such person or associate enterprise or persons acting in concert with the concerned person) results in aggregate shareholding of such person to be five per cent or more of the paid-up capital of a bank or entitles him to exercise five per cent or more of the voting rights in a bank. For details, see “*Key Regulations and Policies*” beginning on page 156.

Bids by Eligible NRIs

Eligible NRIs may obtain copies of Bid cum Application Form from the Designated Intermediaries. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for

Allotment. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms should authorize their respective SCSB or confirm or accept the UPI Mandate Request (in case of Retail Individual Bidders Bidding through the UPI Mechanism) to block their Non-Resident External (“**NRE**”) accounts (including UPI ID, if activated), or Foreign Currency Non-Resident (“**FCNR**”) Accounts, and eligible NRI Bidders bidding on a non-repatriation basis by using Resident Forms should authorize their respective SCSB to block their Non-Resident Ordinary (“**NRO**”) accounts for the full Bid Amount, at the time of the submission of the Bid cum Application Form.

Eligible NRIs Bidding on non-repatriation basis are advised to use the Bid cum Application Form for residents (white in colour). Eligible NRIs Bidding on a repatriation basis are advised to use the Bid cum Application Form meant for Non-Residents (blue in colour).

Participation by Eligible NRIs in the Offer shall be subject to the FEMA Non-Debt Instruments Rules. Only Bids accompanied by payment in Indian rupees or fully converted foreign exchange will be considered for Allotment.

Bids by HUFs

Bids by Hindu Undivided Families or HUFs, should be made in the individual name of the *karta*. The Bidder/Applicant should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form/Application Form as follows: “Name of sole or first Bidder/Applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *karta*”. Bids/Applications by HUFs may be considered at par with Bids/Applications from individuals.

Bids by FPIs

In terms of the SEBI FPI Regulations, the investment in Equity Shares by a single FPI or an investor group (which means multiple entities registered as FPIs and directly or indirectly having common ownership of more than 50% or common control) must be below 10% of our post-Offer Equity Share capital. Further, in terms of the FEMA Non-Debt Instruments Rules, the total holding by each FPI or an investor group shall be below 10% of the total paid-up Equity Share capital of our Bank and the total holdings of all FPIs put together shall not exceed 24% of the paid-up Equity Share capital of our Bank on a fully-diluted basis. With effect from the April 1, 2020, the aggregate limit shall be the sectoral caps applicable to the Indian company as prescribed in the FEMA Rules with respect to its paid-up equity capital on a fully diluted basis.

In case of Bids made by FPIs, a certified copy of the certificate of registration issued under the SEBI FPI Regulations is required to be attached to the Bid cum Application Form, failing which our Bank reserves the right to reject any Bid without assigning any reason. FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for Non-Residents (blue in colour).

A FPI may purchase or sell equity shares of an Indian company which is listed or to be listed on a recognized stock exchange in India, and/ or may purchase or sell securities other than equity instruments.

FPIs are permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an FPI, may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only by persons registered as Category I FPIs; (ii) such offshore derivative instruments are issued only to persons eligible for registration as Category I FPIs; (iii) such offshore derivative instruments are issued after compliance with ‘know your client’ norms; and (iv) such other conditions as may be specified by SEBI from time to time.

In case the total holding of an FPI increases beyond 10% of the total paid-up Equity Share capital, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants issued that may be issued by our Bank, the total investment made by the FPI will be re-classified as FDI subject to the conditions as specified by SEBI and the RBI in this regard and our Bank and the investor will be required to comply with applicable reporting requirements.

In accordance with the FEMA Non-Debt Instrument Rules, the total holding by any individual NRI, on a repatriation basis, shall not exceed five percent of the total paid-up equity capital on a fully diluted basis or shall

not exceed five percent of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together shall not exceed 10% of the total paid-up equity capital on a fully diluted basis or shall not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrant. Provided that the aggregate ceiling of 10 % may be raised to 24 percent if a special resolution to that effect is passed by the general body of the Indian company.

An FPI issuing offshore derivative instruments is also required to ensure that any transfer of offshore derivative instrument is made by, or on behalf of it subject to, *inter alia*, the following conditions:

- (a) each offshore derivative instruments are transferred to persons subject to fulfilment of SEBI FPI Regulations; and
- (b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre-approved by the FPI.

Bids by FPIs submitted under the multiple investment managers structure with the same PAN but with different beneficiary account numbers, Client ID and DP ID may not be treated as multiple Bids.

As specified in 4.1.4.2 (b) and 4.1.4.2 (c)(iv) of the General Information Document, it is hereby clarified that bids received from FPIs bearing the same PAN shall be treated as multiple Bids and are liable to be rejected, except for Bids from FPIs that utilize the multiple investment manager structure in accordance with the Operational Guidelines for Foreign Portfolio Investors and Designated Depository Participants issued to facilitate implementation of SEBI FPI Regulations (“**MIM Structure**”), provided such Bids have been made with different beneficiary account numbers, Client IDs and DP IDs. Accordingly, it should be noted that multiple Bids received from FPIs, who do not utilize the MIM Structure, and bear the same PAN, are liable to be rejected. In order to ensure valid Bids, FPIs making multiple Bids using the same PAN, and with different beneficiary account numbers, Client IDs and DP IDs, are required to provide a confirmation along with each of their Bid cum Application Forms that the relevant FPIs making multiple Bids utilize the MIM Structure and indicate the name of their respective investment managers in such confirmation. In the absence of such confirmation from the relevant FPIs, such multiple Bids are liable to be rejected. Further, in the following cases, the bids by FPIs will not be considered as multiple Bids: involving (i) the MIM Structure and indicating the name of their respective investment managers in such confirmation; (ii) offshore derivative instruments (“**ODI**”) which have obtained separate FPI registration for ODI and proprietary derivative investments; (iii) sub funds or separate class of investors with segregated portfolio who obtain separate FPI registration; (iv) FPI registrations granted at investment strategy level/sub fund level where a collective investment scheme or fund has multiple investment strategies/sub-funds with identifiable differences and managed by a single investment manager; (v) multiple branches in different jurisdictions of foreign bank registered as FPIs; (vi) Government and Government related investors registered as Category 1 FPIs; and (vii) Entities registered as collective investment scheme having multiple share classes.

Bids by SEBI registered VCFs, AIFs and FVCIs

The SEBI VCF Regulations as amended, *inter alia*, prescribe the investment restrictions on VCFs, registered with SEBI. The SEBI AIF Regulations prescribe, amongst others, the investment restrictions on AIFs. The SEBI FVCI Regulations prescribe the investment restrictions on FVCIs.

Accordingly, the holding in any company by any individual VCF or FVCIs registered with SEBI should not exceed 25% of the corpus of the VCF or FVCI. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds in various prescribed instruments, including in an initial public offering.

