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Red Herring Prospectus

Dated July 6, 2023

Please read section 32 of the Companies Act, 2013

100% Book Built Issue

UTKARSH SMALL FINANCE BANK LIMITED
CORPORATE IDENTITY NUMBER: U65992UP2016PLC082804

REGISTERED AND CORPORATE OFFICE	CONTACT PERSON	E-MAIL AND TELEPHONE	WEBSITE
Utkarsh Tower, NH – 31 (Airport Road), Sehmalpur, Kazi Sarai, Harhua, Varanasi 221 105, Uttar Pradesh, India.	Muthiah Ganapathy Company Secretary and Compliance Officer	Telephone: +91 542 660 5555 Email: shareholders@utkarsh.bank	www.utkarsh.bank

OUR PROMOTER: UTKARSH COREINVEST LIMITED

DETAILS OF THE ISSUE

TYPE OF ISSUE	FRESH ISSUE SIZE	OFFER FOR SALE SIZE	TOTAL ISSUE SIZE	ELIGIBILITY & SHARE RESERVATION AMONG QIBs, NIBs, RIBs AND ELIGIBLE EMPLOYEES
Fresh Issue	Up to [●] Equity Shares aggregating up to ₹5,000 million	Not Applicable	Up to [●] Equity Shares aggregating up to ₹5,000 million	The Issue is being undertaken in terms of Regulation 6(2) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“SEBI ICDR Regulations”) as our Bank did not fulfil requirements under Regulation 6(1) of the SEBI ICDR Regulations. For details in relation to the share reservations among QIBs, NIBs, RIBs and Eligible Employees, see “Issue Structure” on page 413.

RISKS IN RELATION TO THE FIRST ISSUE

The face value of each Equity Share is ₹10. The Floor Price, the Cap Price and the Issue Price to be determined by our Bank in consultation with the BRLMs, 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 Issue Price” beginning on page 105 should not be considered 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 nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue 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 Issue. For taking an investment decision, investors must rely on their own examination of our Bank and the Issue, 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 Red Herring Prospectus. Specific attention of the investors is invited to “Risk Factors” beginning on page 25.

BANK’S ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to our Bank and the Issue, which is material in the context of the Issue, that the information contained in this 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 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.

LISTING

The Equity Shares offered through this 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 each dated September 27, 2022. For the purpose of this Issue, NSE is the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS

NAME OF BOOK RUNNING LEAD MANAGER AND LOGO	CONTACT PERSON	TELEPHONE AND EMAIL
 ICICI Securities Limited	Mr. Ashik Joisar/ Mr. Shekher Asnani	Telephone: +91 22 6807 7100 E-mail: utkarsh.ipo@icicisecurities.com
 Kotak Mahindra Capital Company Limited	Mr. Ganesh Rane	Telephone: +91 22 4336 0000 E-mail: utkarshsf.ipo@kotak.com

REGISTRAR TO THE ISSUE

NAME OF REGISTRAR	CONTACT PERSON	TELEPHONE AND EMAIL
KFin Technologies Limited	Mr. M. Murali Krishna	Telephone: +91 40 6716 2222 / 1800 345 4001 E-mail: utkarsh.ipo@kfintech.com

BID/ISSUE PROGRAMME

ANCHOR INVESTOR BIDDING DATE*	TUESDAY, JULY 11, 2023
BID/ISSUE OPENS ON	WEDNESDAY, JULY 12, 2023
BID/ISSUE CLOSES ON**	FRIDAY, JULY 14, 2023

* Our Bank may, in consultation with the BRLMs, consider participation by Anchor Investors, in accordance with the SEBI ICDR Regulations.

** Our Bank may, in consultation with the BRLMs, decide to close the Bid/Issue Period for QIBs one Working Day prior to the Bid/Issue Closing Date in accordance with the SEBI ICDR Regulations. UPI mandate end time and date shall be 5.00 p.m. on the Bid/ Issue Closing Date.



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 details in relation to the change in the registered office address of our Bank, see "History and Certain Corporate Matters" beginning on page 205.

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

OUR PROMOTER: UTKARSH COREINVEST LIMITED

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

THE FACE VALUE OF THE EQUITY SHARES IS ₹10 EACH AND THE ISSUE PRICE IS [•] TIMES THE FACE VALUE OF THE EQUITY SHARES. THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND WILL BE ADVERTISED IN ALL EDITIONS OF FINANCIAL EXPRESS, A WIDELY CIRCULATED ENGLISH NATIONAL DAILY NEWSPAPER AND ALL EDITIONS OF JANSATTA, A WIDELY CIRCULATED HINDI NATIONAL DAILY NEWSPAPER AND THE VARANASI EDITION OF GYANSHIKHA TIMES, A HINDI 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/ISSUE 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 ACCORDANCE WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED ("SEBI ICDR REGULATIONS").

In case of any revision to the Price Band, the Bid/Issue Period will be extended by at least three additional Working Days following such revision of the Price Band, provided that the Bid/Issue Period shall not exceed 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Bank, in consultation with the BRLMs, may, for reasons to be recorded in writing, extend the Bid/Issue Period for a minimum of three Working Days, subject to the Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Issue 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 Member and by intimation to the Self Certified Syndicate Banks (the "SCSBs"), other Designated Intermediaries and the Sponsor Banks, as applicable.

The Issue 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 SEBI ICDR Regulations. The Issue 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 Issue will be Allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs") (the "QIB Portion"), provided that our Bank may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion 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 Portion (excluding the Anchor Investor Portion) ("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 QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than 5% of the Net QIB Portion, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the remaining Net QIB Portion for proportionate allocation to QIBs. If at least 75% of the Net Issue cannot be Allotted to QIBs, then the entire application money will be refunded forthwith. Further, not more than 15% of the Net Issue shall be available for allocation to Non-Institutional Bidders of which one-third of the Non-Institutional Portion shall be available for allocation to Bidders with an application size of more than ₹200,000 and up to ₹1,000,000 and two-thirds of the Non-Institutional Portion shall be available for allocation to Bidders with an application size of more than ₹1,000,000 provided that under-subscription in either of these two sub-categories of Non-Institutional Portion may be allocated to Bidders in the other sub-category of Non-Institutional Portion in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price. Further, not more than 10% of the Net Issue 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 Issue 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 Issue Price. All Bidders (other than Anchor Investors) shall mandatorily participate in this Issue through the Application Supported by Block Amount ("ASBA") process and shall provide details of their respective bank account (including UPI ID for UPI Bidders (as defined below)) in which the Bid Amount will be blocked by the Self-Certified Syndicate Banks ("SCSBs") or under the UPI Mechanism, as applicable. Anchor Investors are not permitted to participate in the Anchor Investor Portion through the ASBA process. For details, see "Issue Procedure" beginning on page 417.

RISKS IN RELATION TO THE FIRST ISSUE

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, the Cap Price and the Issue Price determined by our Bank in consultation with the BRLMs, 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 Issue Price" beginning on page 105 should not be considered 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 nor 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 Issue 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 Issue. For taking an investment decision, investors must rely on their own examination of our Bank and the Issue, 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 Red Herring Prospectus. Specific attention of the investors is invited to "Risk Factors" beginning on page 25.

BANK'S ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to our Bank and the Issue, which is material in the context of the Issue, that the information contained in this 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 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.

LISTING

The Equity Shares offered through this 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 each dated September 27, 2022. For the purpose of this Issue, NSE is the Designated Stock Exchange. A signed copy of this 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 this Red Herring Prospectus up to the Bid/Issue Closing Date, see "Material Contracts and Documents for Inspection" beginning on page 444.

BOOK RUNNING LEAD MANAGERS

REGISTRAR TO THE ISSUE



ICICI Securities Limited
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E-mail: utkarsh.ipo@icicisecurities.com
Website: www.icicisecurities.com
Investor grievance e-mail: customercare@icicisecurities.com
Contact person: Mr. Ashik Joisar / Mr. Shekher Asnani
SEBI registration no.: INM000011179

Kotak Mahindra Capital Company Limited
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Tel: +91 22 4336 0000
E-mail: utkarshfb.ipo@kotak.com
Website: https://investmentbank.kotak.com
Investor grievance e-mail: kmccredressal@kotak.com
Contact person: Mr. Ganesh Rane
SEBI registration no.: INM000008704

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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: Mr. M. Murali Krishna
SEBI registration no.: INR000000221

BID/ISSUE PERIOD

ANCHOR INVESTOR BIDDING DATE*	TUESDAY, JULY 11, 2023	BID/ISSUE OPENS ON	WEDNESDAY, JULY 12, 2023	BID/ISSUE CLOSURES ON**	FRIDAY, JULY 14, 2023
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* Our Bank may, in consultation with the BRLMs, consider participation by Anchor Investors, in accordance with the SEBI ICDR Regulations.

** Our Bank may, in consultation with the BRLMs, decide to close the Bid/Issue Period for QIBs one Working Day prior to the Bid/Issue Closing Date in accordance with the SEBI ICDR Regulations. UPI mandate end time and date shall be 5.00 p.m. on the Bid/ Issue Closing Date.

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SECTION I: GENERAL

DEFINITION AND ABBREVIATIONS

This 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, circulars, notifications, clarifications 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.

Issue related terms used but not defined in this 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 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 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 “Issue Procedure” beginning on pages 117, 122, 195, 238, 262, 383, 438, and 417, 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 Utkarsh Tower, NH - 31 (Airport Road), Sehmalpur, Kazi Sarai, Harhua, Varanasi 221 105, 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 “ <i>Our Management</i> ” beginning on page 212
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 “ <i>History and Certain Corporate Matters</i> ” beginning on page 205
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
Company Secretary and Compliance Officer	The whole-time company secretary and compliance officer of our Bank, being Muthiah Ganapathy
Corporate Social Responsibility Committee	Corporate Social Responsibility Committee of the Board of our Bank
CSFR Committee	Capital Structuring & Fund Raise Committee of the Board of our Bank
Director(s)	The directors on the Board of our Bank
Equity Shares	The equity shares of our Bank of face value of ₹10 each
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
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 “ <i>Our Group Company</i> ” beginning on page 235
Independent Directors	Independent directors on our Board, as described in “ <i>Our Management</i> ” beginning on page 212

Term	Description
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 Microfinance Fund, Legal Owner Triodos Funds B.V. (in its capacity as legal owner of Triodos Fair Share Fund) and Growth Catalyst Partners LLC
Joint Statutory Auditors	Deloitte Haskins & Sells, Chartered Accountants and Kirtane & Pandit LLP, Chartered Accountants, the joint statutory auditors of our Bank
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 as disclosed in “ <i>Our Management</i> ” beginning on page 212
Managing Director	The managing director of our Bank, being 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 “ <i>Our Management</i> ” beginning on page 212
Preference Shares	The preference shares of our Bank of face value of ₹10 each
Previous Statutory Auditors	Haribhakti & Co. LLP, Chartered Accountants
Promoter	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 as amended by way of the first amendment to the second restated and amended shareholders agreement dated February 21, 2023, 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 Goodwell India Microfinance Development Company II Limited, Aavishkaar Venture Management Services Private Limited, British International Investment PLC (formerly, 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 Company 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 Triodos SICAV II - Triodos Microfinance Fund (formerly, Sustainability - Finance - Real Economies SICAV- SIF)
Promoter Group	Promoter group has the meaning ascribed to the term under Regulation 2(1)(pp) of the SEBI ICDR Regulations As on the date of this Red Herring Prospectus, other than our Promoter, there are no persons or entities that form a part of our Promoter Group
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 Utkarsh Tower, NH - 31 (Airport Road), Sehmalpur, Kazi Sarai, Harhua, Varanasi 221 105, Uttar Pradesh, India
Registrar of Companies or RoC	Registrar of Companies, Uttar Pradesh at Kanpur
Restated Financial Statements/ Restated Financial Information	Restated financial statements of our Bank for Fiscal 2023, 2022 and 2021 which comprises the restated summary statement of assets and liabilities as at March 31, 2023, March 31, 2022 and March 31, 2021, the restated summary statement of profit and loss and the restated summary statement of cash flows for the financial years ended March 31, 2023, March 31, 2022 and March 31, 2021 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, as amended from time to time
Risk Management Committee	Risk management committee of our Bank, constituted in accordance with the requirements of the RBI guidelines and applicable provisions of Companies Act, 2013 and the Listing Regulations and as described in “ <i>Our Management</i> ” beginning on page 212

Term	Description
Senior Management	Senior management of our Bank in terms of Regulation 2(1)(bbbb) of the SEBI ICDR Regulations and as disclosed in 'Our Management' on page 212
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 212
UCL ESOP Schemes	Employee Stock Option Plan, 2010 (Pool I and II) and Utkarsh Employee Stock Option Plan 2016 at Utkarsh CoreInvest Limited, our Promoter.
UMFL	Utkarsh Micro Finance Limited
UWF	Utkarsh Welfare Foundation

Issue Related Terms

Term	Description
Abridged Prospectus	A memorandum containing such salient features of our Bank's prospectus as specified under the SEBI ICDR Regulations
Acknowledgment Slip	The slip or document to be issued by the respective Designated Intermediary(ies) to a Bidder as proof of registration of the Bid cum Application Form
Allot or Allotment or Allotted	Unless the context otherwise requires, refers to the allotment of the Equity Shares pursuant to the Issue to 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 this 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 this Red Herring Prospectus and the Prospectus, which will be decided by our Bank, in consultation with the BRLMs, during the Anchor Investor Bidding Date
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 this Red Herring Prospectus
Anchor Investor Bidding Date	One Working Day prior to the Bid/ Issue Opening Date, on which Bids by Anchor Investors shall be submitted, prior to and after which the Book Running Lead Managers will not accept any Bids from Anchor Investors, and allocation to Anchor Investors shall be completed
Anchor Investor Issue Price	Final price at which the Equity Shares will be Allotted to Anchor Investors in terms of this Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue Price will be decided by our Bank, in consultation with the BRLMs
Anchor Investor Portion	Up to 60% of the QIB Portion which may be allocated by our Bank, 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 UPI Bidders using the UPI Mechanism where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by UPI Bidders 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 a UPI Bidder which is blocked upon acceptance of a UPI Mandate Request made by the UPI Bidders 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 this Red Herring Prospectus and the Prospectus
Banker(s) to the Issue	Collectively, Escrow Collection Bank, Public Issue Account Bank, Sponsor Banks and Refund Bank, as the case may be

Term	Description
Basis of Allotment	Basis on which Equity Shares will be Allotted to successful Bidders under the Issue and which is described in “ <i>Issue Structure</i> ” beginning on page 413
Bid	Indication to make an offer during the Bid/ Issue Period by an ASBA Bidder pursuant to submission of the ASBA Form, or on the Anchor Investor Bidding Date by an Anchor Investor, pursuant to submission of the Anchor Investor Application Form, to subscribe to 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 this 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 and Eligible Employees Bidding under the Employee Reservation Portion, Bidding at the Cut off Price, the Cap Price multiplied by the number of Equity Shares Bid for by such Retail Individual Bidder or Eligible Employee Bidding under the Employee Reservation Portion 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/ Issue 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 all editions of Financial Express, a widely circulated English national daily newspaper and all editions of Jansatta, a widely circulated Hindi national daily newspaper and Varanasi edition of Gyanshikha Times, a Hindi 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 in case of any such extension, the extended Bid/ Issue Closing Date shall also be notified on the website and terminals of the Syndicate Member and communicated to the Designated Intermediaries and the Sponsor Banks Our Bank, in consultation with the BRLMs may, consider closing the Bid/ Issue Period for QIBs one Working Day prior to the Bid/ Issue Closing Date in accordance with the SEBI ICDR Regulations. In case of any revision, the extended Bid/ Issue Closing Date shall also be notified on the websites of the BRLMs and at the terminals of the Syndicate Member, which shall also be notified in an advertisement in same newspapers in which the Bid/ Issue Opening Date was published, as required under the SEBI ICDR Regulations
Bid/ Issue 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 all editions of Financial Express, a widely circulated English national daily newspaper and all editions of Jansatta, a widely circulated Hindi national daily newspaper and the Varanasi edition of Gyanshikha Times, a Hindi 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/ Issue Period	Except in relation to Anchor Investors, the period between the Bid/ Issue Opening Date and the Bid/ Issue 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 this 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 Part A, Schedule XIII of the SEBI ICDR Regulations, in terms of which the Issue is being made
Book Running Lead Managers or BRLMs	The book running lead managers to the Issue, namely, ICICI Securities Limited and Kotak Mahindra Capital Company Limited
Broker Centres	Centres notified by the Stock Exchanges where Bidders (other than Anchor Investors) 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)
Cash Escrow and Sponsor Bank Agreement	Agreement dated July 6, 2023 entered amongst our Bank, the BRLMs, Syndicate Member, the Bankers to the Issue and Registrar to the Issue, <i>inter alia</i> , for the appointment of the Sponsor Banks in accordance with the UPI Circulars, collection of the Bid Amounts from Anchor Investors, transfer of funds to the Public Issue Account, transfer of funds from the Public Issue Account and where applicable, refunds of the amounts collected from Bidders, on the terms and conditions thereof
Cap Price	Higher end of the Price Band, above which the Issue Price and the Anchor Investor Issue Price will not be finalised and above which no Bids will be accepted and which shall be at least 105% of the Floor Price

Term	Description
Client ID	Client identification number maintained with one of the Depositories in relation to demat account
Collecting Depository Participant(s) or CDP(s)	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 the Stock Exchanges, as updated from time to time and the UPI Circulars
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 Bidding Date
Cut-off Price	Issue Price, finalised by our Bank, 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
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 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
Designated Date	The date on which the Escrow Collection Bank transfer funds from the Escrow Account to the Public Issue Account or the Refund Account, as the case may be, and the instructions are issued to the SCSBs (in case of UPI Bidders using UPI Mechanism, instruction issued through the Sponsor Banks) for the transfer of amounts blocked by the SCSBs in the ASBA Accounts to the Public Issue Account or the Refund Account, as the case may be, in terms of this Red Herring Prospectus and the Prospectus following which Equity Shares will be Allotted in the Issue
Designated Intermediary(ies)	<p>In relation to ASBA Forms submitted by RIBs and Eligible Employees Bidding in the Employee Reservation Portion, by authorising an SCSB to block the Bid Amount in the ASBA Account, Designated Intermediaries shall mean SCSBs.</p> <p>In relation to ASBA Forms submitted by UPI Bidders where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by such UPI Bidder using the UPI Mechanism, Designated Intermediaries shall mean Syndicate, sub-syndicate/agents, Registered Brokers, CDPs, SCSBs and RTAs.</p> <p>In relation to ASBA Forms submitted by QIBs, and Non-Institutional Bidders, Designated Intermediaries shall mean Syndicate, Sub-Syndicate/ agents, SCSBs, Registered Brokers, the CDPs and RTAs</p>
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	National Stock Exchange of India Limited
Draft Red Herring Prospectus or DRHP	The draft red herring prospectus dated July 29, 2022 issued in accordance with the SEBI ICDR Regulations, which did not contain complete particulars of the price at which the Equity Shares will be Allotted and the size of the Issue
Eligible Employee(s)	<p>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 this Red Herring Prospectus with the RoC and who continues to be a permanent employee of our Bank or the Promoter, 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.</p> <p>The initial allocation 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.</p>

Term	Description
	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 Issue or invitation under the Issue and in relation to whom the Bid cum Application Form and this Red Herring Prospectus will constitute an invitation to subscribe to the Equity Shares
Employee Reservation Portion	The portion of the Issue being up to [•] Equity Shares aggregating to ₹[•] million, not exceeding 1% of the size of the Issue, available for subscription by Eligible Employees, on a proportionate basis.
Escrow Account(s)	Account(s) opened with the Escrow Collection Bank 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 Collection Bank	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 has been opened, in this case being ICICI Bank Limited
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 Issue Price and the Anchor Investor Issue Price will be finalised and below which no Bids will be accepted
General Information Document or GID	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 issued by SEBI and UPI Circulars, as amended from time to time. The General Information Document shall be available on the websites of the Stock Exchanges and the BRLMs
I-Sec	ICICI Securities Limited
Issue	The initial public offer of up to [•] Equity Shares aggregating up to ₹5,000 million by our Bank.
Issue Agreement	Agreement dated July 29, 2022 entered amongst our Bank, and the BRLMs, pursuant to which certain arrangements have been agreed to in relation to the Issue
Issue Price	The final price at which Equity Shares will be Allotted to ASBA Bidders in terms of this Red Herring Prospectus and the Prospectus. Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Issue Price, which will be decided by our Bank, in consultation with the BRLMs in terms of this Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Bank, in consultation with the BRLMs, on the Pricing Date in accordance with the Book Building Process and this Red Herring Prospectus
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 Issue Price
Net Issue	The Issue less the Employee Reservation Portion
Net Proceeds	Proceeds of the Issue less the Issue expenses. For further details regarding the use of the Net Proceeds and the Issue expenses, see “ <i>Objects of the Issue</i> ” beginning on page 101
Net QIB Portion	The QIB Portion less the number of Equity Shares allocated to the Anchor Investors
Non-Institutional Bidders or NIBs	All Bidders that are not QIBs or Retail Individual Bidders or the Eligible Employees Bidding in the Employee Reservation Portion 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 Issue being not more than 15% of the Net Issue consisting of [•] Equity Shares, which will be made available for allocation to Non-Institutional Bidders of which one-third of the Non-Institutional Portion shall be available for allocation to Bidders with an application size of more than ₹200,000 and up to ₹1,000,000 and two-thirds of the Non- Institutional Portion shall be available for allocation to Bidders with an application size of more than ₹1,000,000 provided that under-subscription in either of these two sub-categories of Non-Institutional Portion may be allocated to Bidders in the other sub-category of Non-Institutional Portion in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price
Non-Resident	Person resident outside India, as defined under FEMA
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 Issue will be decided by our Bank, in consultation with the BRLMs, and will be advertised in all editions of Financial Express, a widely circulated English national daily newspaper and all editions of Jansatta, a widely circulated Hindi national daily newspaper and the Varanasi edition of Gyanshikha Times, a Hindi 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

Term	Description
Pricing Date	Date on which our Bank, in consultation with the BRLMs, will finalise the Issue 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 Issue Price, the size of the Issue and certain other information, including any addenda or corrigenda thereto
Public Issue Account	Bank account opened with the Public Issue 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 Issue Account Bank	A bank which is a clearing member and registered with SEBI as a banker to an issue and with which the Public Issue Account has been opened, in this case being ICICI Bank Limited
QIB Portion	The portion of the Issue (including the Anchor Investor Portion) being not less than 75% of the Net Issue 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 Issue Price or Anchor Investor Issue 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	This Red Herring Prospectus dated July 6, 2023 issued in accordance with Section 32 of the Companies Act, 2013 and the provisions of the SEBI ICDR Regulations, which does not have complete particulars of the Issue Price and the size of the Issue, including any addenda or corrigenda thereto. This Red Herring Prospectus has been filed with the RoC at least three Working Days before the Bid/ Issue Opening Date and will become the Prospectus upon filing with the RoC after the Pricing Date
Refund Account	Account opened with the Refund Bank, from which refunds, if any, of the whole or part of the Bid Amount to the Bidders shall be made
Refund Bank	Banker to the Issue and with whom the Refund Account has been opened, in this case being ICICI Bank Limited
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 Member 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 July 28, 2022 entered by and amongst our Bank, and the Registrar to the Issue, in relation to the responsibilities and obligations of the Registrar to the Issue pertaining to the Issue
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 Issue or Registrar	KFin Technologies Limited
Retail Individual Bidder(s) or RIB(s)	Individual Bidders, other than Eligible Employees Bidding in the Employee Reservation Portion, who have Bid for the Equity Shares for an amount not more than ₹200,000 in any of the bidding options in the Issue (including HUFs applying through their Karta and Eligible NRIs)
Retail Portion	Portion of the Issue being not more than 10% of the Net Issue consisting of [•] Equity Shares which shall be available for allocation to Retail Individual Bidders (subject to valid Bids being received at or above the Issue 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 and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bids during the Bid/ Issue Period and withdraw their Bids until Bid/ Issue 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 Applications through the UPI Mechanism in the Issue can be made only through the SCSBs mobile applications (apps) whose name appears on SEBI website. A list of SCSBs and mobile applications, which, are live for applying in public issues using UPI Mechanism is provided as