Category I and II AIFs cannot invest more than 25% of the investible funds in one investee company. A Category III AIF cannot invest more than 10% of the investible funds in one investee company. A VCF registered as a Category I AIF, as defined in the SEBI AIF Regulations, cannot invest more than one-third of its investible funds by way of subscription to an initial public offering of a venture capital undertaking. Additionally, the VCFs which have not re-registered as an AIF under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations until the existing fund or scheme managed by the fund is wound up.

All non-resident investors should note that refunds (in case of Anchor Investors), dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and commission.

Our Bank, our Promoter Selling Shareholder or the BRLMs will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids by Eligible Employees

The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee does not exceed ₹ 500,000. Allotment in the Employee Reservation Portion will be as detailed in the section “*Offer Structure*” beginning on page 374. However, Allotments to Eligible Employees in excess of ₹ 200,000 up to ₹ 500,000 shall be considered on a proportionate basis, in the event of under subscription in the Employee Reservation Portion. Subsequent undersubscription, if any, in the Employee Reservation Portion shall be added back to the Net Offer.

Bids under the Employee Reservation Portion by Eligible Employees shall be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour form).
- (b) The Bidder should be an Eligible Employee as defined above. In case of joint bids, the first Bidder shall be an Eligible Employee.
- (c) Only Eligible Employees would be eligible to apply in this Offer under the Employee Reservation Portion.
- (d) Only those Bids, which are received at or above the Offer Price, would be considered for allocation under this category.
- (e) The Bids must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee subject to a maximum Bid Amount of ₹ 500,000 on a net basis.
- (f) Eligible Employees should mention their employee number at the relevant place in the Bid cum Application Form.
- (g) Eligible Employees can apply at Cut-off Price.
- (h) Eligible Employees shall not Bid through the UPI Mechanism in the Employee Reservation Portion.
- (i) Bid by Eligible Employees can be made also in the “Net Offer to the Public” and such Bids shall not be treated as multiple Bids.
- (j) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand. If the aggregate demand in this portion is greater than [•] Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of Allotment, see “*Offer Procedure*” beginning on page 378.

Bids by limited liability partnerships

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid cum Application Form. Failing this, our Bank and our Promoter Selling Shareholder in consultation with the BRLMs reserves the right to reject any Bid without assigning any reason thereof.

Bids by banking companies

In case of Bids made by banking companies registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, and (ii) the approval of such banking company’s investment committee are required to be attached to the Bid cum Application Form, failing which our Bank and our Promoter Selling Shareholder in consultation with the BRLMs reserve the right to reject any Bid without assigning any reason.

The investment limit for banking companies in another banking company as per the Banking Regulation Act, and the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 (the “**Financial Services Directions**”), as updated, is 10% of the paid up share capital of the investee company, not being its subsidiary engaged in non-financial services or 10% of the bank’s own paid-up share capital and reserve, whichever is lower. However, a banking company would be permitted to invest in excess of 10% but not exceeding 30% of the paid-up share capital of such investee company if (i) the investee company is engaged in non-financial activities

permitted for banks in terms of Section 6(1) of the Banking Regulation Act, or (ii) the additional acquisition is through restructuring of debt/corporate debt restructuring/strategic debt restructuring, or to protect the bank's interest on loans/investments made to a company. The bank is required to submit a time-bound action plan for disposal of such shares within a specified period to the RBI. A banking company would require a prior approval of the RBI to *inter alia* make (i) investment in a subsidiary and a financial services company that is not a subsidiary (with certain exceptions prescribed under 5(b)(i) of the Financial Services Directions), and (ii) investment in a non-financial services company in excess of 10% of such investee company's paid-up share capital as stated in 5(a)(v)(c)(i) of the Financial Services Directions. Further, the aggregate investment by a banking company in subsidiaries and other entities engaged in financial and non-financial services company cannot exceed 20% of the investee company's paid-up share capital and reserves.

In terms of the Master Circular on Basel III Capital Regulations dated July 1, 2014, as amended (i) a bank's investment in the capital instruments issued by banking, financial and insurance entities should not exceed 10% of its capital funds; (ii) banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeds 5% of the investee bank's equity capital; (iii) equity investment by a bank in a subsidiary company, financial services company, financial institution, stock and other exchanges should not exceed 10% of the bank's paid-up share capital and reserves; (iv) equity investment by a bank in companies engaged in non-financial services activities would be subject to a limit of 10% of the investee company's paid-up share capital or 10% of the bank's paid-up share capital and reserves, whichever is less; and (v) a banking company is restricted from holding shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30% of the paid-up share capital of that company or 30% of its own paid-up share capital and reserves, whichever is less. For details in relation to the investment limits under Master Direction – Ownership in Private Sector Banks, Directions, 2016, see “*Key Regulations and Policies*” beginning on page 156.

Bids by SCSBs

SCSBs participating in the Offer are required to comply with the terms of the SEBI circulars (Nos. CIR/CFD/DIL/12/2012 and CIR/CFD/DIL/1/2013) dated September 13, 2012 and January 2, 2013. Such SCSBs are required to ensure that for making applications on their own account using ASBA, they should have a separate account in their own name with any other SEBI registered SCSBs. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for such applications.

Bids by insurance companies

In case of Bids made by insurance companies registered with the IRDAI, a certified copy of certificate of registration issued by IRDAI must be attached to the Bid cum Application Form. Failing this, our Bank and our Promoter Selling Shareholder in consultation with the BRLMs reserve the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority (Investment) Regulations, 2016 as amended are broadly set forth below:

- (a) equity shares of a company: the lower of 10%* of the outstanding equity shares (face value) or 10% of the respective fund in case of life insurer or 10% of investment assets in case of general insurer or reinsurer;
- (b) the entire group of the investee company: not more than 15% of the respective fund in case of a life insurer or 15% of investment assets in case of a general insurer or reinsurer or 15% of the investment assets in all companies belonging to the group, whichever is lower; and
- (c) the industry sector in which the investee company operates: not more than 15% of the fund of a life insurer or a general insurer or a reinsurer or 15% of the investment asset, whichever is lower.

The maximum exposure limit, in the case of an investment in equity shares, cannot exceed the lower of an amount of 10% of the investment assets of a life insurer or general insurer and the amount calculated under (a), (b) and (c) above, as the case may be.

* *The above limit of 10% shall stand substituted as 15% of outstanding equity shares (face value) for insurance companies with investment assets of ₹ 2,500,000 million or more and 12% of outstanding equity shares (face value) for insurers with investment assets of ₹ 500,000 million or more but less than ₹ 2,500,000 million.*

Insurance companies participating in this Offer shall comply with all applicable regulations, guidelines and circulars issued by IRDAI from time to time.

Bids by provident funds/pension funds

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹ 250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be attached to the Bid cum Application Form. Failing this, our Bank and our Promoter Selling Shareholder in consultation with the BRLMs reserves the right to reject any Bid, without assigning any reason thereof.