Term	Description
	Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 and are appearing in the "list of mobile applications for using UPI in public issues" displayed on SEBI website. The said list shall be updated on the SEBI website
Specified Locations	Bidding Centres where the Syndicate shall accept ASBA Forms from Bidders, a list of which is available on the website of SEBI (www.sebi.gov.in) and updated from time to time
Sponsor Banks	ICICI Bank Limited and Axis Bank Limited, 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 UPI Bidders 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 Member
Syndicate Agreement	Agreement dated July 6, 2023 entered amongst our Bank, the BRLMs, and the Syndicate Member, in relation to collection of Bid cum Application Forms by the Syndicate
Syndicate Member	Intermediaries (other than the BRLMs) registered with SEBI who are permitted to accept Bids, and carry out activities as an underwriter, namely, Kotak Securities Limited
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, and the Underwriters 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 Bidders	Collectively, individual investors who applied as (i) Retail Individual Bidders in the Retail Portion, (ii) Eligible Employees, under the Employee Reservation Portion, and (iii) Non-Institutional Bidders with an application size of up to ₹500,000 in the Non-Institutional Portion, and Bidding under the UPI Mechanism through ASBA Form(s) submitted with Syndicate Member, Registered Brokers, Collecting Depository Participants and Registrar and Share Transfer Agents.
	Pursuant to circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022 issued by SEBI, all individual investors applying in public issues where the application amount is up to ₹500,000 are required to use the UPI Mechanism and are required to provide their UPI ID in the Bid cum Application Form submitted with: (i) a syndicate member, (ii) a stock broker registered with a recognized stock exchange (whose name is mentioned on the website of the stock exchange as eligible for such activity), (iii) a depository participant (whose name is mentioned on the website of the stock exchange as eligible for such activity), and (iv) a registrar to an issue and share transfer agent (whose name is mentioned on the website of the stock exchange as eligible for such activity)
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 SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, SEBI Circular No.: SEBI/HO/CFD/DIL2/CIR/P/2022/45 dated April 5, 2022, SEBI Circular No.: SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, SEBI Circular No.: SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, along with circular number 23/2022 dated July 22, 2022 and circular number 25/2022 dated August 3, 2022 issued by NSE, circular number 20220722-30 dated July 22, 2022, circular number 20220803-40 dated August 3, 2022, issued by BSE and any subsequent circulars or notifications issued by SEBI or the Stock Exchanges 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 UPI Bidder by way of a notification on the UPI linked mobile application and by way of a SMS for directing the UPI Bidder to such UPI mobile application) to the UPI Bidder initiated by the Sponsor Banks to authorise blocking of funds on the UPI application equivalent to Bid Amount in the relevant ASBA Account through the UPI application, and subsequent debit of funds in case of Allotment
UPI Mechanism	Process for applications by UPI Bidders submitted with intermediaries with UPI as mode of payment, in terms of the UPI Circulars
UPI PIN	Password to authenticate UPI transaction
Working Day	All days on which commercial banks in Mumbai, Maharashtra are open for business, provided however, for the purpose of announcement of the Price Band and the Bid/ Issue Period, "Working Day" shall mean all days, excluding all Saturdays, Sundays and public holidays on which commercial banks in Mumbai, Maharashtra are open for business and the time period

Term	Description
	between the Bid/ Issue 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, including the UPI Circulars

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.
Basic EPS	Basic EPS 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.
BC	Business Correspondent
BCP	Business Continuity Plan
CASA	Current Account and Savings Account
CASA Ratio	CASA Ratio represents demand deposits and savings bank deposits as a percentage of Total Deposits
CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) (%)	CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) represents demand deposits and savings bank deposits and retail term deposits as a percentage of Total Deposits. Retail term deposits are deposits below ₹ 20 million (except deposits received from other banks)
CBS	Core Banking Solution
CFT	Combating Financing of Terrorism
Cost of Deposits	Cost of Deposits is defined as total interest paid on deposits / average deposits
Cost of Funds	Cost of funds is interest expended divided by total average interest bearing liabilities calculated on the basis of quarterly average.
Cost to Income Ratio	Cost to Income Ratio is operating expenses / (net interest income + other income)
CRAR	Capital-to-Risk Weighted Asset Ratio
CRISIL Report	The report titled “ <i>Report on Small Finance Banks and various loan products</i> ” dated July, 2022, read with addendum dated May 2023 commissioned by and paid for by our Bank pursuant to the appointment of CRISIL vide agreement dated September 30, 2020 read along with addendum no. 1 dated July 25, 2022. This report is available on the website of our Bank at https://utkarsh.bank/investors
Credit Cost Ratio	Credit Cost Ratio is credit cost (including provisions and write-offs) / average of total balance of advances calculated on the basis of quarterly average balances
CRR	Cash Reserve Ratio
CV	Commercial Vehicle
DRP	Disaster Recovery Plan
DSA	Direct Selling Agent
EMI	Equated Monthly Instalment
Exim Bank	Export-Import Bank of India
FATCA	Foreign Account Tax Compliance Act, 2010
FI	Financial Institutions
FIMMDA	Fixed Income Money Market & Derivatives Association of India
FTRAC	FIMMDA Trade Reporting and Confirmation System
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
Gross Loan Portfolio Growth	Gross Loan Portfolio Growth represents growth in Gross Loan Portfolio for the relevant period/year as a percentage of Gross Loan Portfolio for the previous period/year.
Gross NPA	Gross NPA is gross non-performing assets as at the year/period end / Gross Advances
HTM	Held to Maturity
IFSC	Indian Financial System Code
IRS	Internal Revenue Service
JLG	Joint Liability Group

Term	Description
Key Performance Indicators or KPIs	Key financial and operational performance indicators of our Bank, as included in “Basis for Issue Price” beginning on page 105
LAP	Loan Against Property
LCR	Liquidity Coverage Ratio
LTV	Loan to Value
MCLR	Marginal Cost of Funds based Lending Rate
MFI	Microfinance Institutions
MSME	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
Net Asset Value per Equity Share	Net Asset Value per Equity Share is defined as Net Worth, as restated at the end of the period or years / Total number of Equity Shares outstanding at the end of the period/years.
Net Worth	A sum of Capital and Reserves
NCLT	National Company Law Tribunal
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.
Net NPA	Net NPA is net non-performing assets as at the year/period end / net advances
Net Profit	Net Profit is net profit after tax available for equity shareholders
NPA	Non-Performing Asset
NPS	National Pension Scheme
Ombudsman Scheme	The Integrated Ombudsman Scheme, 2021
Operating Expenses to Total Average Assets (%)	Operating expenses to total average assets is expressed as operating expenses as percentage of total average assets calculated on the basis of quarterly average balances
PMLA	Prevention of Money Laundering Act, 2002
Provision Coverage Ratio (excluding technical write-offs) (%)	Provision Coverage Ratio (excluding technical write-offs) (%) is calculated as (GNPA-NNPA)/ GNPA, in percentage form
PSL	Priority Sector Lending
RDDBFI Act	The Recovery of Debts Due to Banks and Financial Institutions Act, 1993
Return on Total Average Assets	Return on Total Average Assets is profit after tax / average of total assets on book calculated on the basis of quarterly average balances
Return on Average Equity	Return on Average Equity is profit after tax / average net worth calculated on the basis of quarterly average balances
SIDBI	Small Industries Development Bank of India
SLR	Statutory Liquidity Ratio
SMA	Special Mention Accounts
SMA 1 %	SMA 1 % – Special Mention Account 1 refers to those standard advances accounts that show overdue between 31 to 60 days as a percentage of Gross Loan Portfolio
SMA 2 %	SMA 2 %- Special Mention Account 2 refers to those standard advances accounts that show overdue between 61 to 90 days as a percentage of Gross Loan Portfolio
Secured Advances as % of Total Advances	Secured Advances as % of Total Advances is total of secured loan which includes advances secured by tangible assets (includes advances against fixed deposits and book debts) and advances covered by bank or government guarantees/ total advances, in percentage form
Spread	Spread is difference between yield on advances and Cost of Funds.
Standard Restructured Advances	Standard Restructured Advances is Standard Restructured Outstanding Portfolio as a % of Gross Advances. Standard Restructured Outstanding Portfolio is balance outstanding for loans which were restructured earlier and are standard as on reporting date
STP	Straight Through Process
Tier 1 Capital Ratio	Tier 1 Capital Ratio consists mainly of share capital and disclosed reserves, and it is a bank's highest quality capital because it is fully available to cover losses.
Total Advances	Total Advances is the aggregate of bills, purchased and discounted, cash credits, overdrafts and loans repayable on demand and term loans
Total Capital Ratio (CRAR)	Total Capital Ratio (CRAR) is the total of Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)
Total Deposits	Total deposits include saving deposits, current deposits and term deposits. Saving deposits are demand deposits for customers that accrue interest, current deposits are demand deposits for customers that do not accrue interest.
Total Deposits Growth	Total Deposits Growth represents increase in deposits for the relevant period/year as a percentage of total deposits for the previous period/year
TREPS	Triparty Repo (Dealing) System

Term	Description
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
Yield on Advances	Yield on Advances is interest earned on loans and advances / average of total advances on book calculated on the basis of quarterly average balances

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/2022-23/12, DOR.CAP.REC.3/21.06.201/2022-23 dated April 1, 2022
BFSI	Banking, Financial Services and Insurance
BSE	BSE Limited
CAGR	Compound annual growth rate (as a %): (End Year Value/Base Year Value) ¹ / (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 I FPIs	FPIs who are registered as "Category I Foreign Portfolio Investors" under the SEBI FPI 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 Identification 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
CRISIL/ CRISIL MI&A	CRISIL Market Intelligence and Analytics, a division of CRISIL Limited
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DIN	Director Identification Number
Domestic OSP	Domestic Other Service Provider
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
Financial Year/ Fiscal/ FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FPI(s)	Foreign portfolio investors as defined under the SEBI FPI Regulations
Fraudulent Borrower	Fraudulent borrower as defined under Regulation 2(1)(III) of the SEBI ICDR Regulations
FVCI(s)	Foreign venture capital investors as defined and registered under the SEBI FVCI Regulations

Term	Description
GAAR	General Anti-Avoidance Rules
Gazette	Gazette of India
GoI or Government or Central Government	Government of India
GST	Goods and services tax
Guidelines on Acquisition and Holding of Shares or Voting Rights	Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies dated January 16, 2023 issued by the RBI
HUF	Hindu undivided family
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Ind AS/ Indian Accounting Standards	Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015
India	Republic of India
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
ISIN	International Securities Identification Number
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
Master Direction on Acquisition and Holding of Shares or Voting Rights	Master Direction – RBI (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 dated January 16, 2023
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 debenture
NBFC	Non-banking financial company
NBFC-CIC-NDSI	A non-banking financial company which is a non-deposit taking, systemically important core investment company
NBFC-MFI	Non-banking finance company-micro finance institution
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
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 and which was de-recognised through the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. OCBs are not allowed to invest in the Issue.
p.a.	Per annum

Term	Description
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 established under section 3(1) of the Pension Fund Regulatory and Development Authority Act, 2013
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
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	Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992
SEBI SBEB & SE Regulations	Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
SEBI Settlement Regulations	Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018
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 Operating Guidelines	Operating guidelines for Small Finance Banks dated October 6, 2016 issued by the RBI
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
USD/US\$	United States Dollars
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations
WACA	Weighted average cost of acquisition
Wilful Defaulter	Wilful defaulter as defined under Regulation 2(1)(III) of SEBI ICDR Regulations

ISSUE DOCUMENT SUMMARY

The following is a general summary of the terms of the Issue and is not exhaustive, nor does it purport to contain a summary of all the disclosures in this 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 Red Herring Prospectus, including “Risk Factors”, “The Issue”, “Capital Structure”, “Objects of the Issue”, “Industry Overview”, “Our Business”, “Financial Statements”, “Issue Procedure”, “Outstanding Litigation and Material Developments” and “Description of Equity Shares and Terms of Articles of Association” beginning on pages 25, 72, 85, 101, 122, 160, 262, 417, 383 and 438, respectively.

Summary of our primary business

We are an SFB in India and recorded the third fastest Gross Loan Portfolio growth between Fiscal 2019 and Fiscal 2023 among SFBs with Gross Loan Portfolio of more than ₹ 60 billion. (Source: CRISIL Report, page 133) We had the second highest provision coverage ratio among SFBs with Gross Loan Portfolio of more than ₹ 60 billion in Fiscal 2023. (Source: CRISIL Report, page 137). Our operations are focused in rural and semi-urban areas and as of March 31, 2023, we had 3.59 million customers (both deposit and credit) majorly located in rural and semi-urban areas primarily in the states of Bihar and Uttar Pradesh that, in Fiscal 2022, were among the states with best asset quality but with low and moderate credit penetration (Source: CRISIL Report, page 147).

Summary of the industry in which we operate

To promote financial inclusion, the Indian banking industry has seen several changes in recent years. As of March 31, 2023, the RBI has awarded SFB licences to 12 players keeping in with the government’s focus on financial inclusion and inclusive banking. SFBs’ target audience is the low-income segment, who can be wooed with a sachet level product suite. Unlike NBFCs, which expand horizontally with a special focus product, such as vehicle loan, microfinance loans or housing finance, SFBs can expand vertically and horizontally offering multiple loan products as well as deposit products. Loan portfolio CAGR of approximately 22% between Fiscal 2023 - Fiscal 2025 is expected for SFBs. (Source: CRISIL Report, pages 129, 130 and 131)

Our Promoter

Our promoter is Utkarsh CoreInvest Limited, a public limited company incorporated under the provisions of the Companies Act, 1956 on May 15, 1990. Our Promoter was incorporated as Shre Pathrakali Finance Company Limited and 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. 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, vehicles and statutory liabilities to our Bank. As per the terms of the RBI In-Principle Approval, our Promoter was converted into an NBFC-CIC-NDSI with effect from May 3, 2018 under certificate number C.07.00781. For further details, see “Our Promoter and Promoter Group” beginning on page 231.

Issue Size

Issue of up to [•] Equity Shares aggregating up to ₹5,000 million to be issued by our Bank, in terms of this Red Herring Prospectus. The Issue includes a reservation of up to [•] Equity Shares, aggregating up to ₹[•] million (constituting up to 1% of the size of the Issue), for subscription by Eligible Employees.

The Issue and the Net Issue shall constitute [•]% and [•]%, respectively of the fully diluted post-Issue paid up Equity Share capital of our Bank. For further details, see “The Issue” and “Issue Structure” beginning on pages 72 and 413, respectively.

Objects of the Issue

The details regarding the use of the Net Proceeds are set forth below:

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

[#] In terms of the SFB Operating Guidelines, the Bank is required to maintain a minimum capital adequacy ratio of 15% of the risk weighted assets of the Bank on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time, and the Tier - 1 capital is required to be at least 7.5% of the risk weighted asset. As on March 31, 2023 the Bank’s Tier-1 capital base was ₹ 18,448.22 million (equivalent to 18.25%). Accordingly, the Bank proposes to utilize the Net Proceeds towards augmenting its capital base to meet its future

capital requirements which are expected to arise out of growth in the Bank's assets, primarily the 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 "Risk Factors - 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" on page 40.

For details, see "Objects of the Issue" beginning on page 101.

Pre-Issue Shareholding of the Promoter

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

S. No.	Promoter	Number of Equity Shares	% of total pre-Issue paid up Equity Share capital
1.	Utkarsh CoreInvest Limited	759,272,222*	84.75

*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.

As on the date of this Red Herring Prospectus, other than our Promoter, there are no persons or entities that form a part of our Promoter Group.

Summary of financial information

The summary of the financial information of our Bank as per the Restated Financial Statements is set forth below:

Particulars	As at March 31,		
	2023	2022	2021
Capital	8,959.05	8,955.22	8,483.34
Net worth*	20,003.21	15,722.97	13,683.53
Net asset value per Equity Share**	22.33	17.56	16.13
Total borrowings	23,494.75	25,719.35	26,078.25
Total Income	28,042.86	20,336.46	17,058.36
Net Profit / (Loss)	4,045.02	614.62	1,118.15
Earnings per Equity Share***			
- Basic	4.52	0.70	1.46
- Diluted	4.51	0.70	1.46

*Capital + Reserves

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

***Note:

- Basic earnings per shares = Net profit after tax, as restated, attributable to equity shareholders / Weighted average number of basic Equity Shares outstanding during the period/years.
- Diluted earnings per share = Net profit after tax, as restated, attributable to equity shareholders / Weighted average number of diluted Equity Shares outstanding during the period/years.

For further information, see "Financial Statements", "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operation – Fiscal 2023 compared to Fiscal 2022" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operation – Fiscal 2022 compared to Fiscal 2021" beginning on pages 262, 365 and 366.

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

The Joint Statutory Auditors have not made any qualifications in the examination report that require any adjustments to 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 Red Herring Prospectus is provided below:

Name of entity	Number of criminal proceedings	Number of tax proceedings	Number of statutory or regulatory proceedings	Number of disciplinary actions by the SEBI or the Stock Exchanges against our Promoter in the last five years	Other matters	Number of material civil proceedings*	Aggregate amount involved in ₹ million ^
Bank							
Against our Bank	-	1 [%]	5	NA	-	-	4.97
By our Bank	2,204	4 ^{&}	-	NA	2	-	706.91
Directors							
Against our Directors	-	-	-	NA	-	-	-
By our Directors	-	-	-	NA	-	-	-
Promoter							
Against our Promoter	1	-	2	Nil	-	-	250.04
By our Promoter	-	2	-	NA	-	-	127.19
Group Company							
Outstanding litigation that has a material impact on our Bank	-	-	-	NA	-	-	-

[^]To the extent quantifiable.

^{*}Determined in accordance with the Materiality Policy.

[%]An appeal has been filed against the relevant order determining an income tax demand of ₹ 3.36 million against refund claimed of ₹ 9.24 million for assessment year 2017-2018 and a demand of ₹3.19 million for assessment year 2017-18.

[&]Two separate appeals have been filed against the same amount in respect of reduction of demand from ₹ 56.54 million to ₹ 0.46 million for assessment year 2020-2021 and an appeal dated June 21, 2023 has been filed by our Bank against the reassessment order dated May 24, 2023 for assessment year 2017-2018

Further, as on the date of this Red Herring Prospectus, there are no outstanding litigation proceedings involving our Group Company, the outcome of which has a material impact on our Bank.

For details, see “*Outstanding Litigation and Material Developments*” beginning on page 383.

Risk Factors

For details in relation to certain risks applicable to us, see “*Risk Factors*” beginning on page 25.

Summary of Contingent Liabilities of our Bank

As of March 31, 2023, our contingent liabilities, as provided for in our Restated Financial Statements, are as follows:

		<i>(in ₹ million)</i>
Sr. No.	Particulars	Contingent liabilities as at March 31, 2023
1.	Guarantees given on behalf of constituents	
	i) In India	255.11
	ii) Outside India	-
2.	Other items for which the bank is contingently liable (refer note 2)	3,160.94
	Total	3,416.05

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: (i) Includes capital commitment of ₹ 306.59 million (March 31, 2022: ₹ 378.11 million; March 31, 2021: ₹ 392.65 million.); (ii) includes pending tax litigation of ₹ 68.68 million (March 31, 2022: ₹ 12.64 million, March 31, 2021: ₹ 14.99 million); (iii) includes commitment towards irrevocable Undrawn Fund Based Credit facilities of ₹2,782.51 million (March 31, 2022: Nil, March 31, 2021: Nil).

For details on the contingent liabilities of our Bank as reported in the Restated Financial Statements, see “Financial Statements – Note 14 – Contingent Liabilities” beginning on page 273.

Summary of Related Party Transactions

Particulars	(in ₹ million)		
	March 31, 2023	March 31, 2022	March 31, 2021
Utkarsh CoreInvest Limited (Holding Company)			
Deposits Outstanding as on	423.81	375.19	315.40
Amount deposited during the year (excluding CASA deposit)	453.10	207.90	195.20
Amount repaid during the year (excluding CASA deposit)	407.00	114.30	136.00
Maximum deposit outstanding during the year	419.91	376.37	316.10
Interest paid	29.21	25.55	21.12
ESOP cost cross charged	(4.57)	7.90	14.02
Service charge for collections	0.13	0.27	0.12
Rent for office space	0.87	0.82	0.81
Transactions (collection and payment) carried out on behalf of Bank	-	-	8.80
Amount Payable/(Recoverable)	1.39	6.11	6.22
Utkarsh Welfare Foundation (fellow subsidiary) #			
Deposits Outstanding as on	11.97	16.69	18.30
Maximum deposit outstanding during the year	33.98	25.24	24.00
Interest paid	1.34	0.93	0.75
Contribution towards CSR & CER	32.20	41.00	23.00
Utkarsh Small Finance Bank Employees' Gratuity Trust			
Deposits Outstanding as on	0.83	0.51	0.94
Maximum deposit outstanding during the year	15.52	17.74	18.47
Interest paid	0.06	0.06	0.00*
Contribution to Gratuity Trust	38.86	-	-
Withdrawal from Gratuity Trust	26.63	-	-
Key Managerial Employees			
Govind Singh (MD & CEO)			
Deposits Outstanding as on	4.71	6.79	12.49
Amount deposited during the year (excluding CASA deposit)	-	-	0.00*
Amount repaid during the year (excluding CASA deposit)	-	-	0.00*
Maximum deposit outstanding during the year	10.51	13.07	14.70
Interest paid	0.45	0.72	0.37
Remuneration to KMP**	26.22	20.20	23.80
ESOP granted	6.00	1.20	-
Mukund Barsagade (CFO) ##			
Deposits Outstanding as on	-	1.66	2.30
Maximum deposit outstanding during the year	1.92	2.92	2.85
Interest paid	0.04	0.12	0.11
Remuneration to KMP	6.92	11.31	10.49
ESOP granted	-	3.44	5.53

Particulars	Financial Year ended		
	March 31, 2023	March 31, 2022	March 31, 2021
Sarjukumar Pravin Simaria (CFO)			
Deposits Outstanding as on	0.82	-	-
Maximum deposit outstanding during the year	1.75	-	-
Interest paid	0.02	-	-
Remuneration to KMP	7.20	-	-
ESOP granted	2.45	-	-
Nutan Rane (CS) @@			
Deposits Outstanding as on	-	0.00*	0.00*
Maximum deposit outstanding during the year	-	0.19	0.31
Interest paid	-	0.00*	0.00*
Remuneration to KMP	-	2.69	3.25
Muthiah Ganapathy (CS)			
Deposits Outstanding as on	0.90	0.08	-
Maximum deposit outstanding during the year	0.96	0.08	-
Interest paid	0.04*	0.00*	-
Remuneration to KMP	4.61	0.40	-
Enterprise where KMP exercise significant influence:			
RAAG Family Private Trust			
Deposits Outstanding as on	-	-	0.00*
Maximum deposit outstanding during the year	-	0.00*	0.00*
Interest paid	-	0.00*	0.00*
KMP Relative			
Revati Govind Singh			
Deposits Outstanding as on	2.17	2.75	5.30
Maximum deposit outstanding during the year	2.75	5.10	5.30
Interest paid	0.12	0.28	0.10
Ankur Singh			
Deposits Outstanding as on	0.05	0.00*	1.20
Maximum deposit outstanding during the year	1.74	1.83	9.40
Interest paid	0.02*	0.00*	0.30
Achin Singh			
Deposits Outstanding as on	0.26	0.33	3.20
Maximum deposit outstanding during the year	4.08	3.19	7.30
Interest paid	0.10	0.10	0.30
Ramesh Chandra Singh			
Deposits Outstanding as on	1.68	1.34	1.50
Amount deposited during the year (excluding CASA deposit)	0.63	0.74	0.20
Amount repaid during the year (excluding CASA deposit)	0.44	1.10	0.10
Maximum deposit outstanding during the year	1.78	1.44	1.50
Interest paid	0.20	0.13	0.10
ESOP granted	-	-	1.70
Consultancy Charges	1.69	-	-
Renu Singh			
Deposits Outstanding as on	2.82	2.44	2.50
Amount deposited during the year (excluding CASA deposit)	4.06	-	4.00
Amount repaid during the year (excluding CASA deposit)	3.70	-	4.10
Maximum deposit outstanding during the year	2.79	2.43	2.50
Interest paid	0.35	0.00*	0.40
Parvati Devi			
Deposits Outstanding as on	1.08	0.90	0.80

Particulars	Financial Year ended		
	March 31, 2023	March 31, 2022	March 31, 2021
Amount deposited during the year (excluding CASA deposit)	0.91	0.39	0.50
Amount repaid during the year (excluding CASA deposit)	0.91	0.24	-
Maximum deposit outstanding during the year	1.02	0.89	0.80
Interest paid	0.19	0.00*	0.00*
Nirmala Simaria			
Deposits Outstanding as on	0.20	-	-
Amount deposited during the year (excluding CASA deposit)	0.20	-	-
Maximum deposit outstanding during the year	0.20	-	-
Interest paid	0.01*	-	-

* Amount less than ₹ 50,000 is shown as Nil.