Bids under power of attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, Eligible FPIs, Mutual Funds, insurance companies, insurance funds set up by the army, navy or air force of India, insurance funds set up by the Department of Posts, India or the National Investment Fund and provident funds with a minimum corpus of ₹ 250 million (subject to applicable law) and pension funds with a minimum corpus of ₹ 250 million, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Bank and our Promoter Selling Shareholder in consultation with the BRLMs reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Bank and our Promoter Selling Shareholder in consultation with the BRLMs in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form subject to the terms and conditions that our Bank and our Promoter Selling Shareholder in consultation with the BRLMs may deem fit.

Bids by Systemically Important NBFCs

In case of Bids made by Systemically Important NBFCs registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, (ii) certified copy of its last audited financial statements on a standalone basis and a net worth certificate from its statutory auditor, and (iii) such other approval as may be required by the Systemically Important NBFCs, are required to be attached to the Bid cum Application Form. Failing this, our Bank and our Promoter Selling Shareholder in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof. Systemically Important NBFCs participating in the Offer shall comply with all applicable regulations, guidelines and circulars issued by RBI from time to time.

The investment limit for Systemically Important NBFCs shall be as prescribed by RBI from time to time.

The above information is given for the benefit of the Bidders. Our Bank, our Promoter Selling Shareholder and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any single Bid from them does not exceed the applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus.

In accordance with existing regulations issued by the RBI, OCBs cannot participate in this Offer.

General Instructions

Do's:

1. Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals. All Bidders (other than Anchor Investors) should submit their Bids through the ASBA process only;

2. Ensure that you have Bid within the Price Band;
3. Read all the instructions carefully and complete the Bid cum Application Form, as the case may be, in the prescribed form;
4. Ensure that you (other than Anchor Investors) have mentioned the correct ASBA Account number if you are not an RIB bidding using the UPI Mechanism in the Bid cum Application Form and if you are an RIB using the UPI Mechanism ensure that you have mentioned the correct UPI ID in the Bid cum Application Form;
5. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the Bidding Centre within the prescribed time. Retail Individual Bidders using UPI Mechanism, may submit their ASBA Forms with Syndicate Members, Registered Brokers, RTAs or CDPs and should ensure that the ASBA Form contains the stamp of such Designated Intermediary;
6. Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB, before submitting the ASBA Form to any of the Designated Intermediaries;
7. If the first applicant is not the bank account holder, ensure that the Bid cum Application Form is signed by the account holder. Ensure that you have mentioned the correct bank account number in the Bid cum Application Form;
8. Ensure that the signature of the First Bidder in case of joint Bids, is included in the Bid cum Application Forms;
9. Ensure that you request for and receive a stamped acknowledgement counterfoil of the Bid cum Application Form for all your Bid options from the concerned Designated Intermediary;
10. Ensure that the name(s) given in the Bid cum Application Form is/are exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case of joint Bids, the Bid cum Application Form should contain only the name of the First Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. Ensure that the signature of the First Bidder is included in the Bid cum Application Forms;
11. RIBs bidding in the Offer to ensure that they shall use only their own ASBA Account or only their own bank account linked UPI ID which is UPI 2.0 certified by NPCI (only for RIBs using the UPI Mechanism) to make an application in the Offer and not ASBA Account or bank account linked UPI ID of any third party;
12. Ensure that you submit the revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised acknowledgment;
13. Retail Individual Bidders not using the UPI Mechanism, should submit their Bid cum Application Form directly with SCSBs and not with any other Designated Intermediary;
14. Ensure that you have correctly signed the authorisation/undertaking box in the Bid cum Application Form, or have otherwise provided an authorisation to the SCSB or Sponsor Bank, as applicable, via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form, as the case may be, at the time of submission of the Bid. In case of RIBs submitting their Bids and participating in the Offer through the UPI Mechanism, ensure that you authorise the UPI Mandate Request raised by the Sponsor Bank for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment;
15. Except for Bids (i) on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of the SEBI circular dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, (ii) submitted by investors who are exempt from the requirement of obtaining/specifying their PAN for transacting in the securities market, and (iii) Bids by persons resident in the state of Sikkim, who, in terms of a SEBI circular dated July 20, 2006, may be exempted from specifying their PAN for transacting in the securities market, all Bidders should mention their PAN allotted under the IT Act. The exemption for the Central or the State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the Demographic

Details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in “active status”; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same. All other applications in which PAN is not mentioned will be rejected;

16. Ensure that the Demographic Details are updated, true and correct in all respects;
17. Ensure that thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India are attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;
18. Ensure that the category and the investor status is indicated;
19. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust, etc., relevant documents are submitted;
20. Ensure that Bids submitted by any person resident outside India is in compliance with applicable foreign and Indian laws;
21. Ensure that the Bidder’s depository account is active, the correct DP ID, Client ID, the PAN, UPI ID, if applicable, are mentioned in their Bid cum Application Form and that the name of the Bidder, the DP ID, Client ID, the PAN and UPI ID, if applicable, entered into the online IPO system of the Stock Exchanges by the relevant Designated Intermediary, as applicable, matches with the name, DP ID, Client ID, PAN and UPI ID, if applicable, available in the Depository database;
22. Ensure that when applying in the Offer using UPI, the name of your SCSB appears in the list of SCSBs displayed on the SEBI website which are live on UPI. Further, also ensure that the name of the mobile application and the UPI handle being used for making the application in the Offer is also appearing in the “list of mobile applications for using UPI in public issues” displayed on the SEBI website;
23. RIBs who wish to revise their Bids using the UPI Mechanism, should submit the revised Bid with the Designated Intermediaries, pursuant to which RIBs should ensure acceptance of the UPI Mandate Request received from the Sponsor Bank to authorise blocking of funds equivalent to the revised Bid Amount in the RIB’s ASBA Account;
24. Ensure that you have accepted the UPI Mandate Request received from the Sponsor Bank prior to 12:00 p.m. of the Working Day immediately after the Bid/Offer Closing Date;
25. RIBs shall ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorize the UPI Mandate Request using his/her UPI PIN. Upon the authorization of the mandate using his/her UPI PIN, an RIB may be deemed to have verified the attachment containing the application details of the RIB in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorized the Sponsor Bank to block the Bid Amount mentioned in the Bid Cum Application Form;
26. Ensure that while Bidding through a Designated Intermediary, the Bid cum Application Form (other than for Anchor Investors and RIBs bidding using the UPI Mechanism) is submitted to a Designated Intermediary in a Bidding Centre and that the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has named at least one branch at that location for the Designated Intermediary to deposit ASBA Forms (a list of such branches is available on the website of SEBI at www.sebi.gov.in);
27. Bids by Eligible NRIs, HUFs and any individuals, corporate bodies and family offices which are recategorised as Category II FPI and registered with SEBI for a Bid Amount of less than ₹ 200,000 would be considered under the Retail Category for the purposes of allocation and Bids for a Bid Amount exceeding ₹ 200,000 would be considered under the Non-Institutional Category for allocation in the Offer; and
28. Ensure that Anchor Investors submit their Bid cum Application Forms only to the BRLMs.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with. Application made using incorrect UPI handle or using a bank account of an SCSB or SCSBs which is not

mentioned in the Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 is liable to be rejected.