** During the year ended March 31, 2021, remuneration paid to MD & CEO includes provision for annual bonus for Fiscal 2020 for ₹2.50 million and salary increment for Fiscal 2021 of ₹2.91 million.

** During the year ended March 31, 2022, remuneration paid to MD & CEO includes annual bonus of ₹ 6.30 million and reversal of salary paid in Fiscal 2021 of ₹ 6.53 millions for the differential amount post approval of RBI vide letter dated January 12, 2022.

** During the year ended March 31, 2023, remuneration paid to MD & CEO includes arrear salary of Fiscal 2022 of ₹ 6.20 million post revised approval of RBI vide letter dated July 28, 2022 for remuneration of MD & CEO for Fiscal 2021 and bonus ₹ 2.0 million post approval of RBI vide letter dated December 14, 2022 for remuneration of MD & CEO for Fiscal 2022

© Includes arrear salary of Fiscal 2022 of ₹ 6.20 million post revised approval of RBI vide letter dated July 28, 2022 for remuneration of MD & CEO for Fiscal 2021.

UWF was the fellow subsidiary of the Bank up to February 25, 2022.

Except EL encashment and Bonus paid post exiting our Bank, all other details for Mukund Barsagade are up to September 22, 2022, being his last day as Chief Financial Officer.

©© Nutan Rane ceased to be the company secretary and compliance officer of the Bank up to March 14, 2022.

Notes:

- 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.
- Refer Annexure 20.16 of Restated Financial Statements 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 –20.19: Related Party Transactions” beginning on page 333.

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

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

Financing Arrangements

There have been no financing arrangements whereby our Promoter, directors of our Promoter or members of our Promoter Group or our Directors and any of their relatives (as defined in the Companies Act, 2013) 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 Red Herring Prospectus.

Details of price at which specified securities were acquired by our Promoter, the members of the Promoter Group, and Shareholders with special rights in the last three years immediately preceding this date of Red Herring Prospectus

Name of the acquirer/ Shareholder	Nature of securities	Date of acquisition of securities	Number of securities acquired	Acquisition price per security [#] (in ₹)
Utkarsh CoreInvest Limited	Equity Shares	August 29, 2019 and October 11, 2019 (beneficial ownership was transferred)	1,000	27.00
			-	-

Name of the acquirer/ Shareholder	Nature of securities	Date of acquisition of securities	Number of securities acquired	Acquisition price per security [#] (in ₹)
		November 23, 2020 (legal ownership was transferred) [^]		–

[^] Pursuant to the resolution passed by Utkarsh CoreInvest Limited on August 29, 2019 and October 11, 2019, the beneficial ownership of 1,000 Equity Shares was transferred by Mr. Abhisheka Kumar to Utkarsh CoreInvest Limited for a purchase consideration of ₹ 27 per Equity Share on October 11, 2019. Subsequently, Mr. Abhisheka Kumar was designated as a nominee shareholder of Utkarsh CoreInvest Limited, 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 Utkarsh CoreInvest Limited on November 27, 2020.

[#]As certified by JHS & Associates LLP, Chartered Accountants, by way of their certificate dated July 6, 2023.

As on the date of this Red Herring Prospectus, other than our Promoter, there are no persons or entities that form a part of our Promoter Group.

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

No Equity Shares were acquired by our Promoter in the last one year.

Average Cost of Acquisition of our Promoter

The average cost of acquisition of Equity Shares of our Promoter is ₹10.50* per Equity Share.

*As certified by JHS & Associates LLP, Chartered Accountants, by way of their certificate dated July 6, 2023

WACA of all shares transacted in last three years, 18 months and one year preceding the date of this Red Herring Prospectus

Period	WACA (in ₹) [#]	Cap price is 'X' times the WACA [*]	Range of acquisition price: lowest price – highest price (in ₹) [#]
One year	21.23	[•]	14.01 – 27.00
18 months	20.91	[•]	14.01 – 27.00
Three years	28.64	[•]	14.01 – 31.80

[#]As certified by JHS & Associates LLP, Chartered Accountants pursuant to their certificate dated July 6, 2023

* Information on Cap Price will be included after finalization of the Price Band

Details of pre-IPO placement

Our Bank does not propose to undertake a pre-IPO placement.

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 Red Herring Prospectus.

Exemption from complying with any provisions of securities laws granted by the SEBI

Our Bank intends to undertake cancellation / early redemption of the 2,500 NCDs bearing ISIN INE735W08012 in respect of which SEBI has issued a show cause notice dated November 3, 2022 (“**Exemption NCDs**”) and restore *status quo ante*.

Accordingly, our Bank filed an exemption application under Regulation 102 of the Listing Regulations seeking an exemption from obtaining (i) prior consent of BSE; and (ii) written consent of at least three-fourth holders of Exemption NCDs by value, as required under Regulation 59 of the Listing Regulations, in order to enable our Bank to make requisite material modifications to the redemption related terms of Exemption NCDs. SEBI, pursuant to its letter bearing reference number SEBI/HO/DDHS/DDHS-SEC-1/P/OW/2023/0000025667/1 dated June 22, 2023 has acceded to our Bank’s request for the exemption from compliance with Regulation 59 of the Listing Regulations for alteration of the terms of the Exemption NCDs.

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

Certain Conventions

All references in this Red Herring Prospectus to “**India**” are to the Republic of India and its territories and possessions and all references herein to the “Government”, “Indian Government”, “GoI”, “Central Government” or the “State Government” are to the Government of India, central or state, as applicable. All references in this Red Herring Prospectus to the “**U.S.**”, “**USA**” or “**United States**” are to the United States of America and its territories and possessions.

Unless otherwise specified, any time mentioned in this Red Herring Prospectus is in Indian Standard Time (“**IST**”). Unless indicated otherwise, all references to a year in this Red Herring Prospectus are to a calendar year.

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

Financial Data

Unless stated otherwise or the context otherwise requires, the financial data in this Red Herring Prospectus is derived from the Restated Financial Statements. The Restated Financial Statements included in this RHP are as at and for Fiscal 2023, 2022 and 2021 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, as amended from time to time. For further details, see “*Financial Statements*” beginning on page 262.

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 Red Herring Prospectus have been compiled by the management of our Bank from the audited financial statements as at and for the years ended March 31, 2023, March 31, 2022 and March 31, 2021 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 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, Utkarsh CoreInvest Limited, 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 Utkarsh CoreInvest Limited’s consolidated financial statements. Since Ind AS differs from Indian GAAP, our Ind AS financial statements prepared for the limited purpose of inclusion in Utkarsh CoreInvest Limited’s consolidated financial statements are not comparable to our Restated Financial Statements. For risks in this regard, 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*” beginning on page 66.

Accordingly, the degree to which the financial information included in this 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 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 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. For further details, see “*Risk Factors – We have in this 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*” beginning on page 56. 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 160, 238, 344 and 380, 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 25, 160 and 347, respectively, and elsewhere in this Red Herring Prospectus have been calculated on the basis of our Restated Financial Statements.

Certain figures contained in this 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 certain instances, (i) the sum or percentage change of such numbers may not conform exactly to the total figure given; and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly to the total figure given for that column or row. In this 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 Red Herring Prospectus as rounded-off to such number of decimal points as provided in such respective sources.

Industry and Market Data

For the purpose of confirming our understanding of the industry we operate in, in connection with the Issue, we have commissioned and paid for a report exclusively for the purposes of the Issue for an agreed fee, titled “*Report on Small Finance Banks and various loan products*” dated July, 2022, read with addendum dated May 2023 by CRISIL, pursuant to their appointment *vide* agreement dated September 30, 2020 read along with addendum no. 1 dated July 25, 2022, which is also available at our Bank’s website, at <https://utkarsh.bank/investors>. For risks in this regard, see “*Risk Factors – Industry information included in this Red Herring Prospectus has been derived from an industry report prepared by CRISIL MI&A which has been commissioned and paid for by us by us for such purpose*” beginning on page 64. CRISIL has confirmed *vide* its letter dated June 1, 2023, that it is an independent agency, and is not related in any manner to our Bank, our Directors, our Promoter, our Key Managerial Personnel or members of our Senior Management. CRISIL has required us to include the following disclaimer in connection with the CRISIL Report:

“CRISIL Market Intelligence and Analytics (MI&A) 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). 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. 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 Limited will be responsible for ensuring compliances and consequences of non-compliances for use of the Report or part thereof outside India. CRISIL MI&A operates independently of and does not have access to information obtained by CRISIL Ratings Limited, which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL MI&A and not of CRISIL Ratings Limited. 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 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. 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" on page 25.

In accordance with SEBI ICDR Regulations, "Basis for the Issue Price" beginning on page 105 includes information relating to our peer group companies. Such information has been derived from publicly available sources. 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 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 Red Herring Prospectus expressed in such denominations as provided in such respective sources.

Exchange Rates

This 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:

Currency	Exchange Rate as on March 31, 2023	Exchange Rate as on March 31, 2022	Exchange Rate as on, March 31, 2021
1 US\$	82.22	75.81	73.50

(in ₹)

Source: www.fbil.org.in

FORWARD LOOKING STATEMENTS

This 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 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 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 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:

- Inability to comply with RBI inspection / observations or other regulatory requirements or any adverse observations from such regulators.
- Adverse changes in the conditions affecting the states of Bihar and Uttar Pradesh as significant portion of advances in the microbanking segment are towards customers located in these regions.
- Inability to comply with or any delay in compliance with laws and regulations applicable to our Bank.
- Loss of, or inability to attract or retain, Key Managerial Personnel or Senior Management.
- Weakness or failures of our internal control system which may cause significant operational errors.
- Susceptibility to operational risks, including fraud, petty theft and embezzlement on account of our operations involving handling of significant amounts of cash.

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” beginning on pages 25, 160 and 347, 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 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, Directors, Key Managerial Personnel, Senior Management 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 from the date of this Red Herring Prospectus until the date of Allotment.

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 Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares pursuant to the Issue. 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 160, 122, 347 and 262, respectively, as well as the other financial and statistical information contained in this 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 Issue, including the merits and risks involved.

Potential investors should consult their tax, financial and legal advisors about the particular consequences of investing in the Issue. 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 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 Red Herring Prospectus. For further information, see “Forward-Looking Statements” on page 24.

Unless otherwise indicated, the financial information included herein is based on our Restated Financial Statements included in this Red Herring Prospectus. For further information, see “Financial Statements” on page 262. 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 July, 2022 read with addendum dated May, 2023 (the “CRISIL Report”) prepared and released by CRISIL MI&A and exclusively commissioned by and paid for by us pursuant to the appointment of CRISIL vide agreement dated September 1, 2020 read along with addendum no. 1 dated July 25, 2022, in connection with the Issue. The data included herein includes excerpts from the CRISIL Report available on the website of the Bank at <https://www.utkarsh.bank/investors>. The relevant industry sources are indicated at all relevant places within this section. Unless otherwise indicated, 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 calendar year. Also see, “Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data” on page 21.

RISKS RELATING TO OUR BUSINESS

- 1. 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 RBI inspection conducted in January 2020, 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. With effect from January 5, 2021, it is mandatory for all retail asset borrower customers to submit PAN details and as of March 31, 2023, PAN was not available for 0.06% of our customers. There was no impact of valuations which were not carried out correctly for the HTM portfolio on our financials.

The RBI has conducted the annual financial inspection of our Bank for Fiscal 2022. Supervisory letter dated January 19, 2023, highlighting supervisory concerns, and the risk mitigation plan, was issued to our Bank. There is no major systemic supervisory concerns and our Bank is in the process of ensuring compliance with the supervisory concerns and the risk mitigation plan advised by the RBI.

While our Bank has taken actions and responded to the RBI's observations, findings, directions, risk mitigation plans and regulatory non-compliances and in certain instances is 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.

We operate in a regulated market with evolving laws and regulations which change over time. Certain of these laws and regulations governing our business are relatively new, and thus their interpretation and enforcement may involve uncertainties. Also, we could be in non-compliance with regulatory requirements prescribed by the RBI or may be delayed in implementing certain changes in the law or incur additional expenses to comply with such laws and regulations, which could adversely affect our future growth, development and business. For instance, our Bank received a letter dated March 31, 2022 ("**March Letter**") from the RBI conveying its displeasure regarding non-compliance with RBI circular on "Un-authorized operation of Internal /Office Accounts" dated July 17, 2019 and RBI letter dated September 13, 2021 advising our Bank to carry out an audit of its systems and processes through the statutory central auditor and submitting a certificate on the status of compliance by our Bank. In the March Letter, RBI advised our Bank to ensure strict and full compliance with the circular by April 30, 2022. Our Bank responded to the RBI *vide* its letter dated April 21, 2022 providing an updated status of the major gaps in compliance with the provisions of the RBI circular as listed in the March Letter and assured the RBI of full compliance with the said circular and September 13, 2021 letter at the earliest. Subsequently, our Bank submitted an audit certificate, on status of compliance with the RBI circular by our Bank, from the previous statutory auditors to the RBI *vide* its email dated June 29, 2022.

Additionally, our Bank also received a show cause notice dated May 4, 2022 ("**May Letter**") from the RBI expressing their displeasure on the non-compliance of the RBI circular on "Automation of Income Recognition, Asset Classification and Provisioning processes in banks" dated September 14, 2020 and RBI letter dated September 16, 2021 advising our Bank to carry out an audit of its systems and processes relating to automation of income recognition, asset classification and provisioning process through the statutory central auditor and submitting a certificate on the status of compliance by our Bank. Our Bank responded to the RBI *vide* its letters dated May 23, 2022 and June 3, 2022 providing an updated status of the major gaps in compliance with the provisions of the RBI circular listed in the May Letter and ensured full compliance to the RBI circular and the September 16, 2021 letter at the earliest. Further, our Bank submitted an audit certificate to the RBI, on status of compliance with the RBI circular by our Bank, from the previous statutory auditors *vide* its email dated June 21, 2022. Subsequently, the officials from RBI also conducted an on-site inspection in August 2022, to verify

compliance with this circular. In another instance, we received a notice dated March 28, 2023 from the Municipal Corporation at Varanasi levying a penalty of ₹ 0.50 million on our Bank on account of illegal and unauthorized advertisements. Our Bank *vide* its letter dated April 24, 2023 has responded to the said notice requesting the Municipal Corporation to waive the penalty levied on it. For further information on these matters, see “*Outstanding Litigation and Material Developments*” on page 383.

Also, previously, on June 20, 2020, our Bank issued 12.50% Non-Convertible Debentures (“NCDs”) to IDFC First Bank Limited aggregating to ₹1,950 million which was reported to the RBI on June 29, 2020. The Department of Regulation, RBI Central Office by way of its letter dated January 13, 2021 alleged non-compliance by our Bank with the relevant RBI circulars/ instructions pertaining to disclosures in the offer document for the issuance of NCDs and thereby the NCDs not qualifying as an eligible tier II capital instrument. Our Bank has, pursuant to its letter dated March 10, 2021 and e-mail dated June 30, 2021, made a detailed submission together with supporting documents to the RBI requesting it to consider the NCDs as eligible tier II capital instrument as they are compliant with RBI guidelines. Subsequently, our Bank received a letter dated July 1, 2021 from the RBI acknowledging our submissions sent to them on the subject matter and instructed our Bank to ensure strict compliance with the terms and conditions for issuance of instruments qualifying for regulatory capital as specified in the RBI circulars/instructions at all times.

As a small finance bank, we also require approval from the RBI for appointment of our statutory auditors. The RBI, pursuant to its letter dated April 29, 2022 approved the appointment of Deloitte Haskins & Sells, Chartered Accountants and Kirtane & Pandit LLP, Chartered Accountants as the joint statutory auditors of our Bank for Fiscal 2023. Appointment, reappointment and removal of statutory auditors of the Bank will continue to be subject to prior approval of the RBI, and we cannot assure you that we will be able to obtain such approval for appointment or changes sought by our Bank.

2. *Our Previous Statutory Auditors have been debarred by the Reserve Bank of India from undertaking audit assignments for entities regulated by RBI for a period of two years with effect from April 1, 2022.*

Haribhakti & Co. LLP, Chartered Accountants, have audited our financial statements as at and for the years ended March 31, 2020, 2021 and 2022. The RBI has pursuant to its order dated September 23, 2021, debarred our erstwhile statutory auditors, Haribhakti & Co. LLP, Chartered Accountants, from undertaking any type of audit assignments for entities regulated by the RBI for a period of two years with effect from April 1, 2022. According to the RBI, this action has been taken on account of a failure on part of Haribhakti & Co. LLP, Chartered Accountants, to comply with a specific direction issued by the RBI with respect to their statutory audit of a systemically important NBFC. However, the RBI *vide* its press release dated October 12, 2021 clarified that the order would not impact audit assignments being undertaken by Haribhakti & Co. LLP, Chartered Accountants, of RBI regulated entities for Fiscal 2022. Further, for the purposes of the Issue, the RBI has by way of its e-mails to our Bank dated May 30, 2022 and June 30, 2022 permitted Haribhakti & Co. LLP to undertake the audit assignments as customary in relation to an IPO. Further, the RBI has through its e-mails dated July 7, 2022 and September 8, 2022 permitted Haribhakti & Co. LLP, Chartered Accountants, to issue necessary certificates and comfort letter in their capacity as “previous auditors” for the years ended March 31, 2020, 2021, 2022 and until the conclusion of the Issue.

Deloitte Haskins & Sells, Chartered Accountants and Kirtane & Pandit LLP, Chartered Accountants have been appointed as our new joint statutory auditors pursuant to receipt of the approval of our Shareholders at the annual general meeting held on July 30, 2022 for a period of three financial years subsequent to March 31, 2022 subject to RBI approval every year and the Joint Statutory Auditors continuing to fulfil the applicable eligibility norms and their appointment has been approved by the RBI, for Fiscal 2023, *vide* its letter dated April 29, 2022. As advised by the RBI, our Bank had approached the National Financial Reporting Authority, India and ICAI to ascertain whether there are any adverse comments or pending disciplinary proceedings against either Joint Statutory Auditor. The ICAI noted a disciplinary proceeding pending against a partner at Kirtane & Pandit LLP, against which Kirtane & Pandit LLP furnished a clarification stating that they were not in contravention with ICAI norms and that they had made relevant submissions to the ICAI, which remained pending. The relevant communication was submitted to the RBI, and reiterated during the reappointment of our Joint Statutory Auditors. Subsequently, Deloitte Haskins & Sells and Kirtane & Pandit LLP’s appointment as Joint Statutory Auditors for Fiscal 2024 has also been approved by the RBI *vide* its letters dated April 21, 2023 and May 9, 2023.

Haribhakti & Co. LLP, Chartered Accountants may continue to act in their capacity of previous statutory auditors in connection with the Issue subject to the terms of such RBI order dated September 23, 2021 and the subsequent approval received from the RBI through its e-mails dated July 7, 2022 and September 8, 2022, and any further approval or clarification from the RBI in this regard.

3. *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 March 31, 2023, 374 out of our 830 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, 2023, advances towards customers in Bihar was ₹ 43,093.10 million and represented 30.88% of our Gross Loan Portfolio, while advances towards customers in Uttar Pradesh was ₹ 36,265.42 million and represented 25.98% of our Gross Loan Portfolio. For further information in relation to our geographical presence, see “*Our Business*” and “*Selected Statistical Information*” on pages 160 and 238, 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 these states. 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.

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

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 Listing Regulations (which among other things, requires us to publish our quarterly financial results (excluding for the last quarter), subjected to a limited review by our statutory auditors, every quarter within 45 days from the completion of the previous quarter) and were required to comply with the provisions of the erstwhile Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008. For further information, see “*Management’s Analysis and Discussion of Financial Condition and Results of Operations – Recent Developments.*” In the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to BSE under the Listing Regulations regarding (i) half yearly reporting of compliance certificate for Fiscals 2018 and 2019; (ii) quarterly reporting of statement of investor complaints for Fiscals 2018 and 2019; (iii) quarterly intimation of payment of interest and record date for Fiscals 2018, 2019 and 2020; (iv) annual advance intimation of submission of financial results for Fiscals 2018 and 2019; (v) submission of half-yearly and annual certificate by debenture trustee for Fiscal 2018; (vi) intimation of payment of interest for Fiscals 2018, 2019 and 2020; (vii) annual intimation to stock exchange for submission of all documents to debenture trustee for Fiscals 2018 and 2019; and (viii) half-yearly reporting of ISIN for Fiscals 2019 and 2020 under the Listing Regulations with respect to our non-convertible debentures listed on BSE.

Our Bank had *suo moto* filed a settlement application dated February 25, 2021 with SEBI under Regulation 3(1) of the SEBI Settlement Regulations, 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 NCDs of our Bank listed on BSE. Thereafter, SEBI informed our Bank that a separate examination was being conducted on our Bank in relation to the issuance of 2,500 NCDs (ISIN: INE735W08012) to Karvy Capital Limited (“KCL”) by our Bank (“SEBI Examination”) as a result of which the settlement application was returned to our Bank with a leave to re-file the settlement application after the conclusion of the SEBI Examination. During the course of the SEBI Examination, SEBI observed that such NCDs issued to KCL, on a private placement basis, were subsequently downsold by KCL to 355 investors after allotment but prior to the date of the listing of such NCDs, *i.e.*, on July 27, 2018, thereby constituting a deemed public offer in terms of Section 25(2) of the Companies Act, 2013 and therefore our Bank was alleged to be in violation of Section 42 of the Companies Act, 2013 on account of the number of investors to whom such NCDs were downsold being in excess of 200. After the conclusion of the SEBI Examination, SEBI *vide* its letter dated November 10, 2021, advised our Bank to file a compounding application with the NCLT for the contravention of provisions of the Companies Act, 2013. For further details on the compounding application matters, see “*Outstanding Litigation*”

and Material Developments- Other matters involving our Bank” and “Risk Factors- We have received a show cause notice from SEBI regarding alleged non-compliance of provisions of Companies Act 2013 and erstwhile SEBI (Issue and Listing of Debt Securities) Regulations, 2008 relating to public offering of securities which may result in penal actions.” on pages 388 and 29, respectively.