Don'ts:

1. Do not Bid for lower than the minimum Bid size;
2. Do not Bid for a Bid Amount exceeding ₹ 200,000 (for Bids by Retail Individual Bidders) and ₹ 500,000 (for Bids by Eligible Employees in the Employee Reservation Portion);
3. Do not pay the Bid Amount in cheques, demand drafts or by cash, money order, postal order or by stock invest;
4. Do not send Bid cum Application Forms by post; instead submit the same to the Designated Intermediary only;
5. Do not Bid at Cut-off Price (for Bids by QIBs and Non-Institutional Bidders);
6. Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process;
7. Do not submit the Bid for an amount more than funds available in your ASBA account.
8. Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms or on Bid cum Application Forms in a colour prescribed for another category of a Bidder;
9. In case of ASBA Bidders, do not submit more than one ASBA Forms per ASBA Account;
10. If you are a RIB and are using UPI mechanism, do not submit more than one ASBA Form for each UPI ID;
11. Anchor Investors should not Bid through the ASBA process;
12. Do not submit the ASBA Forms to any Designated Intermediary that is not authorised to collect the relevant ASBA Forms or to our Bank;
13. Do not Bid on a Bid cum Application Form that does not have the stamp of the relevant Designated Intermediary;
14. Do not submit the General Index Register (GIR) number instead of the PAN;
15. Do not submit incorrect details of the DP ID, Client ID, PAN and UPI ID, if applicable, or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Offer;
16. Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;
17. Do not Bid if you are not competent to contract under the Indian Contract Act, 1872 (other than minors having valid depository accounts as per Demographic Details provided by the depository);
18. Do not submit a Bid/revise a Bid Amount, with a price less than the Floor Price or higher than the Cap Price;
19. Do not submit your Bid after 3.00 pm on the Bid/Offer Closing Date;
20. If you are a QIB, do not submit your Bid after 3.00 p.m. on the QIB Bid/Offer Closing Date;
21. Do not Bid on another ASBA Form or the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediaries;
22. Do not Bid for Equity Shares in excess of what is specified for each category;

23. Do not fill up the Bid cum Application Form such that the Equity Shares Bid for, exceeds the Offer size and/or investment limit or maximum number of the Equity Shares that can be held under applicable laws or regulations or maximum amount permissible under applicable laws or regulations, or under the terms of this Red Herring Prospectus;
24. Do not withdraw your Bid or lower the size of your Bid (in terms of quantity of the Equity Shares or the Bid Amount) at any stage, if you are a QIB or a Non-Institutional Bidder. Retail Individual Bidders and Eligible Employees Bidding in the Employee Reservation Portion can revise or withdraw their Bids on or before the Bid/Offer Closing Date;
25. Do not submit Bids to a Designated Intermediary at a location other than the Bidding Centres;
26. If you are an RIB which is submitting the ASBA Form with any of the Designated Intermediaries and using your UPI ID for the purpose of blocking of funds, do not use any third party bank account or third party linked bank account UPI ID;
27. Do not link the UPI ID with a bank account maintained with a bank that is not UPI 2.0 certified by the NPCI in case of Bids submitted by RIBs using the UPI Mechanism;
28. Do not submit more than one Bid cum Application Form for each UPI ID in case of RIBs Bidding using the UPI Mechanism.
29. Do not submit a Bid cum Application Form with a third party UPI ID or using a third party bank account (in case of Bids submitted by Retail Individual Bidders using the UPI Mechanism)
30. RIBs Bidding through the UPI Mechanism using the incorrect UPI handle or using a bank account of an SCSB or a bank which is not mentioned in the list provided in the SEBI website is liable to be rejected; and
31. Do not Bid if you are an OCB.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

Further, in case of any pre-Offer or post Offer related issues regarding share certificates/demat credit/refund orders/unblocking etc., investors shall reach out to our Company Secretary and Compliance Officer. For details of Company Secretary and Compliance Officer, see “*General Information*” on page 68.

Names of entities responsible for finalising the basis of allotment in a fair and proper manner

The authorised employees of the Designated Stock Exchange, along with the BRLMs and the Registrar, shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the procedure specified in SEBI ICDR Regulations.

Method of allotment as may be prescribed by SEBI from time to time

Our Bank will not make any allotment in excess of the Equity Shares through the Offer Document except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the Designated Stock Exchange. Further, upon oversubscription, an allotment of not more than one per cent of the Offer may be made for the purpose of making allotment in minimum lots.

The allotment of Equity Shares to applicants other than to the Retail Individual Bidders and Anchor Investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed.

The allotment of Equity Shares to each Retail Individual Bidders shall not be less than the minimum bid lot, subject to the availability of shares in Retail Individual Bidders Portion, and the remaining available shares, if any, shall be allotted on a proportionate basis.

Payment into Escrow Account(s) for Anchor Investors

Our Bank and our Promoter Selling Shareholder in consultation with the BRLMs, in their absolute discretion, will decide the list of Anchor Investors to whom the CAN will be sent, pursuant to which the details of the Equity Shares allocated to them in their respective names will be notified to such Anchor Investors. For Anchor Investors, the payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

- (a) In case of resident Anchor Investors: “[•]”
- (b) In case of Non-Resident Anchor Investors: “[•]”

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Bank, our Promoter Selling Shareholder, the Syndicate, the Escrow Collection Bank and the Registrar to the Offer to facilitate collections of Bid amounts from Anchor Investors.

Pre-Offer Advertisement

Subject to Section 30 of the Companies Act 2013, our Bank will, after filing the Red Herring Prospectus with the RoC, publish a pre-Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in [•] editions of [•], an English national daily newspaper, [•] editions of [•], a Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh, where our Registered and Corporate Office is located).

Our Bank shall, in the pre-Offer advertisement state the Bid/Offer Opening Date, the Bid/Offer Closing Date. This advertisement, subject to the provisions of Section 30 of the Companies Act 2013, shall be in the format prescribed in Part A of Schedule X of the SEBI ICDR Regulations.

Allotment Advertisement

Our Bank, the BRLMs and the Registrar shall publish an allotment advertisement before commencement of trading, disclosing the date of commencement of trading in [•] editions of [•], an English national daily newspaper, [•] editions of [•], a Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh, where our Registered and Corporate Office is located).

The above information is given for the benefit of the Bidders. Our Bank, our Promoter Selling Shareholder and the members of the Syndicate are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders/applicants are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the prescribed limits under applicable laws or regulations.

Signing of the Underwriting Agreement and the RoC Filing

- (a) Our Bank, our Promoter Selling Shareholder and the Syndicate intend to enter into an Underwriting Agreement on or immediately after the finalisation of the Offer Price but prior to the filing of Prospectus.
- (b) After signing the Underwriting Agreement, an updated Red Herring Prospectus will be filed with the RoC in accordance with applicable law, which then would be termed as the ‘Prospectus’. The Prospectus will contain details of the Offer Price, the Anchor Investor Offer Price, Offer size, and underwriting arrangements and will be complete in all material respects.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or**
- (b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or**

- (c) *otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,*

shall be liable for action under Section 447.”

The liability prescribed under Section 447 of the Companies Act, for fraud involving an amount of at least ₹1 million or 1% of the turnover of the company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years and fine of an amount not less than the amount involved in the fraud, extending up to three times such amount (provided that where the fraud involves public interest, such term shall not be less than three years.) Further, where the fraud involves an amount less than ₹1 million or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ₹ 5 million or with both.

Undertakings by our Bank

Our Bank undertakes the following:

- the complaints received in respect of the Offer shall be attended to by our Bank expeditiously and satisfactorily;
- all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchange where the Equity Shares are proposed to be listed shall be taken within six Working Days of the Bid/Offer Closing Date or such other period as may be prescribed;
- if Allotment is not made within the prescribed time period under applicable law, the entire subscription amount received will be refunded/unblocked within the time prescribed under applicable law. If there is delay beyond the prescribed time, our Bank shall pay interest prescribed under the Companies Act, the SEBI ICDR Regulations and applicable law for the delayed period;
- the funds required for making refunds (to the extent applicable) as per the mode(s) disclosed shall be made available to the Registrar to the Offer by our Bank;
- where refunds (to the extent applicable) are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within the time prescribed under applicable law, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- Our Promoter's contribution, if any, shall be brought in advance before the Bid/Offer Opening Date and the balance, if any, shall be brought in on a pro rata basis before calls are made on the Allottees; and
- Adequate arrangements shall be made to collect all Bid cum Application Forms from Bidders.

Undertakings by our Promoter Selling Shareholder

Our Promoter Selling Shareholder undertakes that:

- the Equity Shares being sold by it pursuant to the Offer have been held by it for a period of at least one year prior to the date of filing the Draft Red Herring Prospectus with SEBI, are fully paid-up and are in dematerialised form;
- the Equity Shares offered for sale by our Promoter Selling Shareholder are eligible for being offered in the Offer for Sale in terms of Regulation 8 of the SEBI ICDR Regulations;
- it shall provide all reasonable co-operation as requested by our Bank in relation to the completion of allotment and dispatch of the Allotment Advice and CAN, if required, and refund orders to the extent of its Offered Equity Shares offered by it pursuant to the Offer;
- it is the legal and beneficial owner of, and has clear and marketable title to, the Equity Shares which are offered by it pursuant to the Offer for Sale;

- that it shall provide such reasonable support and extend such reasonable cooperation as may be required by our Bank and the BRLMs in redressal of such investor grievances that pertain to the Equity Shares held by it and being offered pursuant to the Offer; and
- it shall not have recourse to the proceeds of the Offer, which shall be held in escrow in its favour, until final approval for trading of the Equity Shares from the Stock Exchange where listing is sought has been received

Utilisation of Offer Proceeds

Our Board of Directors certifies and declares that:

- all monies received out of the Offer shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act;
- details of all monies utilised out of the Offer shall be disclosed, and continue to be disclosed till the time any part of the Offer proceeds remains unutilised, under an appropriate head in the balance sheet of our Bank indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of the Offer, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

RESTRICTION ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The RBI and the concerned ministries/departments are responsible for granting approval for foreign investment. The Government has from time to time made policy pronouncements on foreign direct investment (“FDI”) through press notes and press releases. The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (*earlier known as Department of Industrial Policy and Promotion*) (“DPIIT”), issued the Consolidated FDI Policy Circular of 2020 (“FDI Policy”), which, with effect from October 15, 2020, consolidated and superseded all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as on October 14, 2020. The FDI Policy will be valid until the DPIIT issues an updated circular.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the Takeover Regulations; (ii) the non-resident shareholding is within the sectoral limits under the FDI Policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Offer.

Foreign Exchange Laws

The foreign investment in our Bank is governed by, *inter alia*, the FEMA, as amended, the FEMA Regulations, the FDI Policy issued and amended by way of press notes, the SEBI FPI Regulations and the FEMA Non-debt Instruments Rules. The FEMA Non-debt Instruments Rules was enacted on October 17, 2019 in supersession of the FEMA Regulations, except with respect to things done or omitted to be done before such supersession.

In terms of the FDI Policy and SFB Licensing Guidelines, the aggregate foreign investment in an SFB is allowed up to a maximum of 74% of the paid-up capital of the SFB (automatic up to 49% and government approval route beyond 49% up to 74%). At all times, at least 26% of the paid-up capital of our Bank will have to be held by residents. With effect from the April 1, 2020, the aggregate limit shall be the sectoral caps (*i.e.*, 74% comprising of up to 49% through the automatic route and beyond 49% up to 74% through government approval route) applicable to the Indian company as prescribed under the FEMA Non-debt Instrument Rules with respect to its paid-up equity capital on a fully diluted basis.

In the case of NRIs, the individual holding is restricted to 5% of the total paid-up capital both on a repatriation and a non- repatriation basis and aggregate limit cannot exceed 10% of the total paid-up capital both on a repatriation and a non-repatriation basis. However, NRIs can be allowed to hold up to 24% of the total paid-up capital both on repatriation and non-repatriation basis provided the shareholders of the SFB pass a special resolution to that effect. Pursuant to the board resolution dated February 16, 2021 and Shareholders’ resolution dated March 3, 2021, our Bank has increased the limit for aggregate shareholding by the NRIs from 10% to 24%.

Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020 issued by the DPIIT and the FEMA Non-Debt Instrument Rules which came into effect from April 22, 2020 read with the FDI Policy, any investment, subscription, purchase or sale of equity instruments by entities of a country which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country (“**Restricted Investors**”), will require prior approval of the Government of India, as prescribed in the FDI Policy and the FEMA Non-Debt Instrument Rules. Each Bidder should seek independent legal advice about its ability to participate in the Offer. In the event such prior approval of the Government of India is required, and such approval has been obtained, the Bidder shall intimate our Bank and the Registrar in writing about such approval along with a copy thereof within the Offer Period.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are only being offered and sold (i) within the United States only to persons reasonably believed to be

“qualified institutional buyers” (as defined in Rule 144A under the Securities Act and referred to in this Draft Red Herring Prospectus as “U.S. QIBs”) in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. For the avoidance of doubt, the term “U.S. QIBs” does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as “QIBs”.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. Our Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII: DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

The Articles have been approved by our Board of Directors pursuant to a resolution passed on January 30, 2021 and by our Shareholders pursuant to a special resolution passed on February 1, 2021 and are subject to comments and approval from the RBI. The Articles of Association of our Bank (“Articles”) comprise of two parts, Part A and Part B, which parts shall, unless the context otherwise requires, co-exist with each other until the date of listing of the equity shares of our Bank on any recognised stock exchange in India (“Stock Exchange”). Notwithstanding anything to the contrary contained in the Articles, the provisions of the Part B Articles shall automatically terminate, without any further action, and cease to be in effect immediately upon the Equity Shares being listed on any Stock Exchange pursuant to the initial public offering of Equity Shares in accordance with applicable law. Until such termination of the Part B Articles, in case of any inconsistency between any provision(s) of the Part A Articles and the Part B Articles, the provisions under the Part B Articles shall prevail.