Subsequently, our Bank filed a fresh *suo moto* settlement application dated November 25, 2022 in terms of Regulation 3(1) of the SEBI Settlement Regulations, on account of inadvertent delays by our Bank in making certain disclosures and regulatory filings to BSE (*as mentioned above*), to settle any present or future specified proceedings that may be initiated against our Bank with respect to the inadvertent lapses under the Listing Regulations by our Bank and requested SEBI to take a lenient view and accept the terms of settlement as proposed in said settlement application. This settlement application was returned by SEBI *vide* its letter dated December 22, 2022 on account of pending examination being carried out by SEBI. For further details regarding settlement application dated November 25, 2022, see “*Outstanding Litigation and Material Developments – Other matters involving our Bank*” on page 388.

Thereafter, we received a show cause notice from SEBI dated March 16, 2023, alleging violation of certain provisions of the Listing Regulations and SEBI circular dated June 30, 2017, relating to inadvertent delays and non-submissions of certain disclosures and regulatory filings to BSE. Our Bank filed a fresh settlement application dated April 27, 2023 in this matter, in terms of Regulation 3(1) of the SEBI Settlement Regulations to settle such allegations and requested SEBI to take a lenient view and accept the terms of settlement as proposed in the settlement application. For further details regarding the show cause notice dated March 16, 2023 and settlement application dated April 27, 2023, see “*Outstanding Litigation and Material Developments – Actions by regulatory and statutory authorities involving our Bank*” on page 386.

We may not be able to get a favourable order in these proceedings and may be subjected to further regulatory actions. These and similar actions or any failure to prevail in a possible proceeding may adversely affect our business, results of operations, financial condition and reputation. In addition, responding to any action or resultant litigation may result in a diversion of our management’s attention and resources and an increase in professional fees and compliance costs.

Further, 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.

5. *We have received a show cause notice from SEBI regarding alleged non-compliance of provisions of Companies Act 2013 and erstwhile SEBI (Issue and Listing of Debt Securities) Regulations, 2008 relating to public offering of securities which may result in penal actions.*

Our Bank had issued 2,500 NCDs (ISIN: INE735W08012) to Karvy Capital Limited (“**KCL**”). Pursuant to the examination conducted on our Bank, in relation to the issuance of 2,500 NCDs to KCL by our Bank, SEBI observed that such NCDs issued to KCL, on a private placement basis, were subsequently downsold by KCL to 355 investors after allotment but prior to the date of the listing of such NCDs, *i.e.*, on July 27, 2018, thereby constituting a deemed public offer in terms of Section 25(2) of the Companies Act, 2013 and therefore our Bank was alleged to be in violation of Section 42 of the Companies Act, 2013 on account of the number of investors to whom such NCDs were downsold being in excess of 200. For further details, regarding the NCDs issued by our Bank see “*Risk Factor - Our non-convertible debentures are listed on BSE and in the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to BSE under the Listing Regulations. We have filed settlement applications before SEBI under show cause notice issued by SEBI on account of such inadvertent delays*” and “*Capital Structure - Non-Convertible Debentures*” on pages 28 and 88, respectively.

Subsequently, after discussions with SEBI, our Bank, in connection with the alleged violations of the provisions of the Companies Act, 2013 pertaining to the NCDs issued to KCL, as mentioned above, and as instructed by SEBI, had filed three compounding applications dated May 30, 2022, May 31, 2022 and June 1, 2022, with the RoC, Regional Director, Northern Region, New Delhi and NCLT, Allahabad Bench, respectively, under Section 441 of the Companies Act, 2013. The RoC *vide* its order dated November 10, 2022 has disposed of the

adjudication application with no action on part of the RoC. With respect to applications before the NCLT, Allahabad Bench and Regional Director, Northern Region, New Delhi, the Regional Director by way of its orders each dated May 9, 2023 has disposed of the two compounding applications. For further details regarding such compounding applications and SEBI matters, see “*Outstanding Litigation and Material Developments – Other matters involving our Bank*” on page 388.

Our Bank had *suo moto* filed a settlement application dated February 25, 2021 with SEBI under Regulation 3(1) of the SEBI Settlement Regulations, 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 NCDs of our Bank listed on BSE. Our Bank received a show cause notice dated November 3, 2022 from SEBI under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rule, 1995 read with Section 151 of the SEBI Act in relation to the *suo moto* settlement application dated February 25, 2021 (*mentioned above*) filed with SEBI alleging contravention of the provisions of the erstwhile SEBI (Issue and Listing of Debt Securities) Regulations, 2008 read with Section 59 of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 on account of a ‘deemed public issue’ undertaken by our Bank as a result of issuance of 2,500 NCDs to KCL which was downsold to the public in excess of 200 investors. Our Bank was called upon by SEBI to show cause the reason for non-commencement of inquiry against it under the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with the SEBI Act and non-imposition of penalty under the SEBI Act. The proceedings in relation to this show cause notice are currently ongoing. Our Bank had also filed a settlement application dated November 25, 2022 in terms of Regulation 3(1) of the SEBI Settlement Regulations to settle the allegations made against it under the show cause notice dated November 3, 2022 and requested SEBI to take a lenient view and accept the terms of settlement as proposed in the settlement application. Our Bank *vide* its e-mail dated May 31, 2023, intimated SEBI about the disposal off the compounding applications by the Regional Director, Northern Region, New Delhi. SEBI rejected the aforesaid settlement application dated November 25, 2022 through its letter dated June 8, 2023. In relation to the show cause notice dated November 3, 2022, the SEBI Adjudicating Officer through its letter dated June 12, 2023 scheduled a personal hearing on June 22, 2023, which our Bank has requested to be rescheduled.

Subsequently, our Bank *vide* its letter dated June 16, 2023 (“**RBI Request Letter**”) requested for RBI’s approval regarding early redemption of 2,500 NCDs issued to KCL (ISIN: INE735W08012), subject to compliance with the requirements of applicable law and regulatory instructions. Further, our Bank *vide* its letter June 16, 2023 intimated SEBI regarding the RBI Request Letter and its proposed plan of early cancellation / redemption of 2,500 NCDs issued to KCL. The RBI has responded to the RBI Request Letter through its letter dated July 4, 2023 and has indicated that it has no-objection to the redemption of the aforementioned 2,500 NCDs post-completion of five years (*i.e.* on or after July 9, 2023) from a regulatory perspective, subject to our Bank complying with the SEBI guidelines and other laws/ regulations/ contracts/ terms of issue. Accordingly, our Bank has deposited the full principal amount outstanding on such 2,500 NCDs (ISIN: INE735W08012) along with the interest due for two quarters (*i.e.* ₹263.26 million) in a dedicated bank account and initiated the process of early redemption of the aforementioned 2,500 NCDs (ISIN: INE735W08012).

Further, in order to enable our Bank to undertake cancellation / early redemption of the aforementioned 2,500 NCDs by making requisite material modifications to the redemption related terms of such NCDs, our Bank also filed an application under Regulation 102 of the Listing Regulations seeking an exemption from obtaining (i) prior consent of BSE; and (ii) written consent of at least three-fourth holders of aforementioned 2,500 NCDs by value, as required under Regulation 59 of the Listing Regulations. SEBI, pursuant to its letter dated June 22, 2023 has acceded to our Bank’s request for the exemption from compliance with Regulation 59 of the Listing Regulations for alteration of the terms of the aforementioned 2,500 NCDs. For further details, see “*Outstanding Litigation and Material Developments - Actions by regulatory and statutory authorities involving our Bank*”, and “*Issue Document Summary – Exemption from complying with any provisions of securities laws granted by the SEBI*” on pages 384 and 20, respectively.

We may not be able to get a favourable order in these proceedings and may be subjected to further regulatory actions. These and similar actions or any failure to prevail in a possible proceeding may adversely affect our business, results of operations, financial condition and reputation.

Further, 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.

6. ***Our total income has increased from ₹ 17,058.36 million in Fiscal 2021 to ₹ 20,336.46 million in Fiscal 2022 and further to ₹ 28,042.86 million in Fiscal 2023. However, profit after tax declined from ₹ 1,118.15 million in Fiscal 2021 to ₹ 614.62 million in Fiscal 2022. While our profit after tax was ₹ 4,045.02 million in Fiscal 2023, there can be no assurance that we will be able to maintain profitability in the future.***

The total income of our Bank increased from ₹ 17,058.36 million in Fiscal 2021 to ₹ 20,336.46 million in Fiscal 2022, and further to ₹ 28,042.86 million in Fiscal 2023, following growth in total assets of the Bank. However, profit after tax declined from ₹ 1,118.15 million in Fiscal 2021 to ₹ 614.62 million in Fiscal 2022 on account of an increase in credit provisions following the stress caused by the COVID-19 pandemic on collections and asset quality profile of the Bank. During Fiscal 2022, the Bank also provided additional contingency provision of ₹ 650.00 million to address future impact of the COVID-19 pandemic on the financial position of the Bank. For further information on our total income and profit after tax, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operation – Fiscal 2022 compared to Fiscal 2021*” on page 366. Our profit after tax has subsequently increased and was ₹ 4,045.02 million in Fiscal 2023, as the impact of COVID-19 abated and business and operations attained normalcy. However, there can be no assurance that we will be able to maintain net profits in spite of growth in total income, owing to elevated expenses or other factors outside our control.

7. ***We are dependent on our Key Managerial Personnel and Senior Management 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 and Senior Management. We believe that the inputs and experience of our Key Managerial Personnel and Senior Management 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 and Senior Management, see “*Our Management – Key Managerial Personnel and Senior Management*” on page 227. 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. For instance, our erstwhile chief financial officer submitted his resignation to us on June 20, 2022, effective from September 22, 2022, and our present Chief Financial Officer was appointed with effect from October 31, 2022 and our erstwhile chief compliance officer submitted his resignation to us on February 13, 2023, effective from April 22, 2023, and our present chief compliance officer was appointed with effect from April 22, 2023. 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 2021, 2022 and 2023, was 23.28%, 29.89% and 33.70%, respectively, calculated for each period by dividing the number of resignations during such period by the total number of active employees plus resigned employees during such period, while the number of employees that resigned in such periods were 3,144, 5,380 and 7,844, respectively. 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.

8. Certain of our Directors, Key Managerial Personnel and Senior Management 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, Key Managerial Personnel and Senior Management 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 and 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, Key Managerial Personnel and Senior Management 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) and our Senior Management 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, Key Managerial Personnel and Senior Management of our Bank, other than reimbursement of expenses incurred or normal remuneration or benefits, see “Our Management” on page 212. 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 – Interest of Promoter and Related Party Transactions” on page 232.

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 and union territory of Maharashtra, NCT of Delhi, Uttar Pradesh and Haryana 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,					
	2021		2022		2023	
	Amount (₹ million)	Percentage of Total Deposits (%)	Amount (₹ million)	Percentage of Total Deposits (%)	Amount (₹ million)	Percentage of Total Deposits (%)
Top 5 depositors	9,090.41	12.11%	13,660.00	13.56%	12,780.00	9.32%
Top 10 depositors	13,864.70	18.47%	20,371.80	20.22%	19,652.87	14.33%
Top 20 depositors	20,262.81	26.99%	28,952.70	28.74%	28,840.73	21.04%

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 Maharashtra, Uttar Pradesh and Haryana and the union territory of NCT of Delhi. As of March 31, 2023, deposits from Maharashtra represented 14.37% of our total deposits, deposits from NCT of Delhi represented 14.72% our total deposits, Uttar Pradesh represented 16.28% of our total deposits and Haryana represented 8.18% of our total deposits. For further information in relation to our geographical presence, see “Our Business” and “Selected Statistical Information” on pages 160 and 238, 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. We have a high proportion of bulk deposits. A partial or complete withdrawal of such deposits by any of our customers could adversely affect our business, results of operations and financial condition.

Set forth below are details of our bulk deposits, including as a percentage of our total term deposits:

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

While there have been no withdrawals in the three preceding Fiscals which have had a material impact on the financial condition of our Bank, in the event any of our customers choose to withdraw such deposits, either partially or entirely, prior to the completion of the term of such deposits, our business, results of operations and financial condition could be adversely affected.

11. 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. For instance, our Bank filed an FIR on April 27, 2023 against a few perpetrators alleging financial misappropriation and fraud at its Banking Outlet in Surat of ₹ 299.80 million. In Fiscal 2021, 2022 and 2023, there were six, 51 and 37 instances of fraud involving employees, respectively. Amounts involved in such instances were ₹ 0.75 million, ₹ 320.80 million and ₹ 15.92 million respectively. In Fiscal 2022, our Bank identified instances of fraud at one of its Banking Outlets, amounting to ₹ 318.12 million on account of, among others, forgery, cheating, criminal breach of trust, criminal conspiracy, failure to exercise proper care and due diligence by our employees and certain service providers for which we made a provision in Fiscal 2022. Our Bank may also be exposed to such kind of frauds, negligence, and deviation by our employees and associates, including complaints by third parties for the alleged fraud committed by our employees which might cause our Bank to incur losses. For details on FIRs and criminal complaints filed by our Bank on account of, among others, 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, see “*Outstanding Litigation and Material Developments*” on page 383. 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. We have implemented steps including (a) setting up of specialised teams for monitoring, accounting and reconciliation at our Bank, (b) undertaking daily reconciliation of certain control accounts through respective department, (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.

12. Our Bank has issued Equity Shares during the preceding one year at a price that may be below the Issue Price.

In the preceding one year from the date of this Red Herring Prospectus, our Bank has issued Equity Shares at a price that may be lower than the Issue Price. The price at which Equity Shares have been issued by our Bank in the preceding one year is not indicative of the price at which they will be issued or traded after listing. For details on such allotments, see “Capital Structure” on page 85. Our Bank may issue/ continue to issue Equity Shares, including under the existing ESOP Plan 2020, at a price below the market price of Equity Shares at the time of issuance.

13. 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. We have not previously maintained record of the quantum of collections that were 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. Our Bank has filed 169 FIRs and submitted 78 complaint letters before various police authorities under several sections of the IPC including for offences relating to theft, misappropriation, forgery, embezzlement of cash and criminal breach of trust. For details on FIRs and criminal complaints filed by our Bank in this regard, see “Outstanding Litigation and Material Developments” beginning on page 383. Net losses we incurred on account of internal and external fraud, robbery and other operational issues were ₹ 324.11 million in Fiscal 2022, and was ₹ 18.23 million in Fiscal 2023. Such acts could also bind us to transactions that exceed authorized limits or present unacceptable risks or hide unauthorized or unlawful activities from us.

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.

14. 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, 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, and group term insurance policy.

Particulars	As of March 31,		
	2021	2022	2023
Sum assured of fixed assets under insurance cover (₹ million)	746.52	982.21	2,493.14
Insured assets as a percentage of total fixed assets (%)	41.21%	34.28%	82.19%

The lower percentage of our insured assets as a percentage of our total fixed assets in Fiscal 2021 and Fiscal 2022 compared to Fiscal 2023 was on account of increase in fixed assets pursuant to the construction of our Registered and Corporate Office building which got completed in the latter part of Fiscal 2022 and became operational in Fiscal 2023. Till such period, we did not have insurance coverage over the building under construction in Fiscal 2021 and Fiscal 2022. Following receipt of the occupancy certificate, insurance for the building was obtained in April 2022. Fixed asset investments towards our Registered and Corporate Office was ₹ 529.11 million as of March 31, 2021, ₹ 1,503.27 million as of March 31, 2022, and was ₹ 1,422.58 million as of March 31, 2023. 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. Moreover, there is no assurance that all insurance claims raised by our Bank will be accepted and eventually sealed in our favour by the insurance companies. 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.

15. *We are required to reduce our Promoter's shareholding in our Bank to 26% of our paid-up voting equity share capital in the long run. 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 Issue. In order to comply with the RBI Licence and the SFB Licensing Guidelines (“**Licensing Conditions**”) read along with the Master Direction on Acquisition and Holding of Shares or Voting Rights and the Guidelines on Acquisition and Holding of Shares or Voting Rights, our Promoter needs to reduce its shareholding in our Bank to 26% on or prior to 15 years from the date of commencement of our business (“**RBI Dilution Requirement**”). In the event our Promoter fails to achieve the RBI Dilution Requirement, the RBI may impose monetary penalty on our Bank under Section 47A(1)(c) read with Section 46(4) of the Banking Regulation Act or any other penal actions.

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. Further, in order 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.

16. *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 237. 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 2021, 2022 and 2023. 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 the past, in light of the COVID-19 pandemic in order to help banks conserve capital while creating room for fresh lending, the RBI had by its circular DOR.BP.BC.No.29/21.02.067/2020-21 dated December 4, 2020 (“**Dividend 2020 Circular**”) instructed all commercial and cooperative banks not to make any dividend payment on equity shares from the profits pertaining to Fiscal 2020. Subsequently, RBI had by way of its circular DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021 partially modified the Dividend 2020 Circular and allowed banks to pay dividend on equity shares from the profits for the financial year ended March 31, 2021, subject to the quantum of dividend being not more than 50% of the amount determined as per the dividend pay-out ratio. 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.

17. 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. Set forth below are details of our unsecured loans:

Particulars	As of March 31,					
	2021		2022		2023	
	Amount (₹ million)	Percentage of total advances (%)	Amount (₹ million)	Percentage of total advances (%)	Amount (₹ million)	Percentage of total advances (%)
Unsecured loans	70,811.13	86.18%	79,789.88	78.01%	87,459.11	66.92%

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 160. 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 44.

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.

18. 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, 2023, our gross NPA was ₹ 4,315.04 million, representing 3.23% of our Gross Advances, while our net NPA was ₹ 505.12 million, representing 0.39% 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). As of March 31, 2023, we witnessed Gross NPAs of ₹ 2,575.66 million in the agriculture and allied activity industry, and the percentage of NPA in the industry was 2.46%, and any adverse circumstances creating downturns in this industry could further affect the extent of NPAs in the industry. 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.

The table below shows the region-wise NPA details for our Bank:

State	As of March 31,					
	2021		2022		2023	
	Gross NPA (₹ million)	Gross NPA % of Gross Loan Portfolio of State / Union Territory	Gross NPA (₹ million)	Gross NPA % of Gross Loan Portfolio of State / Union Territory	Gross NPA (₹ million)	Gross NPA % of Gross Loan Portfolio of State / Union Territory
Andhra Pradesh	-	-	-	-	-	-
Assam	-	-	-	-	-	-
Bihar	1,787.12	5.40%	3,858.94	10.59%	2,047.63	4.75%
Chandigarh	-	-	-	-	-	-
Chhattisgarh	38.05	3.68%	60.55	4.75%	69.69	4.79%
Goa	-	-	-	-	-	-
Gujarat	-	-	127.68	10.34%	243.36	12.76%
Haryana	93.81	1.82%	187.05	3.30%	227.31	2.98%
Himachal Pradesh	0.00	0.00%	0.19	0.21%	0.82	0.84%
Jammu and Kashmir	-	-	-	-	-	-
Jharkhand	184.76	3.08%	475.05	6.29%	395.23	4.53%
Karnataka	-	-	-	-	-	-
Kerala	-	-	-	-	-	-
Madhya Pradesh	125.15	3.67%	142.32	3.53%	128.42	2.63%
Maharashtra	91.06	1.50%	171.66	1.70%	179.54	1.05%
Meghalaya	-	-	-	-	-	-
NCT of Delhi	42.46	2.38%	64.47	2.30%	76.05	1.55%
Odisha	16.11	1.11%	24.07	0.82%	56.11	1.42%
Puducherry	-	-	-	-	-	-
Punjab	-	-	-	-	3.01	0.43%
Rajasthan	0.24	0.05%	10.02	0.94%	8.86	0.61%
Tamil Nadu	-	-	-	-	-	-
Telangana	-	-	-	-	3.65	0.14%
Uttar Pradesh	670.72	3.00%	1,222.10	4.33%	821.87	2.27%
Uttarakhand	12.42	0.89%	47.50	2.97%	29.04	1.34%
West Bengal	90.99	13.38%	89.91	11.20%	24.44	1.96%
Total	3,152.89	3.75%	6,481.57	6.10%	4,315.04	3.09%*

*Based on Gross Loan Portfolio.

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 65.49%, 63.62% and 88.29%, respectively, as of March 31, 2021, 2022 and 2023, and there can be no assurance that our provision coverage ratio will continue to decrease or that it will not increase 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.

19. 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.

Name of entity	Number of criminal proceedings	Number of tax proceedings	Number of statutory or regulatory proceedings	Number of disciplinary actions by the SEBI or the Stock Exchanges against our Promoter in the last five years	Other matters	Number of material civil proceedings*	Aggregate amount involved in ₹ million ^
Bank							
Against our Bank	-	1%	5	NA	-	-	4.97
By our Bank	2,204	4 ^{&}	-	NA	2	-	706.91
Directors							
Against our Directors	-	-	-	NA	-	-	-
By our Directors	-	-	-	NA	-	-	-
Promoter							
Against our Promoter	1	-	2	Nil	-	-	250.04
By our Promoter	-	2	-	NA	-	-	127.19
Group Company							
Outstanding litigation that has a material impact on our Bank	-	-	-	NA	-	-	-

[^]To the extent quantifiable.

*Determined in accordance with the Materiality Policy.

[%]An appeal has been filed against the relevant order determining an income tax demand of ₹ 3.36 million against refund claimed of ₹ 9.24 million for assessment year 2017-2018 and a demand of ₹3.19 million for assessment year 2017-18.

[&]Two separate appeals have been filed against the same amount in respect of reduction of demand from ₹ 56.54 million to ₹ 0.46 million for assessment year 2020-2021 and an appeal dated June 21, 2023 has been filed by our Bank against the reassessment order dated May 24, 2023 for assessment year 2017-2018

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.

Our Bank is in the process of litigating these matters and based on the assessment in accordance with applicable accounting standards, our Bank has presently not made provision for any of the pending legal matters. For details of our contingent liabilities, see “*Summary of the Issue Document – Summary of Contingent Liabilities of our Bank*”, “*Risk Factors–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*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contingent Liabilities and other off-balance arrangements*” on pages 16, 39 and 375, respectively. 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*” beginning on page 383.

20. All our Banking Outlets 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 March 31, 2023, all our Banking Outlets were 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 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.

21. 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.

The following table sets forth certain information relating to our contingent liabilities as of March 31, 2023:

Sr. No.	Particulars	Contingent liabilities as at March 31, 2023 (₹ million)
1.	Guarantees given on behalf of constituents	
	i) In India	255.11
	ii) Outside India	-
2.	Other items for which the bank is contingently liable (refer note 2)	3,160.94
	Total	3,416.05

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: (i) Includes capital commitment of ₹ 306.59 million (March 31, 2022: ₹ 378.11 million; March 31, 2021: ₹ 392.65 million); (ii) includes pending tax litigation of ₹ 68.68 million (March 31, 2022: ₹ 12.64 million, March 31, 2021: ₹ 14.99 million); (iii) includes commitment towards irrevocable undrawn fund based credit facilities of ₹ 2,782.51 million (March 31, 2022: nil, March 31, 2021: nil).

For further information, see “Financial Statements – Note 14 – Contingent Liabilities” on page 273. If the aforementioned contingent liabilities materialize, our profitability and cash flows may be adversely affected.

22. 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. For further information on our Bank’s NPAs, see “Selected Statistical Information – Non-Performing Assets” on page 253.

23. 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. In terms of the SFB Operating Guidelines, our Bank is required to maintain a minimum capital adequacy ratio of 15% of the risk weighted assets of our Bank on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time, and the Tier - I capital is required to be at least 7.5% of the risk weighted asset. As of March 31, 2023, our Bank’s Tier-I capital was ₹ 18,448.22 million (representing 18.25% of our Credit Risk Weighted Assets), and our Bank’s CRAR was 20.64%, compared to the regulatory requirement of 15.00%. For further details, see “Objects of the Issue - Requirement of Funds and Utilization of Net Proceeds” on page 101. 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.

24. *Our Bank is subject to stringent regulatory requirements and prudential norms of RBI 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.

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 March 31, 2023, 27.35% 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 25.