Capitalized terms used in this section have the meanings that have been given to such terms in the Articles of Association of our Bank.

PART - A

Authorised share capital

The authorised Share Capital of the Bank will be as stated in Clause V of the Memorandum of Association of the Bank from time to time, with the power to increase or reduce the capital and to issue any part of its capital original or increased with or without any priority or special privilege, subject to compliance with Applicable Law.

Increase and Reduction of Capital

The Bank may, from time to time, in a general meeting, by an ordinary resolution, increase its authorised Share Capital as may be deemed expedient. Such new Shares may be divided into such classes and be of such value as the resolution authorising such increase directs. The Board may increase the subscribed and paid up Share Capital of the Bank by the issue of further Shares in accordance with the applicable provisions of the Companies Act, 2013.

Any capital raised by the creation of new Shares, equity or preference, shall be considered as part of the existing Share Capital, shall rank *pari passu* with the Shares of that class, and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

The Bank may by special resolution, reduce its Share Capital and/or any capital redemption reserve account and/or the securities premium account in any manner authorized under law and with, and subject to, any incidental authorization or consent required or such other steps that need to be undertaken in accordance with law.

Power to sub-divide and consolidate

The Company, in a general meeting, may by ordinary resolution:

1. consolidate all or any of its Share Capital into shares of larger amount than its existing shares;
2. divide or sub-divide its Shares or any of them into Shares of smaller amount than is fixed by the memorandum, and in such sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in the case of the Share from which the reduced Share is derived; or
3. cancel Shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its Share Capital by the amount of the Shares so cancelled.

Further Issuance of Shares

The Shares in the capital of the Bank shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or at a discount and at such time as they may from time to time think fit and with

sanction of the Bank in the general meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot Shares in the capital of the Bank on payment in full or part of any property sold and transferred or for any services rendered to the Bank in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares, provided that option or right to call of Shares shall not be given to any person or persons without the sanction of the Bank in the general meeting.

Any issue of shares which results in a person (by himself or acting in concert with any other person) acquiring 5% or more of the paid-up equity share capital or voting rights of the Bank shall be made with prior approval of RBI.

Variation of Rights

The Bank shall not, at any time, vary the terms of a contract referred to in prospectus or objects for which the prospectus was issued, except subject to the approval of, or except subject to an authority given by the Bank in general meeting by way of special resolution, and in accordance with the provisions of the Act, provided that the dissenting Shareholders, being the Shareholders who have not agreed to the proposal to vary the terms of the contracts or the objects referred to in the prospectus, shall be given an exit offer by the promoters or controlling Shareholders of the Bank, at the fair market value of the Equity Shares as on the date of the resolution of the Board of Directors recommending such variation in the terms of the contracts or the objects referred to in the prospectus, in accordance with such terms and conditions as may be specified on this behalf by the Securities and Exchange Board of India and RBI.

Forfeiture of Shares

If a member fails to pay any call, or instalment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may, at any time thereafter, but before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture may include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture as resolved by the Board. A forfeited Share shall be deemed to be the property of the Bank and may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board thinks fit.

Lien

The Bank shall have a first and paramount lien upon all the Shares/debentures (other than fully paid-up Shares/debentures) registered in the name of each member/holder (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such Shares/debentures and no equitable interest in any Share/debenture shall be created except upon the condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/debentures, provided that the Board may at any time declare any Share to be wholly or in part exempt from the provisions of this Article.

Certificate

Every holder of or subscriber to the securities of the Bank shall have the option to receive security certificates or to hold the securities with a depository.

Unless where the shares are issued in dematerialized form, every member or allottee of Shares shall be entitled to receive, in marketable lots if applicable, within 2 months after incorporation, in case of subscribers to the memorandum or after allotment or within 1 month after the application for the registration of transfer or transmission, sub-division, consolidation or renewal of the Shares or within such other period as the conditions of issue shall be provided:

1. one certificate for all his shares without payment of any charge; or
2. several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.

Every certificate shall specify the number of Shares to which it relates, distinctive numbers of Shares in respect of which it is issued and the amount paid-up thereon and shall be in such form as the directors may prescribe and approve.

In respect of any Share or Shares held jointly by several persons, the Bank shall not be bound to issue more than one share certificate. The certificates of Shares registered in the names of two or more persons shall be delivered to any one of such persons named in the register of members and shall be deemed as sufficient delivery to all such holders.

If any Share certificate be worn out, defaced, mutilated or torn or if there be no further space on the back for endorsement of transfer, then upon production and surrender thereof to the Bank, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Bank and on execution of such indemnity as the Bank deem adequate, a new certificate in lieu thereof shall be given.

Transfer and Transmission of Shares

A common form of transfer shall be used and the instrument of transfer of any Share in the Bank shall be in writing and all provisions of Section 56 of the Companies Act, 2013 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of Shares and registration thereof and be executed by or on behalf of both the transferor and transferee, subject to Applicable Law.

The Board of Directors may refuse whether in pursuance of any power of the Bank to register the transfer of, or the transmission by operation of law of the right to, any Shares or interest of a member therein or debentures of the Bank. The Bank shall within one (1) month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Bank, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal.

A person becoming entitled to a Share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the Share, except that he shall not, before being registered as a member in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Bank.

Buy-back

Bank may purchase its own Shares or specified securities in such manner as may be prescribed under Applicable Law.

Power to borrow

The Directors may, from time to time, by a resolution passed at a meeting of the Board borrow moneys for the purpose of the Bank. Provided that the Directors shall not borrow moneys except with the approval of the Bank in a general meeting by a special resolution where moneys to be borrowed together with the money already borrowed by the Bank, apart from temporary loans obtained in its ordinary course of business and except as otherwise provided hereafter, shall exceed the aggregate of the paid-up capital of the Bank and its free reserves or limits as set under the Companies Act, 2013.

Provided that nothing contained herein above shall apply to:

1. any sums of moneys borrowed by the Bank from any other banking companies or from the RBI, State Bank of India or any other banks established by or under any law for the time being in force; and
2. acceptance by the Bank in the ordinary course of business of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.