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 Fiscal 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 54 below. Further, in Fiscal 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. Prudential Norms

i. 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 195. The SFB Licensing Guidelines include the following prudential norms:

- a. Requirement of maintenance of CRR and SLR, as applicable to existing commercial banks;
- b. 75% of adjusted net bank credit should be given to sectors eligible under priority sector lending (“PSL”) as per the RBI;
- c. 40% as per PSL prescriptions and remaining 35% under the PSL, where the SFB has a

competitive advantage; and

d. Minimum 50% of loan book to constitute loans of ticket size up to ₹ 2.5 million.

II. Restrictions relating to our Equity Shares

- i. our Equity Shares were 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. pursuant to the Master Direction on Acquisition and Holding of Shares or Voting Rights and the Guidelines on Acquisition and Holding of Shares or Voting Rights, our Promoter needs to reduce its shareholding in our Bank to 26% on or prior to 15 years from the date of commencement of our business. For further information, see “*Key Regulations and Policies*” beginning on page 195;
- 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;
- 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; and
- x. Under the SEBI ICDR Regulations, upon Allotment in the Issue, (i) the entire pre-Issue shareholding of our Promoter in the Bank (other than the Promoter’s contribution) will be subject to a six months lock-in; and (ii) 20% of the post-Issue equity share capital, forming part of the Promoter’s minimum contribution, will be locked in for 18 months.

III. 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.

IV. 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.

V. 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 March 31, 2021, 2022 and 2023, our CRAR was 21.88% (Tier I Capital of 19.98%), 21.59% (Tier I Capital of 18.08%) and 20.64% (Tier I Capital of 18.25%), 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.

Pursuant to the Master Direction on Regulatory Framework for Microfinance Loans dated March 14, 2022 issued by the RBI, our Bank is required to, among others, adopt a board-level policy for assessment of household income of potential borrowers and pricing of microfinance loans, and have a limit on the outflow on account of repayment of monthly loan obligations of a household as a percentage of monthly household income, subject to a maximum limit of 50% of monthly household income. Adopting the criterion for client selection and pricing of loans in accordance with these guidelines may result in us losing our competitive advantage and we may not be able to comply with the directions in a timely manner and incur increased costs relating to compliance with such new requirements, which may require management time and other resources, and further any failure to comply with new laws and regulations as applicable to SFBs may adversely affect our business, results of operations and prospects.

With respect to the obligation to mandatorily list our Equity Shares on stock exchanges, 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. Our Bank received a letter dated June 29, 2022 from the RBI observing that the date of completion of the IPO by our Bank had passed and our Bank had failed to complete its listing and therefore this was to be treated in violation of the licensing conditions and that the RBI would take necessary supervisory/ enforcement action against our Bank. Our Bank has responded to the RBI *vide* its letter dated July 6, 2022, and periodically thereafter, most recently being May 1, 2023, informing the RBI that we have re-initiated the IPO process and engaged the relevant intermediaries and are working towards completing the listing of our Equity Shares and meeting the licensing conditions. Subsequently, our Bank has received a letter dated June 9, 2023 from the RBI observing that our Bank continues to be in violation of the licensing conditions and therefore, is required to ensure listing before July 31, 2023. The RBI further stated that failure to adhere to the abovementioned timelines will trigger necessary regulatory/ enforcement action. We cannot assure you that the RBI will not take any action or make similar or other observations in the future. Any failure to comply with the listing requirement may subject us to supervisory/ enforcement actions, penalties or other regulatory actions by the RBI.

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, which may affect our banking business adversely. For instance, by its order dated July 6, 2021, RBI imposed a monetary penalty of ₹10 million on our Bank for non-compliance with the SFB Operating Guidelines and the RBI Master Circular - Bank Finance to Non-Banking Financial Companies (NBFCs) dated July 1, 2015, in relation to a loan extended by our Bank to an NBFC. Further, RBI may even cancel our banking license, on account of non-compliance of the conditions mentioned above.

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

As of the date of this Red Herring Prospectus, our Promoter along with its nominees holds 84.75% of the issued, subscribed and paid-up equity share capital of our Bank. Upon completion of the Issue, 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. Further, in accordance with the Banking Regulation Act read with the RBI notification dated July 21, 2016, published in the Gazette of India dated September 17, 2016 bearing notification no. DBR PSBD.No.1084/16.13.100/2016-17, 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 85. After the completion of the Issue, 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.

26. *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, 2021, 2022 and 2023, advances in our microbanking segment was ₹ 68,993.84 million, ₹ 80,024.07 million and ₹ 92,155.82 million respectively and accounted for 81.98%, 75.28% and 66.03%, 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.

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 events such as the recent coronavirus (COVID-19) pandemic impacts our Bank's business, cash flows, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.*" on page 46. 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, 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.

27. *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. Set forth below are certain details regarding our Net Interest Income, Net Interest Margin and total interest expended in the corresponding periods:

Particulars	As of/ For the year ended March 31,		
	2021	2022	2023
Net Interest Income (₹ million)	8,392.46	10,608.51	15,290.31
Net Interest Margin (%)	8.20%	8.75%	9.57%
Total interest expended (₹ million)	7,417.41	7,879.62	9,759.49
Total interest expended as a percentage of total expenditure (%)	46.53%	39.95%	40.67%

For further information, see “*Selected Statistical Information*” on page 238. 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 March 31, 2023, 80.81% of our advances and 100.00% of our investments were on fixed interest rates and 19.19% of our advances were on floating interest rates. We did not have any investments on floating interest rates. As of March 31, 2023, all of our deposits and borrowings were on fixed 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. 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 March 31, 2023. 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.

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

The Government of India initiated a nation-wide lockdown from March 25, 2020 for three weeks which was extended to May 31, 2020. In compliance with the lockdown orders announced by the Indian Government, as applicable to banks, that were declared essential services, we temporarily closed certain of our Banking Outlets and initiated remote working for some of our employees. India also experienced a severe second wave of COVID-19 between March 2021 and June 2021, which resulted in partial or full lockdown in some of the states where our Bank is operating. Additionally, many of our customers and service providers temporarily ceased operating their respective enterprises. As a result, we experienced a decline in collections, reduced disbursements and deposit mobilization, and increased provisioning due to the impact of COVID-19. 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 have included and may include 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 were imposed. While the cases of COVID-19 in India have reduced and the restrictions have been removed, however, in the event of a new wave of COVID-19, additional restrictions can be placed which could impact our collection efficiency.
- decline in disbursements due to reduced economic activity in Fiscal 2021 and months of April and May in Fiscal 2022 due to the second wave of COVID-19 in India, particularly for our microbanking and retail loans portfolio. Our disbursements declined in Fiscal 2021, compared to Fiscal 2020, but increased to ₹ 90,462.79 million in Fiscal 2022 and was ₹ 124,428.94 million in Fiscal 2023.
- increase in our NPA levels due to deterioration in the credit quality of our customers. As of March 31, 2021 and 2022, our percentage of gross NPAs to Gross Advances was 3.75% and 6.10%, respectively, while our percentage of net NPAs to Net Advances was 1.33% and 2.31% respectively. While this has improved subsequently, and as of March 31, 2023, our percentage of gross NPAs to Gross Advances was 3.23% and our percentage of net NPAs to Net Advances was 0.39%, we may experience higher NPAs than anticipated due to our borrower's reduced ability to make timely repayments.

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 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. While our Bank was classified as an “essential services” and was allowed to continue its operations with lower capacity, any future wave of COVID-19 may increase workforce restrictions and limitations which may result in us adopting alternative modes of introducing and growing our new products and services.
- 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.

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.

In line with these guidelines, we had provided a moratorium to eligible borrowers of up to six months, 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, had been kept on hold by the Supreme Court, vide an interim order dated September 3, 2020, had 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. The matter has been disposed of in March 2021, pursuant to which the RBI has issued a circular in April 2021 which requires all lending institutions to implement a board-approved policy to refund/adjust the “interest on interest” charged to the borrowers during the moratorium period, *i.e.*, March 1, 2020 to August 31, 2020.

The RBI guidelines also required 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 was carrying additional COVID-19 related provisions amounting to ₹ 501.32 million as on March 31, 2021, additional contingency provision of ₹ 650.00 million as on March 31, 2022 and continued with additional contingency provision of ₹ 130.00 million as on March 31, 2023, to address future impact of COVID-19 on the financial position of our Bank.

Our Bank made a provision of ₹ 2,595.12 million during Fiscal 2021 and ₹ 4,100.02 million in Fiscal 2022 towards NPAs, write offs, restructured advances as well as additional COVID-19 related provisions. As of March 31, 2023, our Bank was carrying provisions for NPAs (excluding floating provisions) of ₹ 2,883.42 million, floating provision of ₹ 926.50 million, provision for restructured advances amounting to ₹ 70.78 million and additional contingency provision of ₹ 130.00 million to address future impact of COVID-19 on the financial position of our Bank. Amongst other changes/ impact, the provisions for Fiscal 2021 and Fiscal 2022 impacted the net profit of our Bank which was ₹ 1,118.15 million in Fiscal 2021 and ₹ 614.62 million in Fiscal 2022. Further, as fresh NPA addition increased significantly in Fiscal 2021 owing to the pressures induced on account of the COVID-19 pandemic, accounts which remained in NPA category exceeding the 12 month period in Fiscal 2022 were written off by our Bank during Fiscal 2022. This led to increase in write-off from ₹ 352.37 million as of March 31, 2021 to ₹ 2,193.84 million as of March 31, 2022. For further information, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operation – Cash Flows – Operating Activities – Fiscal 2022*” on page 372. 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.

While all the restrictions have been removed by the Government due to a decrease in the cases of COVID-19 in India, 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. We may not be able to accurately predict the severity of long-term adverse impact of the COVID-19 pandemic on the global economy, global financial markets and the Indian economy, and 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.

29. *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 (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, vehicles and statutory liabilities, through a slump sale to our Bank in line with requirement of the RBI Licence. In accordance with the terms of the Business Transfer Agreement, on and from the closing date, January 21, 2017, all outstanding loans and advances, bank balance and deposits along with the right to recover or realize them have been transferred to our Bank except certain accounts on which our Promoter, Utkarsh CoreInvest Limited, had done a technical write-off in Fiscal 2017 on account of demonetisation impact. A total of 35,629 customer accounts, which were either in the nature of JLG or micro-enterprise loans, were written off on account of them becoming NPAs. As at March

31, 2023, a majority of the loan accounts continue to be unsettled. For further details on the Business Transfer Agreement, see “*History and Certain Corporate Matters*” on page 205. 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.

30. *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, Utkarsh CoreInvest Limited 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, 2023, majority of our funding consists of retail deposits which amounted to ₹ 55,751.33 million representing 51.40% of our total term deposits, with a CASA ratio of 20.89%. 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.

31. *Banking companies in India, including us, will be required to report financial statements as per Ind AS in the future. However, our Promoter, Utkarsh CoreInvest Limited, 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 Utkarsh CoreInvest Limited. 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 Utkarsh CoreInvest Limited, 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 Utkarsh CoreInvest Limited'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 Utkarsh CoreInvest Limited'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, Utkarsh CoreInvest Limited, is a 'Core Investment Company' ("CIC"), it is required to upload its annual report on its website which includes Utkarsh CoreInvest Limited'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 Utkarsh CoreInvest Limited.

The Restated Financial Statements included in this Red Herring Prospectus are based on our Indian GAAP audited financial statements for Fiscals 2021, 2022 and 2023, 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 Utkarsh CoreInvest Limited'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 Utkarsh CoreInvest Limited'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 Utkarsh CoreInvest Limited as well as related investor presentations and investor interaction information made available publicly in the ordinary course by Utkarsh CoreInvest Limited 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 Red Herring Prospectus for an assessment of our financial position and any investment decision.

32. *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, (a) changes to the capital structure of our Bank, (b) changes of the memorandum and/or articles of association of our Bank, (c) changes to the management control of our Bank, (d) dilution of the shareholding of our Promoter in our Bank; (e) declaration or payment of dividends; and (f) Bank undertaking any merger, consolidation, reorganisation, scheme of arrangement or compromise with its creditors or shareholder. 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. Also, for the purpose of the Issue, our Bank has obtained necessary consents from its lenders and debenture trustees, as required under the relevant facility documentations for

undertaking activities relating to the Issue. Additionally, one of our lender's, namely SIDBI, is also entitled to appoint a director on the Board of our Bank.

In addition, we also have unsecured loans amounting to ₹ 21,899.90 million as of March 31, 2023 availed from various lenders 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.

Our Bank has, in the past, on an occasion not been in compliance with a financial ratio under its financing documentation with a lender. As of the date of this Red Herring Prospectus, the loan has been repaid. Any failure in the future 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.

33. *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 ₹ 366.23 million, ₹ 568.63 million and ₹ 853.00 million in Fiscals 2021, 2022 and 2023, respectively and represented 2.15%, 2.80% and 3.04%, respectively, of our total income, in the same periods. Our miscellaneous income was ₹ 923.64 million, ₹ 1,308.06 million and ₹ 2,139.56 million, in Fiscals 2021, 2022 and 2023, respectively. Our miscellaneous income included general banking fees, commission based activities include distribution of third party insurance, mutual fund products, safe deposit/ locker facilities, income from sale of PSLC and recovery from written-off accounts, among others. 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.

34. *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 March 31, 2023, we had 15,424 employees. Although we have not experienced any material labour unrest until the date of this 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, the Supreme Court of India has 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 (which is partially notified), 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.

35. *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 Fiscal 2021.

Particulars	Fiscal		
	2021	2022	2023
	(₹ million)		
Net cash flow (used in)/ generated from operating activities	(834.63)	13,291.56	15,590.00

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 – Operating Activities – Fiscal 2021*” on page 372.

36. *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 ₹ 11,357.45 million as of March 31, 2021 to ₹ 22,491.59 million as of March 31, 2022, and further to ₹ 43,228.54 million (including those covered by bank/government guarantees) as of March 31, 2023. Our secured advances represented 13.82%, 21.99% and 33.08% of our total advances as of March 31, 2021, 2022 and 2023, respectively. Our loan to value ratio across our secured product segment is between 50% to 90%.

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, industrial 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.

37. *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 191. 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. In the past three Fiscals, our Bank suffered one instance of cybersecurity breach in Fiscal 2022 whereby our Bank's website was defaced through a cyber-attack. However, we did not suffer any data loss or significant disruption due to this. Further, there have been five instances of IT disruptions in the three preceding Fiscals, which occurred between June 2022 and February 2023. These involved, *inter alia*, declined UPI transfers owing to sudden increase in transaction volume, incorrect DNS entry issues and outages due to storage issues in the server, which was subsequently reviewed and increased. We also conduct audit of our external vendors and there have been certain high and medium risk observations as part of such audits. While we endeavour to address such observations there can be no assurance that we will be able to successfully address such observations in future.

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.

38. *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, Master Direction on Acquisition and Holding of Shares or Voting Rights and the Guidelines on Acquisition and Holding of Shares or Voting Rights, 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 195.

39. *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. For instance, our Bank has approached the RBI for seeking final approval to operate a Bharat Bill Payment Operating Unit. 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. For details of pending applications, see “*Government and Other Approvals*” on page 391.

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 License 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.

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, be able to obtain the approvals and have all approvals required for our business. For instance, in Fiscal 2023, we were unable to obtain the license to issue prepaid payment instruments from the RBI. 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. For details of pending applications and applications yet to be made in relation to material Banking Outlets, see “*Government and Other Approvals*” on page 391. 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.

40. *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 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.

41. *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. If we are unable to compete effectively, it would adversely affect our business, financial condition, results of operations and cash flows.

42. *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. We are dependent on our management team comprising of qualified and experienced professionals and our professional senior management team having experience in the banking and financial services industry for our business and growth and 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.

43. 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, as set forth below:

Metric	As of/ For the years ended March 31,		
	2021	2022	2023
	(₹ million, except percentages)		
Gross Loan Portfolio	84,156.60	106,307.25	139,571.08
Deposits	75,075.68	100,741.83	137,101.40

Our Banking Outlets have increased from 558 Banking Outlets spread across 16 States and two Union Territories in India, as of March 31, 2021 to 830 Banking Outlets spread across 22 States and four Union Territories in India, as of March 31, 2023. 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.

44. 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. For further information, see “Our Business – Intellectual property” and “Government and Other Approvals - Intellectual property” on pages 191 and 394, respectively.

45. Any changes in the regulations that govern our operations could have an adverse impact on our business, financial condition and results of operations.

As an SFB in India, we are subject to various regulations, guidelines and circulars prescribed by the RBI and the Banking Regulation Act. In particular, we are required to comply with the conditions prescribed in the RBI In-Principle Approval, RBI Licence, SFB Licensing Guidelines and SFB Operating Guidelines.

Set forth below are details of our leverage ratios, in comparison to the corresponding regulatory requirements:

	As of March 31,		
	2021	2022	2023
Regulatory requirement (minimum requirement)	4.50%	4.50%	4.50%
Leverage ratio of our Bank	10.38%	9.49%	9.55%

For information on the leverage ratios of our peer set in Fiscal 2023, see “Industry Overview – Peer Benchmarking” on page 132. For further information, see “Risk Factors – Our Bank is subject to stringent regulatory requirements and prudential norms of RBI 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.” on page 41.

The operating model for SFBs in India is evolving and we may be subject to additional requirements or obligations to ensure compliance with the regulatory framework. For instance, we may become subject to greater capital adequacy requirements, our ability to expand our Banking Outlet network may be restricted or our customers may be subject to more stringent KYC requirements as mandated by the RBI from time to time. Any changes in the supervisory and regulatory framework applicable to SFBs in India could have an adverse impact on our business, financial condition and results of operations.

46. 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 March 31, 2023, we had partnered with 13 BCs and the portfolio under the BC segment amounted to ₹ 3,728.42 million, being 2.67% 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 177. 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.

47. We have in this 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 Red Herring Prospectus. For further information, see “Selected Statistical Information” on page 238. 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.

48. *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 188. 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. While there have been no such instances in the three preceding Fiscals, 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.

49. *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 March 31, 2023, retail, wholesale and housing segments contributed ₹ 15,340.92 million, ₹ 15,468.11 million and ₹ 5,192.45 million of our Gross Loan Portfolio and represented 10.99%, 11.08% and 3.72%, 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.

50. 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. For details on such delays, see “*Risk Factors – Our non-convertible debentures are listed on BSE and in the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to BSE under the Listing Regulations. We have filed settlement applications before SEBI under show cause notice issued by SEBI on account of such inadvertent delays.*” on page 28. In this regard, we had *suo moto* filed settlement application(s) with SEBI under Regulation 3(1) of the SEBI Settlement Regulations, which have been returned as on date. For further details on the settlement application matter, see “*Outstanding Litigation and Material Developments – Actions by regulatory and statutory authorities involving our Bank*” on page 384.

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.



51. 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 and have not experienced any breach of such laws in the three preceding Fiscals, 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.

52. 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. Further, we have applied for

registration of our tag line "" and "" and slogans such as "EK NAYA NAZARIYA NAYE NAZAREIN", "NAYA NAZARIYA BADALTE NAZAREIN" and "EK NAYA NAZARIYA BADALTE NAZAREIN". For further information, see "Government and Other Approvals" on page 391. 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 obtain, renew or maintain these registrations may adversely affect our competitive business position. There can be no assurance that any application for registration or renewal, when filed, shall result in registration or 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.

While there have been no such instances in the three preceding Fiscals, 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.

53. 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, 2023, our CASA ratio was at 20.89%. 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.

54. 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.

55. *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. In the past three Fiscals, our Bank suffered one instance of cybersecurity breach in Fiscal 2022 whereby our Bank's website was defaced through a cyber-attack. However, we did not suffer any data loss or significant disruption due to this. 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.

56. *Our Previous Statutory Auditors have included emphasis of matters in our audited financial statements as of and for the years ended March 31, 2022 and March 31, 2021.*

Our Previous Statutory Auditors have included emphasis of matters in the annexure to their audit reports on the consolidated financial statements as at and for the years ended March 31, 2022 and March 31, 2021 as follows:

Fiscal 2022

“We draw attention to Note 18.27 of Schedule 18 of the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank's operations and financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.”

Fiscal 2021

“We draw attention to Note 18.47 of Schedule 18 of the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank's operations and financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.”

Other than as mentioned above, there are no adverse reservations/ qualifications/ adverse remarks/ made by our Previous Statutory Auditors in their auditor's reports on the audited financial statements as of and for the years ended March 31, 2022 and March 31, 2021 and by our Joint Statutory Auditors for the year ended March 31, 2023. There can be no assurance that any similar emphasis of matters will not form part of our financial statements for the future fiscal periods, which could subject us to additional liabilities due to which our reputation and financial condition may be adversely affected.

57. *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.

58. *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 245. 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.

59. *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. The Supreme Court of India, in a judgment delivered on August 24, 2017, had held that the right to privacy is a fundamental right. Following this judgment, the Government of India is considering the enactment of the Digital Personal Data Protection Bill, 2022 ("**Data Protection Bill**") on personal data protection for implementing organizational and technical measures in processing personal data and lays down norms for cross-border transfer of personal data including ensuring the accountability of entities processing personal data. The Data Protection Bill, if passed into law, would require companies that collect and deal with high volumes of personal data to fulfil certain additional obligations such as appointment of a data protection officer for grievance redressal and a data auditor to evaluate our compliance with such Data Protection Bill. The enactment of the aforesaid 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 government entities or individuals, subject us to fines, penalties, judgment or otherwise adversely affect our business, as our reputation could be negatively impacted.

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

The cost and availability of capital depends in part on our short-term and long-term credit ratings. Credit ratings reflect the opinions of ratings agencies on our financial strength, operating performance, strategic position and ability to meet our obligations.

Our credit ratings as of relevant dates indicated are set forth below:

Rating Agency	Facilities	Credit ratings as of March 31,		
		2021	2022	2023
ICRA Limited	Certificate of Deposit	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+
	Subordinated debt programme	[ICRA] A (Stable)	[ICRA] A (Stable)*	[ICRA] A (Positive)#
CARE Ratings	Long Term Tier II Bonds	CARE A, Stable outlook (Reaffirmed)	CARE A, Stable outlook (Reaffirmed)	CARE A (Positive)
	Long term bank facilities	-**	-**	-
	Non-convertible Debentures	Withdrawn**	-**	-

*ICRA revised outlook for rating assigned to subordinated bonds programme of our Bank to "Positive" from "Stable" on June 28, 2022.

** The credit ratings were withdrawn following the maturity and redemption of the underlying borrowings.

On April 10, 2023, ICRA has upgraded our Bank's long term credit rating for subordinated debt to [ICRA]A+ (Stable) from [ICRA]A (Positive).

Note: There have been no complaints received in respect of the NCDs.

While there have not been such instances in the past, 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.

61. 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 and senior management. 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. Further, related party transactions taken together for Fiscal 2021, 2022 and 2023 do not exceed 10% of the total transactions of similar nature. In addition, our Bank has not extended any loans, advances, guarantees or securities to related 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 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", "Our Promoter and Promoter Group" and "Our Group Company" on pages 346, 231 and 235.

Set forth below are details of our related party balances:

Particulars	As of/ For the year ended March 31,					
	2021		2022		2023	
	Amount (₹ million)	Percentage of revenue from operations (%)	Amount (₹ million)	Percentage of revenue from operations (%)	Amount (₹ million)	Percentage of revenue from operations (%)
Related party balances	377.38	0.58%	419.44	0.55%	461.51	0.62%

62. 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. Parveen Kumar Gupta, our part time non – executive chairman and Independent Director, is a director on the board of Midland Microfin Limited, Protium Finance Limited, Future Generali India Insurance

Company Limited and India Shelter Finance Corporation Limited, Mr. Ajay Kumar Kapur, our Independent Director, is a director on the board of NABFINS Limited and IFCI Venture Capital Funds Limited, Mr. Nagesh Dinkar Pinge, our Independent Director, is a director on the board of Hero Housing Finance Limited, Aditya Birla Finance Limited and Aditya Birla Sun Life Insurance Company 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.

63. *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.

64. *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.

65. *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 U.S. 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.

66. *There may be conflict of interest between the BRLMs or their respective associates/ affiliates and our Bank.*

In the ordinary course of their commercial banking and investment banking activities, the BRLMs, their respective associates/ affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of their customers, in debt or equity securities or Equity Shares of our Bank or provide financing facilities to our Bank. Our Bank and one of the BRLMs has also entered into an arrangement for providing online broking services available on such BRLM's platform to the interested customers of our Bank. The transactions referred to above, may influence our Bank's decisions regarding whether to undertake certain transactions with the BRLMs, their associates/ affiliates.

67. *Industry information included in this Red Herring Prospectus has been derived from an industry report prepared by CRISIL MI&A which has been commissioned and paid for by us for such purpose.*

We have commissioned the services of an independent third party research agency, CRISIL MI&A appointed by us *vide* agreement dated September 1, 2020 read along with addendum no. 1 dated July 25, 2022, for preparation of an industry report titled "*Report on Small Finance Banks and various loan products*" dated July, 2022 read with addendum dated May, 2023 for a fee, for purposes of inclusion of such information in this Red Herring Prospectus. This report is subject to various limitations and based upon certain assumptions that are subjective in nature. 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.

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. Further, the CRISIL Report is not a recommendation to invest / disinvest in any company covered in the CRISIL Report. Accordingly, prospective investors should not place undue reliance on, or base their investment decision solely on, this information.

In view of the foregoing, you may not be able to seek legal recourse for any losses resulting from undertaking any investment in the Issue pursuant to reliance on the information in this Red Herring Prospectus based on, or derived from, the CRISIL Report. You should consult your own advisors and undertake an independent assessment of information in this Red Herring Prospectus based on, or derived from, the CRISIL Report before making any investment decision regarding the Issue. See "*Industry Overview*" on page 122. For the disclaimer associated with the CRISIL Report, see, "*Certain Conventions, Presentation of Financial, Industry and Market Data – Industry and Market Data*" on page 21.

External Risk Factors

68. *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. 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 U.S. 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.

69. *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.

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.

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

By virtue of operation as a Bank in India, we are subject to compliance with several rules, regulations, circulars and guidelines prescribed by the RBI from time to time and the provisions of the Banking Regulations Act. Additionally, any change in Indian tax laws could have an effect on our operations. For instance, the Taxation Laws (Amendment) Act, 2019 prescribes certain changes to the income tax rate applicable to companies in India. According to this statute, 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 by the GoI to remove the concessional regime / non-fulfilment of prescribed conditions may result in non-availability of concessional rate and any adverse order passed by the appellate authorities/ tribunals/ courts would have an effect on our business, financial condition, future cash flows and results of operations

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.

Further, the Government of India has now enacted the Finance Act 2023. We cannot predict whether any amendments made pursuant to the Finance Act 2023 would have an adverse effect on our business, financial condition, future cash flows and results of operations.

In addition, it was clarified that under the Finance Act, 2019, 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 of consideration through a depository, the onus will be on the transferor. The stamp duty for transfer of securities other than debentures is specified at 0.015% and 0.003% on a delivery and non-delivery basis, respectively, of the consideration amount. 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 69 below.

Furthermore, the Finance Act, 2020, had, amongst others things, notified changes and 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 small finance banking regulations and 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 laws including 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.

71. *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 wide range of 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 restructuring exercise of an Indian bank in the past, the RBI’s revival plan for the bank did not protect the value of AT1 bondholders’ investments, which were written off. 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.

72. *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.

73. *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.

74. *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.

75. *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.

76. *Any downgrading of India's sovereign debt rating by an international rating agency could have a negative impact on our business and results of operations.*

Our borrowing costs and our access to the debt capital markets depend significantly on the credit ratings of India. Any adverse revisions to credit ratings for India and other jurisdictions we operate in by international rating agencies may adversely impact our ability to raise additional financing. This could have an adverse effect on our ability to fund our growth on favourable terms and consequently adversely affect our business and financial performance and the price of the Equity Shares.

77. *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.

78. *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.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908. India is not party to any international treaty in relation to the recognition or enforcement of foreign judgments. India has reciprocal recognition and enforcement of judgments in civil and commercial matters with only a limited number of jurisdictions, such as the United Kingdom, United Arab Emirates, Singapore and Hong Kong. In order to be enforceable, a judgment from a jurisdiction with reciprocity must meet certain requirements established in the Indian Code of Civil Procedure, 1908. The CPC only permits the enforcement and execution of monetary decrees in the reciprocating jurisdiction, not being in the nature of any amounts payable in respect of taxes, other charges, fines or penalties. Judgments or decrees from jurisdictions which do not have reciprocal recognition with India, including the U.S, cannot be enforced by proceedings in execution in India. Therefore, a final judgment for the payment of money rendered by any court in a non-reciprocating territory for civil liability, whether or not predicated solely upon the general laws of the non-reciprocating territory, would not be directly enforceable in India. The party in whose favour a final foreign judgment in a non-reciprocating territory is rendered may bring a fresh suit in a competent court in India based on the final judgment within three years of obtaining such final judgment. However, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with the public policy in India. Further, there is no assurance that a suit brought in an Indian court in relation to a foreign judgment will be disposed of in a timely manner. In addition, any person seeking to enforce a foreign judgment in India is required to obtain the prior approval of the RBI to repatriate any amount recovered, and we cannot assure that such approval will be forthcoming within a reasonable period of time, or at all, or that conditions of such approval would be acceptable. Such amount may also be subject to income tax in accordance with applicable law.

79. *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

80. *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 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.

81. *Any future issuance of Equity Shares or reverse merger, as contemplated, 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, we intend to undertake a reverse merger with our Promoter, in order to comply with the requirements of the RBI Licence and the SFB Licensing Guidelines, which

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 Issue.

82. *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 in an Indian company is generally taxable in India. A securities transaction tax (“STT”) is levied on and collected by an Indian stock exchange on which equity shares are sold. Any gain realized on the sale of listed equity shares held for more than 12 months may be subject to long-term capital gains tax in India at the specified rates depending on certain factors, such as STT paid, the quantum of gains and any available treaty exemptions. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of STT, on the sale of any Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Further, any gain realized on the sale of our Equity Shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. While non-residents may claim tax treaty benefits in relation to such capital gains income, generally, Indian tax treaties do not limit India’s right to impose tax on capital gains arising from the sale of shares of an Indian company.

The Finance Act, 2019 (“**Finance Act 2019**”) had stipulated that the sale, transfer and issue of certain securities through exchanges, depositories or otherwise to be charged with stamp duty. The Finance Act 2019 also clarified that, in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of certain 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 certain securities, other than debentures, on a delivery basis is currently specified under the Finance Act 2019 at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount. These amendments have come into effect from July 1, 2020. Under the Finance Act 2020, any dividends paid by an Indian company will be subject to tax in the hands of the shareholders at applicable rates. Such taxes will be withheld by the Indian company paying dividends. Further, the Finance Act, 2020, which followed, removed the requirement for DDT to 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. The Bank may grant the benefit of a tax treaty (where applicable) to a non-resident shareholder for the purposes of deducting tax at source pursuant to any corporate action including dividends subject to appropriate documentation provided by such non-resident shareholder. Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning Equity Shares.

The GoI has announced the Union Budget for Fiscal 2023 and further notified the Finance Act, 2022 which, among others, requires the taxpayers to explain sources of cash credits, introduces a separate 30% tax on income from virtual digital assets, extended the anti-tax avoidance provision to bonus stripping of securities and repeals the 15% concessional rate on foreign dividends. Unfavourable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment and stamp duty laws governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals.

83. *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 currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain restrictions), if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares, which are sought to be transferred, is not in compliance with such pricing guidelines or reporting requirements or falls under any of the exceptions referred to above, then a prior regulatory approval will be required. Additionally, shareholders who seek to convert Rupee proceeds from a sale of 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.

In addition, pursuant to the Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the DPIIT, which has been incorporated as the proviso to Rule 6(a) of the FEMA Non-debt Rules, all investments under the foreign direct investment route by entities of a country which shares land border with India or where the beneficial owner of the Equity Shares is situated in or is a citizen of any such country, can only be made through the Government approval route, as prescribed in the Consolidated FDI Policy dated October 15, 2020 and the FEMA Rules. Further, in the event of transfer of ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction/purview, such subsequent change in the beneficial ownership will also require approval of the Government of India.

We cannot assure investors that any required approval from the RBI or any other governmental agency can be obtained on any particular terms or at all. For further information, see “*Restrictions on Foreign Ownership of Indian Securities*” on page 436.

84. *Our Equity Shares have never been publicly traded, and may experience price and volume fluctuations following the completion of the Issue. 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 Issue Price or at all.*

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market may not develop or be sustained after the Issue. 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 Issue 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 Issue 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 Red Herring Prospectus. A decrease in the market price of our Equity Shares could cause you to lose some or all of your investment.

85. *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.

No assurance can be given that our Bank will or will not be considered a PFIC in the current or future years. The determination of whether or not our Bank is a PFIC is a factual determination that is made annually after the end of each taxable year, and there can be no assurance that our Bank will not be considered a PFIC in the current taxable year or any future taxable year because, among other reasons, (i) the composition of our Bank’s income and assets will vary over time, and (ii) the manner of the application of relevant rules is uncertain in several respects. Further, our Bank’s PFIC status may depend on the market price of its Equity Shares, which may fluctuate considerably.

86. *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 U.S. 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 U.S. 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.

87. *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.

88. *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/ Issue 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/ Issue Period and withdraw their Bids until the Bid/ Issue 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/ Issue 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 Issue or cause the trading price of the Equity Shares to decline on listing.

SECTION III: INTRODUCTION

THE ISSUE

The following table summarizes details of the Issue:

Issue ⁽¹⁾	Up to [•] Equity Shares aggregating up to ₹5,000 million
<i>of which</i>	
Employee Reservation Portion ⁽²⁾	Up to [•] Equity Shares aggregating up to ₹[•] million
<i>Accordingly</i>	
Net Issue	Up to [•] Equity Shares aggregating up to ₹[•] million
<i>Of which:</i>	
A. QIB Portion ⁽³⁾⁽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 Net QIB Portion (excluding Anchor Investor Portion))	[•] Equity Shares
Balance of Net QIB Portion for all QIBs including Mutual Funds	[•] Equity Shares
B. Non-Institutional Portion ⁽³⁾	Not more than [•] Equity Shares
<i>Of which</i>	
One-third of the Non-Institutional Portion available for allocation to Bidders with an application size of more than ₹200,000 and up to ₹1,000,000	[•] Equity Shares
Two-third of the Non-Institutional Portion available for allocation to Bidders with an application size of more than ₹1,000,000	[•] Equity Shares
C. Retail Portion ⁽³⁾	Not more than [•] Equity Shares
Pre and post-Issue Equity Shares	
Equity Shares outstanding prior to the Issue	895,904,663 Equity Shares
Equity Shares outstanding after the Issue	[•] Equity Shares
Utilisation of Net Proceeds	See “ <i>Objects of the Issue</i> ” beginning on page 101 for information about the use of the Net Proceeds.

⁽¹⁾ The Issue has been authorized by our Board pursuant to its resolution dated July 15, 2022 and by our Shareholders pursuant to a special resolution dated July 19, 2022.

⁽²⁾ The initial allocation 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. The unsubscribed portion if any, in the Employee Reservation Portion (after allocation up to ₹500,000), shall be added back to the Net Issue. Further, an Eligible Employee Bidding in the Employee Reservation Portion can also Bid under the Retail Portion in the Net Issue and such Bids will not be treated as multiple Bids. The Employee Reservation Portion shall not exceed 1% of the size of the Issue.

⁽³⁾ Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in any category, except the QIB Portion, 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.

⁽⁴⁾ Our Bank 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. The QIB Portion 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. 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 Net QIB Portion. 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 Issue 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 Portion and allocated proportionately to the QIB Bidders (other than Anchor Investors) in proportion to their Bids. For further details, see "Issue Procedure" beginning on page 417.

Allocation to Bidders in all categories, except the Anchor Investor Portion, Non-Institutional Portion and the Retail Portion, shall be made on a proportionate basis subject to valid Bids received at or above the Issue 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. One-third of the Non-Institutional Portion shall be reserved for applicants with application size of more than ₹200,000 and up to ₹1,000,000, two-thirds of the Non-Institutional Portion shall be reserved for Bidders with an application size of more than ₹1,000,000 and the unsubscribed portion in either of the above sub-categories may be allocated to Bidders in the other sub-category of Non-Institutional Bidders. The allocation of Equity Shares to each Non-Institutional Bidders shall not be less than the minimum application size, subject to the availability of Equity Shares in the Non-Institutional Portion, and the remaining Equity Shares, if any, shall be allocated on a proportionate basis. Allocation to Anchor Investors shall be on a discretionary basis in accordance with the SEBI ICDR Regulations. For further details, see "*Issue Structure*" beginning on page 413. For details of the terms of the Issue, see "*Terms of the Issue*" beginning on page 407.

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 262 and 347, respectively.

Restated Summary Statement of Assets and Liabilities

Particulars	(₹ in million)		
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
CAPITAL AND LIABILITIES			
Capital	8,959.05	8,955.22	8,483.34
Reserves and Surplus	11,044.16	6,767.75	5,200.19
Deposits	1,37,101.40	1,00,741.83	75,075.68
Borrowings	23,494.75	25,719.35	26,078.25
Other Liabilities and Provisions	10,576.06	8,453.55	6,541.66
Total	1,91,175.42	1,50,637.70	1,21,379.12
ASSETS			
Cash and balances with Reserve Bank of India	11,920.57	5,338.97	2,749.38
Balances with banks and money at call and short notice	13,243.06	13,377.52	8,948.78
Investments	28,594.22	23,479.24	23,139.35
Advances	1,30,687.66	1,02,281.47	82,168.58
Fixed Assets	3,033.24	2,865.34	1,811.71
Other Assets	3,696.67	3,295.16	2,561.32
Total	1,91,175.42	1,50,637.70	1,21,379.12
Contingent Liabilities	3,416.05	564.19	620.73
Bills for Collection	-	-	-

Restated Summary Statement of Profit and Loss

(₹ in million)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
I INCOME			
Interest Earned	25,049.80	18,488.13	15,809.87
Other Income	2,993.06	1,848.33	1,248.49
Total	28,042.86	20,336.46	17,058.36
II EXPENDITURE			
Interest Expended	9,759.49	7,879.62	7,417.41
Operating Expenses	9,900.13	7,337.49	5,450.57
Provisions and Contingencies	4,338.22	4,504.73	3,072.23
Total	23,997.84	19,721.84	15,940.21
III PROFIT/(LOSS)			
Net Profit / (Loss) for the period / year	4,045.02	614.62	1,118.15
Balance in Profit and Loss account brought forward from previous year	2,537.24	2,072.48	1,454.83
Total	6,582.26	2,687.10	2,572.98
IV APPROPRIATIONS			
Transfer to Statutory Reserve	1,011.25	153.65	279.54
Transfer to Investment Fluctuation Reserve	17.99	(111.27)	136.66
Transferred to capital reserve	-	2.32	84.30
Other adjustments	105.16	105.16	-
Balance carried over to Balance Sheet	5,694.16	2,537.24	2,072.48
V EARNINGS PER EQUITY SHARE			
Basic EPS (₹)	4.52	0.70	1.46
Diluted EPS (₹)	4.51	0.70	1.46
Face Value per share (₹)	10.00	10.00	10.00

Restated Summary Statement of Cash Flows

(₹ in million)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
I Cash flow from operating activities			
Profit before taxes	5,358.14	797.13	1,514.36
Adjustments for:-			
Depreciation on fixed assets	586.55	408.84	295.77
(Reversal of depreciation) / Depreciation on investments, net	(44.22)	(149.41)	193.01
Amortization of premium on Held to Maturity Investment	207.02	174.92	105.63
Profit on sale & Redemption of HTM portfolio	-	(4.14)	(150.26)
Unrealised loss/gain on external commercial borrowings	-	(6.04)	(18.48)
Write-off of non performing advances	3,827.81	2,193.84	352.37
Provision for standard advances and other contingencies (including floating provision)	288.92	(17.12)	601.56
Provision for non performing advances (net of reversal)	(1,128.85)	2,024.26	1,714.53
(Profit) / Loss on sale of fixed assets (net)	-	(0.63)	0.21
Other provisions and write off	170.53	171.96	24.08
	9,265.91	5,593.61	4,632.78
Adjustments for:-			
Decrease/(Increase) in investments (other than HTM investment)	899.29	5,563.63	(6,832.88)
(Increase) in advances	(31,091.65)	(24,344.48)	(21,419.51)
Decrease / (increase) in other assets	(1,043.86)	(389.26)	430.79
(increase) / Decrease in deposits	36,359.58	25,666.14	22,723.56
Increase in other liabilities and provisions	1,907.83	1,745.69	593.65
	7,031.19	8,241.72	(4,504.39)
Payment of direct taxes	(707.1)	(543.77)	(963.02)
Net cash flow (used in)/generated from operating activities (A)	15,590.00	13,291.56	(834.63)
II Cash flow from/(used in) investing activities			
Purchase of fixed assets including capital work in progress	(758.47)	(1,466.73)	(793.68)
Proceeds from sale of fixed assets	4.02	4.90	0.17
Purchase of held to maturity (HTM) securities (net of sales)	(6,177.08)	(5,924.89)	(4,530.97)
Net cash flow (used in) investing activities (B)	(6,931.53)	(7,386.72)	(5,324.48)
III Cash flow from/(used in) Financing Activities			
Proceeds from issue of share capital (net of share issue expenses)	13.27	1,466.35	2,370.38
Net (repayments) from borrowings	(2,224.60)	(352.86)	(653.64)
Net cash flow generated from financing activities (C)	(2,211.33)	1,113.49	1,716.74
IV Net increase/ (decrease) in cash and cash equivalents (A) + (B) + (C)	6,447.14	7,018.33	(4,442.37)
V Cash and cash equivalents at the beginning of the year	18,716.49	11,698.16	16,140.53
VI Cash and cash equivalents at the end of the year	25,163.63	18,716.49	11,698.16
Notes to the Cash Flow Statement:			
Cash and cash equivalents includes the following:			
(i) Cash and Balances with Reserve Bank of India (Refer Note 8 of restated financial statement)	11,920.57	17,978.97	11,049.38
(ii) Balance with banks and money at call and short notice (Refer Note 9 of restated financial statement)	13,243.06	737.52	648.78
Cash and cash equivalents at the end of the year	25,163.63	18,716.49	11,698.16

GENERAL INFORMATION

Registered and Corporate office address of our Bank

Utkarsh Tower
NH – 31 (Airport Road), Sehmalpur
Kazi Sarai, Harhua
Varanasi 221 105
Uttar Pradesh, India
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. Parveen Kumar Gupta <i>Designation:</i> Part time non – executive chairman and Independent Director	02895343	Flat no 702, C Wing, Amaltas CHS, Juhu Versova Link Road, Andheri West, Mumbai 400 053, Maharashtra, India
Mr. Govind Singh <i>Designation:</i> Managing Director and chief executive officer	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:</i> Independent Director	07702190	B – 1303, Crystal Court CHS, Plot 18, 27, Sector 7, Khargarh, Panvel, Raigarh 410 210, Maharashtra, India
Mr. Chandra Shekhar Thanvi <i>Designation:</i> Nominee Director ⁽¹⁾	00563531	Flat No. 401, SIDBI Officers' Apartments, 16, Madan Mohan Malviya Marg, Lucknow 226 001, Uttar Pradesh, India
Ms. Kalpana Prakash Pandey <i>Designation:</i> Independent Director	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:</i> Independent Director	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:</i> Non – executive Director	01690363	A- 101 Sabari Aashiana TISS Complex Annexe, Deonar Farm Road, Deonar, Mumbai 400 088, Maharashtra, India
Mr. Ajay Kumar Kapur <i>Designation:</i> Independent Director	00108420	Flat No. 104 Pacific Apartments, Plot No. 39, Sector 10, Dwarka, South West Delhi 110 075, Delhi, India

⁽¹⁾ Nominee of our lender, SIDBI.

For brief profiles and further details in respect of our Directors, see “*Our Management*” beginning on page 212.