Bonus Shares

The Bank may issue fully paid-up bonus Shares to its Shareholders in accordance with the provisions of Section 63 of the Companies Act, 2013, BR Act and other Applicable Laws.

Board of Directors

The Board shall consist of a minimum of three (3) Directors and a maximum of fifteen (15) Directors. Majority of the Board shall include persons with professional and other experience as required under the BR Act. The Bank shall appoint such number of independent directors and women Director as may be required.

Subject to the Act and Applicable Law, any Shareholder who along with its Affiliates owns at least nine per cent. or more Shares on a Fully Diluted Basis and employee Shareholders, shall have the right to nominate one (1) Director on the Board. UCL shall have the right to appoint such number of Directors which is one (1) more than the total number of Directors appointed by Shareholders owning more than nine per cent. or more Shares (excluding any Director nominated by UCL as a Shareholder, provided that this right of UCL to appoint such additional Directors shall cease and terminate upon the earlier of: (i) merger of UCL with the Bank; or (ii) UCL ceasing to hold more than forty per cent. (40%) of the Shares.

The total managerial remuneration payable by the Bank to its Directors, including managing Director and whole-time Director and its manager shall be in accordance with the applicable provisions under the Act and the rules thereunder. An individual may be appointed or reappointed as the chairperson of the Bank, in pursuance of these Articles, as well as the managing director or chief executive officer of the Bank at the same time, if the Board deems fit and such appointment is made in accordance with the procedure set out under these Articles and the Applicable Law.

Meetings of Board of Directors

Meetings of the Board shall be properly convened and held at such times and places as may be determined by the Board from time to time subject to Applicable Law, but shall be held at least once every Quarter, in such a manner that not more than one hundred and twenty (120) days shall intervene between two (2) consecutive meetings of the Board.

No meeting of the Board shall be convened on less than seven (7) days' written notice to the Directors, provided that a meeting of the Board may be convened at shorter notice in accordance with the provisions of the Act. The notice, agenda items and other relevant documents shall be provided for consideration of the Board members for each of the Board meeting.

The quorum for any meeting of the Board shall be one-third (1/3rd) of the total strength of the Board or two (2) Directors, whichever is higher.

Any Director may participate and vote in a meeting of the Board by means of video conference by means of which all persons participating in the meeting can hear each other throughout the duration of the meeting. Participation in such meeting shall constitute attendance and presence in person at the meeting of the Director so participating and shall be counted towards the quorum required for such meeting.

The Board shall have the power to constitute, if necessary, committees of the Board and to delegate such powers to committees as the Board deems fit.

No resolution shall be deemed to have been passed by the Board or by a committee thereof by circulation, unless: (a) the resolution has been circulated in draft together with the necessary papers, if any, including through such electronic means to all the Directors or to all the members of the committee at their usual address in India, and in the case of any Director residing abroad, such papers shall also be transmitted by fax or telex to such Director's fax or telex numbers abroad; and (b) the resolution has been approved by majority of directors or members of the committee who are entitled to vote on the resolution.

General Meeting

Meetings of the Shareholders shall be convened by the Bank or by any Shareholder and held in accordance with applicable provisions of the Act and the Articles.

The Bank may be called by giving not less than clear 21 days' notice in writing or through electronic mode. However, a general meeting may be called after giving a shorter notice of less than clear 21 days, if consent is accorded thereto (including by electronic means) by 95% of the members of the Bank entitled to vote at that meeting. Every notice of a meeting of the Bank shall specify the place, the date and time of the meeting, and shall contain a statement of the business to be transacted at the meeting. No general meeting, annual or extra-ordinary,

shall deliberate upon, discuss or transact any business which is not specifically mentioned in the notice or notice convening the same.

Voting at Meetings of Board and Shareholders

The Board shall decide on all matters concerning the Bank by simple majority, other than matters specifically reserved for the Shareholders under the Applicable Law.

The Bank shall provide the facility of electronic voting to its members. The Bank shall seek approval of shareholders through postal ballot from time to time and postal ballot shall include voting through electronic mode.

The instrument appointing a proxy and the power-of-attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office of the Bank not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than forty-eight (48) hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Bank at its office before the completion of the meeting or adjourned meeting at which the proxy is used. An instrument appointing a proxy shall be in the form as prescribed in the rules made under Section 105 of the Companies Act, 2013.

Dividend

The Bank in general meeting may, upon the recommendation of the Board, resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Bank's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution and that such sum be accordingly set free for distribution amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions

Unpaid or Unclaimed Dividend

1. Where the Bank has declared a dividend but which has not been paid or claimed within thirty (30) days from the date of declaration, the Bank shall, within seven (7) days from the date of expiry of the said period of thirty (30) days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty (30) days, to a special account to be opened by the Bank in that behalf in any scheduled bank, to be called "Unpaid Dividend of Utkarsh Small Finance Bank Limited Account".
2. Any money transferred to the unpaid dividend account of the Bank which remains unpaid or unclaimed for a period of seven (7) years from the date of such transfer, shall be transferred by the Bank to the Investor Education and Protection Fund established under Section 125 of the Companies Act, 2013.
3. No unclaimed or unpaid dividend shall be forfeited by the Board of Directors until the claim becomes barred by law.

Winding Up

Subject to the provisions of the BR Act and of Chapter XX of the Act and rules made thereunder:

1. if the Bank shall be wound up, the liquidator may, with the sanction of a special resolution of the Bank and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the Bank, whether they shall consist of property of the same kind or not;
2. for the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members; and
3. the liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any Shares or other securities whereon there is any liability.

Indemnity

1. Every Director of the Bank shall be indemnified out of the funds of the Bank against all claims, and it shall be the duty of the Bank to pay all costs, charges, losses and damages which any such Director may incur or become liable to by reason of any contract entered into or act or thing done, in execution or discharge of his duties or supposed duties, except such, if any, as the Director shall incur or sustain through or by his own wilful act, neglect, default, misfeasance, breach of duty or breach of trust of which he may be guilty in relation to the Bank, including expenses and, in particular and so as not to limit the generality of the foregoing provisions, against all liabilities incurred by the Director as such Director in defending any proceeding, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted, or in connection with any application under Section 463 of the Act in which relief is granted to him by the Court.
2. Subject to the provisions of the Act and these Articles if the Directors or any of them or any other person shall incur or be about incur any liability whether as principal or surety for the payment of any sum primarily due from the Bank, the Directors may execute any mortgage, charge, or security over or affecting the whole or any part of the assets of the Bank by way of indemnity to secure the Directors or person so becoming liable as aforesaid from any loss in respect of such liability.