Company Secretary and Compliance Officer

Muthiah Ganapathy

Utkarsh Small Finance Bank Limited
First floor, Om Prakash Arcade
Central Avenue
Chembur (East), Mumbai 400 071
Tel.: +91 22 6872 9552
E-mail: muthiah.ganapathy@utkarsh.bank

Book Running Lead Managers

ICICI Securities Limited

ICICI Venture House
Appasaheb Marathe Marg
Prabhadevi
Mumbai 400 025
Maharashtra, India
Tel.: +91 22 6807 7100
E-mail: utkarsh.ipo@icicisecurities.com
Website: <https://www.icicisecurities.com>
Investor grievance e-mail:
customer@icicisecurities.com
Contact person: Mr. Ashik Joisar / Mr. Shekher
Asnani
SEBI Registration No.: INM000011179

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
E-mail: utkarshsfb.ipo@kotak.com
Website: <https://investmentbank.kotak.com>
Investor grievance e-mail:
kmccredressal@kotak.com
Contact Person: Mr. Ganesh Rane
SEBI Registration No.: INM000008704

Syndicate Member

Kotak Securities Limited

4th floor, 12 BKC, G Block
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051
Tel.: +91 22 6218 5410
E-mail: umesh.gupta@kotak.com
Website: www.kotak.com
Contact person: Umesh Gupta
SEBI Registration No.: INZ000200137

Registrar to the Issue

KFin Technologies 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: Mr. M. Murali Krishna
SEBI registration number: INR000000221

Legal Counsel to our Bank

Shardul Amarchand Mangaldas & Co

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

Joint Statutory Auditors of our Bank

Deloitte Haskins & Sells

19th Floor, Shapath-V
S.G. Highway, Ahmedabad – 380 015
Gujarat, India
Tel: +91 79 6682 7300
E-mail: sgk@deloitte.com

Peer review no.: 012965
Firm registration no.: 117365W

Kirtane & Pandit LLP

6th Floor, Earth Vintage,
Senapati Bapat Marg, Dadar West
Mumbai – 400 028, India
Tel.: +91 22 2444 4119
E-mail: kpcamumbai@kirtanepandit.com
Peer review no.: 014680
Firm registration no.: 105215W/W100057

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
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.: 013371 Firm registration no.: 103523W/W100048	March 31, 2022	Pursuant to the order dated September 23, 2021, RBI debarred Haribhakti & Co. LLP, Chartered Accountants, from undertaking any type of audit assignments for entities regulated by the RBI for a period of two years with effect from April 1, 2022. For further details please refer to Risk Factor “ <i>Our previous statutory auditor have been debarred by the Reserve Bank of India from undertaking audit assignments for entities regulated by RBI for a period of two years with effect from April 1, 2022</i> ” on page 27.
(i) Deloitte Haskins & Sells, Chartered Accountants; and (ii) Kirtane & Pandit LLP, Chartered Accountants	April 1, 2022	Appointment as joint statutory auditors due to expiration and non-renewal of term of Haribhakti & Co. LLP for reasons as set forth above

Banker to the Bank

HDFC Bank Limited

15/46, 2nd Floor, Naveen Market
Kanpur 208 001
Uttar Pradesh, India
Tel.: +91 70077 24905
E-mail: prasoon.chauhan@hdfcbank.com
Website: www.hdfcbank.com
Contact person: Prasoon Chauhan

Bankers to the Issue

Escrow Collection Bank/ Public Issue Account Bank/ Refund Bank

ICICI Bank Limited

Capital Market Division,
163, 5th Floor, H.T. Parekh Marg
Backbay Reclamation, Churchgate
Mumbai 400 020,
Maharashtra, India
Tel.: +91 22 6805 2182
E-mail: sagar.welekar@icicibank.com
Website: www.welekar@icicibank.com
Contact person: Sagar Welekar
SEBI Registration No.: INBI00000004

Sponsor Banks

ICICI Bank Limited

Capital Market Division,
163, 5th Floor, H.T. Parekh Marg
Backbay Reclamation, Churchgate
Mumbai 400 020
Maharashtra, India
Tel.: +91 22 6805 2182
E-mail: sagar.welekar@icicibank.com
Website: www.welekar@icicibank.com
Contact person: Sagar Welekar
SEBI Registration No.: INBI00000004

Axis Bank Limited

Tulsi Complex C-19/134,
M-Building, Sigra,
Varanasi 221 002
Uttar Pradesh, India
Tel.: +91 542 2990506
E-mail: varanasi.branchhead@axisbank.com
Website: www.axisbank.com
Contact person: Arvind Kumar Verma
SEBI Registration No.: INBI00000017

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-ordination
1.	Pre-Issue due diligence of Bank'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. Capital structuring with the relative components and formalities such as type of instruments, size of issue, etc.	I-Sec, Kotak	I-Sec
2.	Drafting and approval of statutory advertisements	I-Sec, Kotak	I-Sec
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertising, brochure, etc. and filing of media compliance report.	I-Sec, Kotak	I-Sec
4.	Appointment of intermediaries for the Issue including Registrar to the Issue, Printers, Banker to the Issue, Advertising agency, etc. (including coordinating all agreements to be entered with such parties)	I-Sec, Kotak	Kotak
5.	Preparation of road show marketing presentation and frequently asked questions	I-Sec, Kotak	I-Sec
6.	International Institutional marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"> • Institutional marketing strategy; • Finalizing the list and division of international investors for one-to-one meetings; and • Finalizing international road show and investor meeting schedule 	I-Sec, Kotak	I-Sec
7.	Domestic Institutional marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"> • Institutional marketing strategy; • Finalizing the list and division of domestic investors for one-to-one meetings; and • Finalizing domestic road show and investor meeting schedule 	I-Sec, Kotak	Kotak
8.	Retail marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"> • Formulating marketing strategies, preparation of publicity budget; • Finalizing media, marketing and public relations strategy; • Finalizing centres for holding conferences for brokers, etc.; • Finalizing collection centres; • Follow-up on distribution of publicity and issue material including form, Prospectus and deciding on the quantum of the issue material 	I-Sec, Kotak	I-Sec
9.	Non-Institutional marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"> • Finalizing media, marketing and public relations strategy; and • Finalizing centres for holding conferences for brokers, etc. 	I-Sec, Kotak	Kotak
10.	Managing anchor book related activities and submission of letters to regulators post completion of anchor allocation and coordination with stock exchanges for book building process, filing of letters including for software, bidding terminals, mock trading and anchor investor intimation, and payment of 1% security deposit to DSE.	I-Sec, Kotak	Kotak
11.	Managing the book and finalization of pricing in consultation with the Bank.	I-Sec, Kotak	I-Sec
12.	Post bidding activities including management of escrow accounts, coordinate non-institutional allocation, coordination with registrar, SCSBs and banks, unblocking of application monies, intimation of allocation and dispatch of refund to bidders, etc.	I-Sec, Kotak	Kotak

Sr. No.	Activity	Responsibility	Co-ordination
	<p>Post-Issue activities, which shall involve essential follow-up steps including allocation to anchor investors, follow-up with bankers to the Issue and SCSBs to get quick estimates of collection and advising the issuer about the closure of the Issue, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, finalization of trading, dealing and listing of instruments, dispatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-issue activity such as registrar to the Issue, bankers to the Issue, SCSBs including responsibility for underwriting arrangements, as applicable.</p> <p>Co-ordination with SEBI and Stock Exchanges for refund of 1% security deposit and Submission of all post Issue reports including the initial and final post Issue report to SEBI.</p>		

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 Branches with which an ASBA Bidder (other than a UPI Bidders 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 and SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2022/45 dated April 5, 2022, UPI 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 or any such other website as may be prescribed by SEBI 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 or any such other website as may be prescribed by SEBI from time to time.

Registered Brokers

Bidders can submit ASBA Forms in the Issue 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 Issue.

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 SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for this Issue.

Expert to the Issue

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

Our Bank has received joint written consent dated May 31, 2023 from Deloitte Haskins & Sells, Chartered Accountants and Kirtane & Pandit LLP, Chartered Accountants, to include their names as required under Section 26(5) of the Companies Act read with SEBI ICDR Regulations in this Red Herring Prospectus as “experts” as defined under Section 2(38) of the Companies Act to the extent and in their capacity as independent joint statutory auditors and in respect of their (i) examination report dated April 28, 2023 on our Restated Financial Statements; and (ii) the statement of special tax benefits dated May 31, 2023 in this Red Herring Prospectus and such joint consent has not been withdrawn as on the date of this Red Herring Prospectus.

Credit Rating

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

Debenture Trustees

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

Green Shoe Option

No green shoe option is contemplated under the Issue.

Filing of the Offer Documents

A copy of the Draft Red Herring Prospectus was 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 was 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 this Red Herring Prospectus, along with the material contracts and documents required to be submitted under Section 32 of the Companies Act has been filed with the RoC and a copy of the Prospectus shall 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 and through the electronic portal at <https://www.mca.gov.in/mcafoportal/login.do>.

Book Building Process

Book building, in the context of the Issue, refers to the process of collection of Bids from investors on the basis of this Red Herring Prospectus and the Bid cum Application Forms within the Price Band. The Price Band will be decided by our Bank in consultation with the BRLMs, and advertised in all editions of Financial Express, a widely

circulated English national daily newspaper and all editions of Jansatta, a widely circulated Hindi national daily newspaper and the Varanasi edition of Gyanshikha Times, a Hindi 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/Issue 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 Issue Price shall be determined by our Bank in consultation with the BRLMs after the Bid/Issue Closing Date.

All Bidders (other than Anchor Investors) can participate in this Issue only through the ASBA process. Anchor Investors are not permitted to participate in the Issue through the ASBA process. In addition to this, the UPI 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 bidding in the Retail Portion and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bid(s) during the Bid/Issue Period and withdraw their Bid(s) until the Bid/Issue Closing Date. Anchor Investors are not allowed to revise or withdraw their Bids after the Anchor Investor Bidding Date. Allocation to the Anchor Investors will be on a discretionary basis. For further details on book building procedure and method and process of Bidding, see “Issue Structure” and “Issue Procedure” on pages 413 and 417, respectively.

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

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 in the Issue.

Bidder should note that the Issue is also subject to: (i) the filing of the Prospectus with the RoC; and (ii) obtaining the final listing and trading approvals of the Stock Exchanges, which our Bank shall apply for after Allotment within six working days of the Bid / Issue Closing Date or such other time period as prescribed under applicable law.

Underwriting Agreement

After the determination of the Issue Price and allocation of Equity Shares but prior to the filing of the Prospectus with the RoC, our Bank will enter into an underwriting agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. The extent of underwriting obligations and the Bids to be underwritten by each BRLM shall be as per the Underwriting Agreement and in compliance with SEBI ICDR Regulations. 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 determination of the Issue Price, Basis of Allotment and will be subject to the provisions of Regulation 40(3) 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 Red Herring Prospectus and will be executed after determination of the Issue 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 Red Herring Prospectus, is set forth below:

Particulars	Aggregate nominal value	Aggregate value at Issue Price [§]
<i>(in ₹, except share data)</i>		
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 ISSUE		
895,904,663 Equity Shares	8,959,046,630	[•]
C) ISSUE		
Issue of [•] Equity Shares aggregating up to ₹5,000 million [#] <i>which includes</i>	[•]	[•]
Employee Reservation Portion [%]	[•]	[•]
Net Issue of up to [•] Equity Shares	[•]	[•]
D) ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE		
[•] Equity Shares	[•]	[•]
E) SECURITIES PREMIUM ACCOUNT		
Before the Issue		2,861,462,877
After the Issue		[•]

[§]To be updated upon finalisation of the Issue Price and subject to the Basis of Allotment.

[#]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 206.

[%]The Issue has been authorized by our Board pursuant to its resolution dated July 15, 2022 and by a special resolution of our Shareholders adopted at the meeting held on July 19, 2022.

[%]The Employee Reservation Portion shall not exceed 1% of the size of the Issue. For details, see "Issue Structure" on page 413.

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. Ashwani Kumar, Mr. Abhisheka Kumar, Mr. Raghvendra Singh and Utkarsh CoreInvest Limited.	Initial subscription to the Memorandum of Association	50,000	10	10.00	Cash
October 7, 2016	Utkarsh CoreInvest Limited	Private placement	99,950,000	10	10.00	Cash
January 20, 2017	Utkarsh CoreInvest Limited	Private placement	200,050,000	10	10.00	Cash
September 21, 2017	Utkarsh CoreInvest Limited	Conversion of CCDs into Equity Shares*	120,000,000	10	-^	Cash
March 26, 2018	49,994,406 Equity Shares to Utkarsh CoreInvest Limited,	Rights issue	50,000,000	10	10.00	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
	5,237 Equity Shares to Mr. Govind Singh, 119 Equity Shares each to Mr. Trilok Nath Shukla, Mr. Ashwani Kumar and Mr. Raghvendra Singh.					
June 13, 2018	Utkarsh CoreInvest Limited	Conversion of CCDs into Equity Shares*	267,000,000	10	-^	Cash
September 18, 2019	Utkarsh CoreInvest Limited	Rights issue	22,222,222	10	27.00	Cash
March 8, 2021	37,037,037 Equity Shares to Olympus ACF Pte. Ltd.;	Private placement	89,061,647	10	27.00	Cash
	13,444,444 Equity Shares to responsAbility Participations Mauritius;					
	12,962,962 Equity Shares to Aavishkaar Bharat Fund;					
	8,539,068 Equity Shares to Triodos Sicav II - Triodos Microfinance Fund,					
	8,539,068 Equity Shares to Legal Owner Triodos Funds B.V. (in its capacity as legal owner of Triodos Fair Share Fund); and					
	8,539,068 Equity Shares to Growth Catalyst Partners LLC					
August 2, 2021	Bharti Axa Life Insurance Company Limited	Private placement	23,584,905	10	31.80	Cash
August 13, 2021	Triodos Sicav II - Triodos Microfinance Fund	Private placement	12,578,616	10	31.80	Cash
August 18, 2021	Growth Catalyst Partners LLC	Private placement	3,144,654	10	31.80	Cash
September 1, 2021	Mr. Harish Engineer	Private placement	3,459,119	10	31.80	Cash
September 29, 2021	ICICI Prudential Life Insurance Company Limited	Private placement	4,402,515	10	31.80	Cash
January 22, 2022	Mr. Govind Singh	Allotment pursuant to	17,844	10	14.01	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
October 31, 2022	11,250 Equity Shares to Mr. Sanjay Singh; 30,000 Equity Shares to Mr. Arvind Kumar; 75,000 Equity Shares to Mr. Sachin Patange; 7,400 Equity Shares to Mr. Kuldeep Kahar; 9,375 Equity Shares to Mr. Aggaz Sofi; 9,375 Equity Shares to Mr. Sunil Shukla; 40,000 Equity Shares to Mr. Devendra Makwana; 5,625 Equity Shares to Mr. Shubhashish Mishra; and 10,000 Equity Shares to Mr. Arun Raman	exercise of stock options under ESOP Plan 2020. Allotment pursuant to exercise of stock options under ESOP Plan 2020.	198,025	10	27.00	Cash
February 17, 2023	Mr. Govind Singh	Allotment pursuant to exercise of stock options under ESOP Plan 2020.	1,70,116	10	14.01	Cash
March 9, 2023	10,000 Equity Shares to Mr. Rahul Dey; and 5,000 Equity Shares to Mr. Puneet Agrawal	Allotment pursuant to exercise of stock options under ESOP Plan 2020.	15,000	10	27.00	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 Sections 230 to 234 of the Companies Act, 2013.

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

For details of Equity Shares issued by our Bank pursuant to the exercise of options which have been granted under the ESOP Plan 2020 (including the ESOP Scheme 1 framed thereunder), see “- (a) Equity share Capital” beginning on page 85 above. For details regarding the employee stock option schemes of our Bank, see “- Employee Stock Option Plans” on page 94 below.

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

Except as disclosed above under “- (a) Equity share Capital” beginning on page 85 above, our Bank has not issued any Equity Shares in the one year preceding the date of this Red Herring Prospectus at a price which may be lower than the Issue 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
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

* Our Bank vide its letter dated June 16, 2023 has requested for RBI's approval for an early redemption of the 2,500 NCDs (ISIN: INE735W08012), subject to compliance with the requirements of applicable law and regulatory instructions. Subsequently, the RBI through its letter dated July 4, 2023 has indicated that it has no-objection to the redemption of the aforementioned 2,500 NCDs (ISIN: INE735W08012) post-completion of five years (i.e. on or after July 9, 2023) from a regulatory perspective, subject to our Bank complying with the SEBI guidelines and other laws/ regulations/ contracts/ terms of issue. For further details, see “Risk Factors – We have received a show cause notice from SEBI regarding alleged non-compliance of provisions of Companies Act 2013 and erstwhile SEBI (Issue and Listing of Debt Securities) Regulations, 2008 relating to public offering of securities which may result in penal actions.”, “Issue Document Summary – Exemption from complying with any provisions of securities laws granted by the SEBI” and “Financial Indebtedness” on pages 29, 20, and 381, respectively.

2. History of the Equity Share capital held by our Promoter, minimum Promoter's Contribution and lock-in requirements

Our Promoter, Utkarsh CoreInvest Limited, along with its nominees, holds 759,272,222 Equity Shares, constituting 84.75% 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-Issue capital (%)	Percentage of the post-Issue capital (%)#
April 30, 2016	Initial subscription to the Memorandum of Association	1,000	Cash	10	10.00	Negligible	[•]
October 7, 2016	Private placement	99,950,000	Cash	10	10.00	11.16	[•]
January 20, 2017	Private placement	200,050,000	Cash	10	10.00	22.33	[•]

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-Issue capital (%)	Percentage of the post-Issue capital (%)#
September 21, 2017	Conversion of CCDs into Equity Shares	120,000,000	Cash	10	-^	13.39	[•]
March 26, 2018	Rights issue	49,994,406	Cash	10	10.00	5.58	[•]
June 13, 2018	Conversion of CCDs into Equity Shares	267,000,000	Cash	10	-^	29.80	[•]
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	27.00	0.01	[•]
September 18, 2019	Rights issue	22,222,222	Cash	10	27.00	2.48	[•]
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	Negligible	[•]
November 23, 2020	Transfer of ownership by Mr. Abhisheka Kumar&	1,000&	-	10	Nil	Negligible	[•]
Total		759,272,222[§]				84.75%	[•]

[#]Subject to finalisation of the Basis of Allotment.

^{*}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 Utakarsh CoreInvest Limited on August 29, 2019 and October 11, 2019, the beneficial ownership of 1,000 Equity Shares was transferred by Mr. Abhisheka Kumar to Utakarsh CoreInvest Limited for a purchase consideration of ₹ 27 per Equity Share on October 11, 2019. Subsequently, Mr. Abhisheka Kumar was designated as a nominee shareholder of Utakarsh CoreInvest Limited, 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 Utakarsh CoreInvest Limited 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 84.75% 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, as on the date of this Red Herring Prospectus, there are no persons or entities that form a part of our Promoter Group.

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

Pursuant to Regulation 14(1) and Regulation 16(1)(a) of the SEBI ICDR Regulations, an aggregate of 20% of the fully diluted post-Issue Equity Share capital of our Bank held by our Promoter shall be considered as minimum promoters’ contribution and locked-in for a period of 18 months from the date of Allotment (“**Promoter’s Contribution**”).

Details of the Equity Shares to be locked-in for 18 months 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-Issue paid-up capital (%)	Percentage of the fully diluted post Issue 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-Issue 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 Issue;
- 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-Issue shareholding of our Promoter in our Bank which will be locked in for 18 months from the date of Allotment as specified above, pursuant to Regulations 16(1)(b) and 17 of the SEBI ICDR Regulations the entire pre-Issue Equity Share capital of our Bank, other than (a) the Equity Shares, if any, allotted to employees, whether currently employees or not and including the legal heirs or nominees of any deceased employees or ex-employees, pursuant to the MD & CEO ESOP Plan and the ESOP Plan 2020 (including the ESOP Scheme 1 framed thereunder); and (b) any Equity Shares held by a VCF or Category I AIF or Category II AIF or FVCI, as applicable, provided that (i) such Equity Shares shall be locked in for a period of at least six months from the date of purchase by such VCF or AIF or FVCI; and (ii) such VCF or AIF of category I or category II or a FVCI holds, individually or with persons acting in concert, less than 20% of pre-Issue Equity Share capital of our Bank (on a fully diluted basis), will also be locked-in for a period of six months from the date of Allotment. For details, see “*Issue Procedure*” beginning on page 417.
- (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 six months from the date of Allotment 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 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 eighteen months 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 Issue 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 six months 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) 50% of the Equity Shares allotted to Anchor Investors under the Anchor Investor Portion shall be locked-in for a period of 90 days from the date of Allotment and the remaining 50% 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. *Our shareholding pattern*

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

Category	Category of the Shareholder	No. of Shareholders	No. of fully paid up equity shares held	No. of partly paid-up Equity Shares held	No. of Equity Shares underlying depository receipts	Total No. Equity Shares held	Shareholding as a % of total no. of Equity Shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	No. of Voting Rights held in each class of securities				No. of equity shares underlying outstanding convertible securities (including warrants)	Shareholding 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		Number of Equity Shares pledged or otherwise encumbered		Number of Equity Shares held in dematerialized form (XIV)
								(IX)						(XII)		(XIII)		
								No. of voting rights						No.	As a % of total Equity Shares held (b)	No.	As a % of total Equity Shares held (b)	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII) = (IV)+(V)+(VI)	(VIII)	Class: Equity Shares	Class	Total	Total as a % of total voting rights ^a	(X)	(XI)	(XII)	(XIII)	(XIV)		
(A)	Promoter & Promoter Group	7*	759,272,222*	-	-	759,272,222*	84.75	759,272,222	-	759,272,222	84.75	-	84.75	-	-	-	-	759,272,222*
(B)	Public	24 [®]	136,632,441	-	-	136,632,441	15.25	136,632,441	-	136,632,441	15.25	-	15.25	-	-	-	-	136,632,441
(C)	Non Promoter-Non Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(1)	Shares underlying depository receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(2)	Shares held by employee trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total (A)+(B)+(C)	29[®]	895,904,663	-	-	895,904,663	100	895,904,663	-	895,904,663	100	-	100	-	-	-	-	895,904,663

^a759,272,222 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.

[®] Mr. Govind Singh holds 187,960 Equity Shares in his individual capacity and 1 Equity Share as a nominee on behalf of our Promoter. Further, Mr. Rahul Dey holds 10,000 Equity Shares in his individual capacity and 1 Equity Share as a nominee on behalf of our Promoter.

[®]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.

5. As on the date of this Red Herring Prospectus, our Bank has 29 Shareholders.
6. The BRLMs and their respective associates (as defined under the SEBI Merchant Bankers Regulations) do not hold any Equity Shares.
7. ***Shareholding of our Directors, Key Managerial Personnel and Senior Management in our Bank***

Except as disclosed below none of our Directors or Key Managerial Personnel or Senior Management hold any Equity Shares in our Bank:

Sr. No.	Shareholder	Number of Equity Shares	Percentage of equity share capital held (%)
1.	Mr. Govind Singh*	187,961	0.02
2.	Mr. Rahul Dey**	10,001	Negligible
3.	Mr. Arun Raman	10,000	Negligible
4.	Mr. Trilok Nath Shukla***	1	Negligible
	Total	207,963	0.02

* Mr. Govind Singh holds 187,960 Equity Shares in his individual capacity and 1 Equity Share as a nominee on behalf of our Promoter.

** Mr. Rahul Dey holds 10,000 Equity Shares in his individual capacity and 1 Equity Share as a nominee on behalf of our Promoter.

*** Mr. Trilok Nath Shukla holds one Equity Share as a nominee shareholder of our Promoter.

8. ***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 (comprising at least 80% of the paid-up Equity Share capital) as on date of this Red Herring Prospectus:

Sr. No.	Shareholder	Number of Equity Shares	Percentage of equity share capital held (%)
1.	Utkarsh CoreInvest Limited	759,272,222*	84.75
2.	Olympus ACF Pte. Limited	37,037,037	4.13
3.	Bharti AXA Life Insurance Company Limited	23,584,905	2.63
4.	Triodos Sicav II - Triodos Microfinance Fund	21,117,684	2.36
5.	responsAbility Participations Mauritius	13,444,444	1.50
6.	Aavishkaar Bharat Fund	12,962,962	1.45
7.	Growth Catalyst Partners LLC	11,683,722	1.30
	Total	879,102,976	98.12

*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. Raghendra 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 (comprising at least 80% of the paid-up Equity Share capital) as of 10 days prior to the date of this Red Herring Prospectus:

Sr. No.	Shareholder	Number of Equity Shares	Percentage of Equity Share Capital held (%)
1.	Utkarsh CoreInvest Limited	759,272,222*	84.75
2.	Olympus ACF Pte. Limited	37,037,037	4.13
3.	Bharti AXA Life Insurance Company Limited	23,584,905	2.63
4.	Triodos Sicav II - Triodos Microfinance Fund	21,117,684	2.36
5.	responsAbility Participations Mauritius	13,444,444	1.50
6.	Aavishkaar Bharat Fund	12,962,962	1.45
7.	Growth Catalyst Partners LLC	11,683,722	1.30
	Total	879,102,976	98.12

*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. Raghendra 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 Red Herring Prospectus:

Sr. No.	Shareholder	No. of Equity Shares	Percentage of Equity Share capital held (%)
1.	Utkarsh CoreInvest Limited	759,272,222*	84.79
2.	Olympus ACF Pte. Limited	37,037,037	4.14
3.	Bharti AXA Life Insurance Company Limited	23,584,905	2.63

Sr. No.	Shareholder	No. of Equity Shares	Percentage of Equity Share capital held (%)
4.	Triodos Sicav II - Triodos Microfinance Fund	21,117,684	2.36
5.	responsAbility Participations Mauritius	13,444,444	1.50
6.	Aavishkaar Bharat Fund	12,962,962	1.45
7.	Growth Catalyst Partners LLC	11,683,722	1.30
	Total	879,102,976	98.17

*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.

- (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 Red Herring Prospectus:

Sr. No.	Shareholder	No. of Equity Shares	Percentage of Equity Share capital held (%)
1.	Utkarsh CoreInvest Limited*	759,272,222	89.50
2.	Olympus ACF Pte. Limited	37,037,037	4.37
3.	responsAbility Participations Mauritius	13,444,444	1.58
4.	Aavishkaar Bharat Fund	12,962,962	1.53
5.	Triodos Sicav II - Triodos Microfinance Fund	8,539,068	1.01
6.	Legal Owner Triodos Funds B.V. (in its capacity as legal owner of Triodos Fair Share Fund)	8,539,068	1.01
7.	Growth Catalyst Partners LLC	8,539,068	1.01
	Total	848,333,869	100.00

*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.

9. **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, which was last amended by our Bank pursuant to resolutions passed by our Board on July 15, 2022 and our Shareholders on July 19, 2022.

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.

As on date of this Red Herring Prospectus, the Bank has not granted any options under the MD & CEO ESOP Plan.

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, which was last amended by our Bank pursuant to resolutions passed by our Board on July 15, 2022 and our Shareholders on July 19, 2022.

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 and was last amended by our Bank pursuant to resolutions passed by our Board on July 15, 2022 and our Shareholders on July 19, 2022. 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 Companies Act.