PART – B

The Part B of the Articles shall co-exist with Part A until the date of listing of the Equity Shares on the Stock Exchanges. The provisions of Part B shall automatically terminate, without any further action, and cease to be in effect immediately upon the Equity Shares being listed on any Stock Exchange pursuant to the initial public offering of Equity Shares in accordance with applicable law.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following documents and contracts which have been entered or are to be entered into by our Bank (not being contracts entered into in the ordinary course of business carried on by our Bank and includes contracts entered into until the date of this Draft Red Herring Prospectus) which are or may be deemed material will be attached to the copy of the Red Herring Prospectus which will be delivered to the RoC for filing. Copies of the contracts and documents for inspection referred to hereunder, may be inspected at the Registered and Corporate Office between 10 a.m. and 5 p.m. IST on all Working Days from the date of the Red Herring Prospectus until the Bid/Offer Closing Date.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Bank or if required by the other parties, without reference to the our Shareholders, subject to compliance of the provisions contained in the Companies Act and other applicable law.

A. Material Contracts for the Offer

1. Offer Agreement dated March 4, 2021 entered into between our Bank, our Promoter Selling Shareholder and the Book Running Lead Managers.
2. Registrar Agreement dated March 3, 2021 entered into between our Bank, our Promoter Selling Shareholder and the Registrar to the Offer.
3. Escrow and Sponsor Bank Agreement dated [•] entered into between our Bank, our Promoter Selling Shareholder, the Syndicate Members, the Registrar to the Offer, the Book Running Lead Managers and the Banker(s) to the Offer.
4. Share Escrow Agreement dated [•] entered into between our Bank, our Promoter Selling Shareholder and the Share Escrow Agent.
5. Syndicate Agreement dated [•] entered into between our Bank, our Promoter Selling Shareholder, Book Running Lead Managers, the Syndicate Members and the Registrar to the Offer.
6. Underwriting Agreement dated [•] entered into between our Bank, our Promoter Selling Shareholder, the Underwriter(s) and Registrar to the Offer.

B. Material Documents

1. Certified copies of the Memorandum of Association and Articles of Association of our Bank, as amended from time to time.
2. Certificate of incorporation dated April 30, 2016 issued by the Registrar of Companies, Central Registration Certificate in the name of 'Utkarsh Small Finance Bank Limited'.
3. Copies of annual reports of our Bank for Fiscals 2020, 2019 and 2018.
4. Resolution of our Board of Directors dated February 16, 2021 authorising the Offer and other related matters.
5. Resolution of our Shareholders dated March 3, 2021 authorising the Offer and other related matters.
6. Resolutions dated February 15, 2021 and February 22, 2021 passed by our Promoter Selling Shareholder, read with the consent letter dated March 3, 2021, approving the Offer for Sale for the Offered Shares.
7. Resolution of our Board of Directors dated March 3, 2021 and CSFR Committee dated March 4, 2021 approving this Draft Red Herring Prospectus.
8. Consent letter from the Statutory Auditors dated March 4, 2021.

9. The statement of possible special tax benefits of our Bank dated March 2, 2021 issued by the Statutory Auditors.
10. Examination report dated February 16, 2021 by the Statutory Auditors in relation to the Restated Financial Statements included in this Draft Red Herring Prospectus.
11. Business Transfer Agreement.
12. Promoter SHA.
13. Investment Agreement.
14. RBI In-Principle Approval.
15. RBI Licence
16. RBI letter dated November 16, 2017, pursuant to which RBI intimated our Bank of its inclusion in the second schedule to the RBI Act, 1934.
17. RBI letter bearing no. DBS.ARS. No. 1426 / 08.06.005/2019-20 dated September 4, 2019 approving the appointment of Haribhakti & Co. LLP, Chartered Accountants as the statutory auditors of our Bank for the year 2019-20 for their first year.
18. RBI letter bearing no. DBR. Appt. No.2409/29.44.010/2018-19 dated September 21, 2018 approving the appointment of Mr. Govind Singh as the managing Director and chief executive officer of our Bank for a period of three years with effect from September 21, 2018.
19. Board and Shareholders resolutions dated August 11, 2018 and August 5, 2019, respectively, approving the appointment of Mr. Govind Singh as our managing Director and chief executive officer.
20. Consents in writing of our Promoter Selling Shareholder, our Directors, our Company Secretary and Compliance Officer, legal counsel to the Bank and Promoter Selling Shareholder as to Indian law, legal counsel to the BRLMs as to Indian law, international legal counsel to the BRLMs, the Book Running Lead Managers, the Banker(s) to the Offer and the Registrar to the Offer, to act in their respective capacities.
21. Report titled "*Report on Small Finance Banks and various loan products*" dated January, 2021 issued by CRISIL and consent letter dated February 15, 2021 from CRISIL.
22. Tripartite agreement dated February 17, 2017 amongst our Bank, NSDL and Karvy Computershare Private Limited (now known as Karvy Fintech Private Limited).
23. Tripartite agreement dated February 14, 2017 amongst our Bank, CDSL and Karvy Computershare Private Limited (now known as Karvy Fintech Private Limited).
24. Due diligence certificate dated March 4, 2021 addressed by the Book Running Lead Managers to SEBI.
25. In-principle approval letters dated [•] and [•] from BSE and NSE, respectively.
26. SEBI observation letter no. [•] dated [•].

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Mr. Puranam Hayagreeva Ravikumar
(Part time non – executive chairman and
Independent Director)

Place: Mumbai

Date: March 4, 2021

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Mr. Govind Singh

(Managing Director and chief executive officer)

Place: Mumbai

Date: March 4, 2021

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Mr. Kajal Ghose
(Independent Director)

Place: Navi Mumbai

Date: March 4, 2021

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Ms. Anita Ramachandran
(Nominee Director)

Place: Mumbai

Date: March 4, 2021

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Mr. Govindasamy Sampath Kumar
(Nominee Director)

Place: Lucknow

Date: March 4, 2021

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Ms. Kalpana Prakash Pandey
(Independent Director)

Place: Mumbai

Date: March 4, 2021

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Mr. Nagesh Dinkar Pinge
(Independent Director)

Place: Mumbai

Date: March 4, 2021

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Mr. Muralidharan Rajamani

(Non-executive Director)

Place: Mumbai

Date: March 4, 2021

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Mr. Ajay Kumar Kapur
(Independent Director)

Place: New Delhi

Date: March 4, 2021

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER

Mr. Mukund Barsagade
(Chief Financial Officer)

Place: Mumbai

Date: March 4, 2021

DECLARATION BY THE PROMOTER SELLING SHAREHOLDER

Utkarsh CoreInvest Limited hereby confirms that all statements and undertakings specifically made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as the Promoter Selling Shareholder and its Offered Shares, are true and correct. Utkarsh CoreInvest Limited assumes no responsibility for any other statements, including any of the statements made by or relating to the Bank or any other person(s) in this Draft Red Herring Prospectus.

Signed for and on behalf of **Utkarsh CoreInvest Limited**

Name: Ashwani Kumar

Designation: Managing director and CEO

Date: March 4, 2021

Place: Varanasi