The details of the ESOP Plan 2020 and ESOP Scheme 1, as certified by JHS & Associates LLP, Chartered Accountants, through their certificate dated July 6, 2023 are as follows:

Particulars	Details		
	Financial Year/Period	Total number of options granted	Resultant number of Equity Shares
Options granted			
	Financial Year ended 2021	Nil	Nil
	Financial Year ended 2022 <i>*Our Bank has received an approval from RBI on August 31, 2021 for grant of 71,377 options as a part of the annual bonus for MD & CEO for FY 19 – 20, the options were granted with effect from December 28, 2020</i>	16,234,694*	16,234,694*
	Financial Year ended 2023 <i>** Our Bank had received RBI letter dated January 12, 2022 to grant non-cash component of MD & CEO's remuneration for FY 2020-21 amounting to ₹ 6.40 million. Accordingly, our Bank had granted 4,56,817 options to MD & CEO with effect from January 12, 2022. Subsequently, our Bank received the RBI letter dated July 28, 2022 to reduce the non-cash component of MD & CEO's remuneration for FY 2020-21 to ₹ 3.10 million. Accordingly, our Bank has reduced the options granted to MD & CEO, as indicated above, to 221,271 options with effect from January 12, 2022.</i> <i>**Our Bank has received RBI letter dated December 14, 2022 to grant non-cash component of ₹ 6.00 million for FY 2021-22 to MD & CEO. Accordingly, our Bank has granted 626,226 options to MD & CEO with effect from September 17, 2022.</i>	17,847,430**	17,847,430**
	For the period commencing from April 1, 2023 until the date of Red Herring Prospectus	Nil	Nil
	Total options granted as on date of Red Herring Prospectus	34,082,124	34,082,124
No. of employees to whom options were granted	Employees of our Bank (whether currently active or resigned) to whom options were granted as on the date of this Red Herring Prospectus: 276		
Options outstanding as on date of this Red Herring Prospectus	27,639,952		

Particulars	Details		
Exercise price of options	Date of Grant	Number of option	Exercise Price
	December 28, 2020	71,377	14.01
	August 1, 2021	15,611,500	27.00
	October 1, 2021	15,000	30.00
	October 18, 2021 to January 1, 2022	80,000	31.80
	January 12, 2022	221,271*	14.01
	<p><i>*Our Bank has received RBI letter dated January 12, 2022 to grant non-cash component of MD & CEO's remuneration for FY 2020-21 amounting to ₹ 6.40 million. Accordingly, our Bank had granted 456,817 options to MD & CEO with effect from January 12, 2022. Subsequently, our Bank received RBI letter dated July 28, 2022 to reduce the non-cash component of MD & CEO's remuneration for FY 2020-21 to ₹ 3.10 million. Accordingly, our Bank has reduced the options granted to MD & CEO to 221,271 with effect from January 12, 2022</i></p>		
	April 1, 2022 to July 16, 2022	125,000	31.80
	August 1, 2022	16,771,750	27.00
	September 17, 2022	626,226**	31.80
	<p><i>** Our Bank has received RBI letter dated December 14, 2022 to grant non-cash component of ₹6.00 million for FY 2021-22 to MD & CEO. Accordingly, Bank has granted 626,226 options to MD & CEO with effect from September 17, 2022</i></p>		
	September 30, 2022	200,000	31.80
	October 13, 2022	120,000	27.00
	January 1, 2023 to March 31, 2023	240,000	31.80
Options vested (excluding options that have been exercised)	Financial Year/Period	Total number of options vested and not exercised	Resultant number of Equity Shares
	Financial Year ended 2021	Nil	Nil
	Financial Year ended 2022	Nil	Nil
	Financial Year ended 2023	2,824,226	2,824,226
	For the period commencing from April 1, 2023 until the date of this Red Herring Prospectus	25,000	25,000
	Total Option Vested as on date of this Red Herring Prospectus	2,849,226	2,849,226
Options exercised	Financial Year/Period	Total number of options exercised	
	Financial Year ended 2021	Nil	
	Financial Year ended 2022	17,844	
	Financial Year ended 2023	383,141	
	For the period commencing from April 1, 2023 until the date of this Red Herring Prospectus	Nil	
	Total Options exercised as on date of this Red Herring Prospectus	400,985	
Total no. of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)	Financial Year/Period	Total number of options granted (net of cancelled options)	Resultant number of Equity Shares

Particulars	Details		
	As on Financial Year ended 2021	Nil	Nil
	As on Financial Year ended 2022	14,921,694	14,921,694
	As on Financial Year ended 2023	14,865,055	14,865,055
	For the period commencing from April 1, 2023 until the date of this Red Herring Prospectus	-1,745,812*	-1,745,812*
	* During April 1, 2023 till date of this certificate, there was no ESOP granted to employees, however there were ESOP cancelled during the period which have been disclosed above		
	Total full exercise of options granted as on date of this Red Herring Prospectus	28,040,937	28,040,937
Options forfeited/lapsed/cancelled	Financial Year/Period	Total number of options	Resultant number of Equity Shares
	As on Financial Year ended 2021	Nil	Nil
	As on Financial Year ended 2022	1,313,000	1,313,000
	As on Financial Year ended 2023	2,982,375	2,982,375
	For the period commencing from April 1, 2023 until the date of this Red Herring Prospectus	1,745,812	1,745,812
	Total Options forfeited/lapsed/cancelled as on date of this Red Herring Prospectus	6,041,187	6,041,187
Variation in terms of options	Nil		
Money realised by exercise of options	Financial Year/Period	In ₹	
	Financial Year Ended 2021	Nil	
	Financial Year Ended 2022	0.25 million	
	Financial Year Ended 2023	8.13 million	
	For the period commencing from April 1, 2023 until the date of Red Herring Prospectus	Nil	
	Total Money realised by exercise of options	8.38 million	
Total no. of options in force (net of option exercised & net of Options forfeited/lapsed/cancelled)	Financial Year/Period	Total number of options in force	Resultant number of Equity Shares
	Financial Year ended 2021	Nil	Nil
	Financial Year ended 2022	14,903,850	14,903,850
	Financial Year ended 2023	14,481,914	14,481,914
	For the period commencing from April 1, 2023 until the date of Red Herring Prospectus	-1,745,812*	-1,745,812*
	* During April 1, 2023 till date of this certificate, there was no ESOP granted to employees, however there were ESOP cancelled during the period which have been disclosed above		
	Total no. of options in force as on date of Red Herring Prospectus	27,639,952	27,639,952
Employee wise details of options granted to			

Particulars	Details			
(i) Key management personnel and Senior Management	Names	Number of options granted	Number of options outstanding as of the date of this Red Herring Prospectus	Resultant number of Equity Shares out of outstanding options
	Mr. Govind Singh	918,874	730,914	730,914
	Mr. Sarjukumar Pravin Simaria	200,000	200,000	200,000
	Mr. Abhijeet Bhattacharjee	60,000	60,000	60,000
	Mr. Alok Pathak	600,000	600,000	600,000
	Mr. Arun Raman	360,000	350,000	350,000
	Mr. Hitain Sharma	480,000	480,000	480,000
	Mr. Rahul Dey	320,000	310,000	310,000
	Mr. Rahul Sinha	480,000	480,000	480,000
	Mr. Sanjay Sharda	130,000	130,000	130,000
	Mr. Trilok Nath Shukla	600,000	600,000	600,000
	Mr. Umesh Arora	75,000	75,000	75,000
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Names of the employee to whom options were granted	Number of options granted	Number of options outstanding as of the date of this Red Herring Prospectus	Resultant number of Equity Shares out of outstanding options
	Nil	Nil	Nil	Nil
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Bank at the time of grant	Names of the employee to whom options were granted	Number of options granted	Number of options outstanding as of the date of this Red Herring Prospectus	Resultant number of Equity Shares out of outstanding options
	Nil	Nil	Nil	Nil
Fully diluted EPS on a pre-Issue basis on exercise of options calculated in accordance with the applicable accounting standard 'Earning Per Share'	Particular	As at March 31, 2023 (in ₹)	As at March 31, 2022 (in ₹)	As at March 31, 2021 (in ₹)
	Diluted EPS	4.51	0.70	1.46
		<i>* Rounded off to the nearest decimal</i>		
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognised if our Bank had used fair value of options and impact of this difference on profits and EPS of our Bank for the last three fiscals	N.A, as Bank has followed Black-Scholes model for computing the fair value of options granted			
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	The Black-Scholes model has been used for computing the fair value of option granted.			
	The following assumptions are used for calculation of Fair value of grants issued.			
Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2021	
Dividend yield	0.00%	0.00%	Nil	
Expected volatility	46.3% to 49.3%	49.8% to 48.8%	Nil	
Risk free interest rate	6.43% to 7.04%	4.48% to 5.80%	Nil	
Expected life in years	2 to 5	2 to 5	Nil	

Particulars	Details
Impact on profits and EPS of the last three years if our Bank had followed the accounting policies specified in Regulation 15 of the ESOP Regulations in respect of options granted in the last three years	Not applicable, as Bank has followed similar accounting policies, as prescribed under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
Intention of the key managerial personnel, senior management and whole-time directors who are holders of Equity Shares allotted on exercise of options granted to sell their Equity Shares within three months after the date of listing of Equity Shares pursuant to the Issue	Nil
Intention to sell Equity Shares within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of options granted, amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	Not Applicable

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.

10. All the Equity Shares held by our Promoter are held in dematerialized form prior to filing of this Red Herring Prospectus.
11. 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 Red Herring Prospectus.
12. 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 Red Herring Prospectus.
13. Our Bank, our Directors and the BRLMs have not entered into any buy-back or other arrangements for the purchase of Equity Shares.
14. No person connected with the Issue, 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 Issue.
15. 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 Issue shall be fully paid-up at the time of Allotment.
16. Our Bank has no outstanding warrants, options to be issued or rights to convert debentures, loans or other convertible instruments into Equity Shares.
17. Except for issuance of Equity Shares pursuant to exercise of options granted/ may be granted under 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.

18. Except for issuance of Equity Shares pursuant to exercise of options granted/ may be 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/Issue 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 Issue.
19. 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.
20. The BRLMs and any person related to the BRLMs or Syndicate Member cannot apply in the Issue 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 AIFs sponsored by the entities which are associate of the BRLMs or a FPI (other than individuals, corporate bodies and family offices) which are associates of the BRLMs or pension funds sponsored by entities which are associates of the BRLMs.
21. Our Bank shall ensure that any transactions in Equity Shares by our Promoter and Promoter Group (if any) during the period between the date of this Red Herring Prospectus filing in relation to this Issue and the date of closure of the Issue shall be reported to the Stock Exchanges within 24 hours of the transactions.

OBJECTS OF THE ISSUE

Objects of the Issue

In terms of the RBI Licence and the SFB Licensing Guidelines, our Bank was 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. For further details, see “Key Regulations and Policies” and “Risk Factors - Our Bank is subject to stringent regulatory requirements and prudential norms of RBI 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” on pages 195 and 41, respectively.

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

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 Issue are summarized in the following table:

Particulars	Estimated amount (₹ in million)
Gross proceeds of the Issue	5,000
(Less) Issue expenses ⁽¹⁾	[•]
Net Proceeds	[•]

⁽¹⁾ To be finalised upon determination of the Issue 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.

In terms of the SFB Operating Guidelines, our Bank is required to maintain a minimum capital adequacy ratio of 15% of our risk weighted assets on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time, and our Tier - I capital is required to be at least 7.5% of the risk weighted asset. As on March 31, 2023, our Bank’s Tier-1 capital base was ₹ 18,448.22 million (equivalent to 18.25%). While, as on March 31, 2023, our Bank has maintained the capital adequacy ratio in excess of its capital position, our Bank would need to raise equity capital to support our growth plans and aims to maintain a capital adequacy capitalization position above the regulatory threshold. Our Bank proposes to utilize the Net Proceeds from the Issue towards augmenting its Tier – 1 capital base to meet its future capital requirements. Further, the proceeds from the Issue will also be used towards meeting the expenses in relation to the Issue.

Issue Expenses

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

The Issue related expenses primarily include fees payable to the BRLMs and legal counsel, fees payable to the Previous Statutory Auditor, Joint Statutory Auditors, brokerage and selling commission, underwriting commission, commission payable to Registered Brokers, RTAs, CDPs, SCSBs’ fees, Sponsor Banks 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.

The estimated Issue related expenses are as under:

Activity	Estimated expenses ⁽¹⁾ (₹ in million)	As a % of the total estimated Issue expenses ⁽¹⁾	As a % of the total Issue size ⁽¹⁾
BRLMs fees and commissions (including underwriting commission, brokerage and selling commission)	[•]	[•]	[•]
Commission/processing fee for SCSBs	[•]	[•]	[•]

Activity	Estimated expenses ⁽¹⁾ (₹ in million)	As a % of the total estimated Issue expenses ⁽¹⁾	As a % of the total Issue size ⁽¹⁾
and Bankers to the Issue and fee payable to the Sponsor Banks for Bids made by UPI Bidders 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 Issue	[•]	[•]	[•]
Fees payable to the other advisors to the Issue	[•]	[•]	[•]
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 Issue expenses	[•]	[•]	[•]

⁽¹⁾Amounts will be finalised and incorporated in the Prospectus on determination of Issue Price. Issue expenses include applicable taxes, where applicable. Issue expenses are estimates and are subject to change.

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

Portion for Retail Individual Bidders*	0.35% of the Amount Allotted (plus applicable taxes)
Portion for Non-Institutional Bidders*	0.20% of the Amount Allotted (plus applicable taxes)
Employee Reservation Portion*	0.20% of the Amount Allotted (plus applicable taxes)

*Amount allotted is the product of the number of Equity Shares Allotted and the Issue 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.

⁽²⁾No uploading/ processing fees shall be payable by our Bank to the SCSBs on the applications directly procured by them. Processing/ uploading 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*	₹ 10 per valid Bid cum Application Form* (plus applicable taxes)
Portion for Non-Institutional Bidders*	₹ 10 per valid Bid cum Application Form* (plus applicable taxes)
Employee Reservation Portion*	₹ 10 per valid Bid cum Application Form* (plus applicable taxes)

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

⁽³⁾Selling commission on the portion for UPI 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*	0.35% of the Amount Allotted (plus applicable taxes)
Portion for Non-Institutional Bidders*	0.20% of the Amount Allotted (plus applicable taxes)
Employee Reservation Portion*	0.20% of the Amount Allotted (plus applicable taxes)

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

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 UPI Bidders 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: ₹ 10 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.

⁽⁴⁾ Selling commission/ uploading charges payable to the Registered Brokers on the portion for UPI Bidders procured through UPI Mechanism,

Eligible Employees 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*	₹ 10 per valid Bid cum Application Form* (plus applicable taxes)
Portion for Non-Institutional Bidders*	₹ 10 per valid Bid cum Application Form* (plus applicable taxes)
Employee Reservation Portion*	₹ 10 per valid Bid cum Application Form* (plus applicable taxes)

*For each valid application

⁽⁵⁾Uploading charges/ processing fees for applications made by UPI Bidders using the UPI Mechanism would be as under:

Payable to Members of the Syndicate (including their sub-Syndicate Members)/ RTAs / CDPs	₹ 30 per valid Bid cum Application Form (plus applicable taxes)
Payable to Sponsor Banks	ICICI Bank – Rs.6 (plus applicable taxes) per application Axis Bank – Rs.7 (plus applicable taxes) per application The Sponsor Banks 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 Cash Escrow and Sponsor Bank Agreement. Further, the processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the remitter banks (SCSBs) only after such banks provide a written confirmation on compliance with SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.

Means of finance

The fund requirements set out for the aforesaid objects of the Issue 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 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 Issue 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 Red Herring Prospectus, which are proposed to be repaid from the Net Proceeds.

Appraising Entity

None of the objects of the Issue 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 Issue. 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 this 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 Joint Statutory Auditors 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 Issue from the objects of the Issue as stated above; and (ii) details of category wise variations in the actual utilization of the proceeds of the Issue from the objects of the Issue as stated above. This information will also be uploaded onto our website and explanation for 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 read with Regulation 59 and Schedule XX of the SEBI ICDR Regulations, our Bank shall not vary the objects of the Issue 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, the Directors, Key Managerial Personnel and Senior Management. Further, there is no existing or anticipated transactions in relation to utilization of Net Proceeds by our Bank with our Promoter, members of the Promoter Group, the Directors, the Key Managerial Personnel, Senior Management or our Group Company.

BASIS FOR THE ISSUE PRICE

The Price Band will be determined by our Bank, 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 Issue 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” beginning on pages 25, 160, 262 and 347, 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. Sound understanding of microfinance segment and presence in rural and semi-urban areas;
2. Growing deposits with focus on retail deposits;
3. Diversified distribution network with significant cross-selling opportunities;
4. Focus on risk management and effective operations; and
5. Stable growth with cost efficient operational performance;
6. Leadership complementing our strengths.

For further details, see “Our Business - Strengths” beginning on page 162.

Quantitative Factors

Some of the information presented below relating to our Bank is derived from the Restated Financial Statements. For details, see “Financial Statements” beginning on page 262.

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

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

As per the Restated Financial Statements:

Fiscal Year ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2023	4.52	4.51	3
March 31, 2022	0.70	0.70	2
March 31, 2021	1.46	1.46	1
Weighted Average	2.74	2.73	

Notes:

- i. Basic earnings per shares = Net profit after tax, as restated, attributable to equity shareholders / Weighted average number of basic Equity Shares outstanding during the period/years
- ii. Diluted earnings per share = Net profit after tax, as restated, attributable to equity shareholders / 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. (EPS x 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 “Restated Financial Statements” beginning on page 265.

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 2023	[•]	[•]
Based on diluted EPS for Fiscal 2023	[•]	[•]

* To be updated at Prospectus stage.

C. 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 403.33, the lowest P/E ratio is 6.93 and the average P/E ratio is 67.78.

Particulars	Industry Peer P/E	Name of the company	Face value of the equity shares (₹)
Highest	403.33	Spandana Spoorthy Financial Limited	10
Lowest	6.93	Ujjivan Small Finance Bank Limited	10
Average	67.78	-	-

Note:

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 the Issue Price – G. Comparison of accounting ratios with with Listed Industry Peers" beginning on page 107.

D. Industry Peer P/B ratio

Based on the peer group information (excluding our Bank) given below in this section, the highest P/B ratio is 4.67, the lowest P/B ratio is 1.12 and the average P/B ratio is 2.45.

Particulars	Industry Peer P/B	Name of the company	Face value of the equity shares (₹)
Highest	4.67	AU Small Finance Bank Limited	10
Lowest	1.12	Suryoday Small Finance Bank Limited	10
Average	2.45	-	-

Note:

The industry high and low have been considered from the industry peer set provided later in this chapter. The industry composite has been calculated as the arithmetic average P/B of the industry peer set disclosed in this section. For further details, see "Basis for the Issue Price – G. Comparison of accounting ratios with with Listed Industry Peers" beginning on page 107.

E. Return on Net Worth ("RoNW")

Derived from the Restated Financial Statements:

Fiscal Year ended	RoNW (%)	Weight
March 31, 2023	20.22	3
March 31, 2022	3.91	2
March 31, 2021	8.17	1
Weighted Average		12.78

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 = Net Profit, as restated, attributable to equity shareholders / Net Worth, as restated 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 "Restated Financial Statements" beginning on page 265.

F. Net Asset Value ("NAV") per Equity Share

Fiscal year ended/ Period ended	NAV per Equity Share (₹)
As on March 31, 2023	22.33
As on March 31, 2022	17.56
As on March 31, 2021	16.13
After the completion of the Issue:	
- At the Floor Price	[•]
- At the Cap Price	[•]
Issue Price*	[•]

* To be updated at Prospectus stage.

Notes:

- Net asset value per equity shares = Net Worth, as per restated at the end of the period or years / Total number of Equity Shares outstanding at the end of the period/years
- Net worth as per restated financials (Capital and Reserves and Surplus)

G. Comparison of accounting ratios with Listed Industry Peers

Following is the comparison with our peer group companies listed in India and in the same line of business as our Bank:

Name of the company	Total Income (₹ in million)	Face Value (₹)	P/E	P/B	EPS (Basic) (₹)	EPS (Diluted) (₹)	RoNW (%)	NAV per equity share (₹)
Utkarsh Small Finance Bank Limited*	28,042.86	10	[•]	[•]	4.52	4.51	20.22%	22.33
Listed Peers								
Equitas Small Finance Bank Limited	48,314.64	10	19.61	1.97	4.71	4.67	11.12%	46.44
Ujjivan Small Finance Bank Limited	47,541.90	10	6.93	2.01	5.88	5.87	27.79%	20.25
Credit Access Grameen Limited	35,507.90	10	24.13	3.82	52.04	51.82	16.18%	326.89
Spandana Sphoorty Financial Limited	14,770.32	10	403.33	1.61	1.74	1.74	0.40%	436.58
Bandhan Bank Limited	183,732.50	10	16.51	1.85	13.62	13.62	11.21%	121.58
AU Small Finance Bank Limited	92,398.73	10	35.36	4.67	21.86	21.74	13.01%	164.64
Suryoday Small Finance Bank Limited	12,811.00	10	22.90	1.12	7.32	7.32	4.90%	149.28
Fusion Micro Finance Limited	17,999.70	10	13.50	2.52	43.29	43.13	16.67%	230.74

* Financial information for Utkarsh Small Finance Bank Limited is derived from the Restated Financial Statements for the year ended March 31, 2023

Note:

- 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 publicly available resources, being the annual reports/ financial results as available of the respective company for the year ended March 31, 2023
- P/E ratio is calculated as closing share price (July 5, 2023, - BSE) / Diluted EPS for year ended March 31, 2023
- P/B ratio is calculated as closing share price (July 5, 2023, -BSE) / NAV per share for year ended March 31, 2023
- Basic and Diluted EPS as reported in the annual report/financial results of the company for the year ended March 31, 2023.
- Return on net worth (%) = Net profit/(loss) after tax / Net worth at the end of the year
- 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
- Net worth includes share capital, reserve and surplus.
- The audited financial statement for the year ended March 2023 of Credit Access Grameen Limited, Spandana Sphoorty Financial Limited and Fusion Micro Finance Limited were prepared as per Ind AS and Utkarsh Small Finance Bank Limited, AU Small Finance Bank Limited, Equitas Small Finance Bank Limited, Ujjivan Small Finance Bank Limited and Bandhan Bank Limited were prepared as per Indian GAAP.

H. Key operational and financial performance indicators of our Bank

The following are the key performance indicators (“KPIs”) that have been considered for arriving at the basis for the Issue Price:

Key Performance Indicators (KPIs)	Fiscal 2021	Fiscal 2022	Fiscal 2023
Banking Outlets	558	686	830
Gross Loan Portfolio (₹ in million)	84,156.60	106,307.25	139,571.08
Gross Loan Portfolio Growth (%)	26.34%	26.32%	31.29%
Secured Advances as % of Total Advances	13.82%	21.99%	33.08%
Total Deposits (₹ in million)	75,075.68	100,741.83	137,101.40
Total Deposits Growth (%)	43.41%	34.19%	36.09%
CASA Ratio (%)	17.68%	22.37%	20.89%
CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) (%)	57.51%	59.64%	61.55%

Key Performance Indicators (KPIs)		Fiscal 2021	Fiscal 2022	Fiscal 2023
Capital	Net Worth (₹ in million)	13,683.53	15,722.97	20,003.21
	Total Capital Ratio (CRAR) (%)	21.88%	21.59%	20.64%
	Tier 1 Capital Ratio (%)	19.98%	18.08%	18.25%
	Cost of Deposits (%)	7.89%	6.92%	6.71%
	Cost of Funds (%)	8.27%	7.47%	6.96%
Asset Quality	Gross NPA (%)	3.75%	6.10%	3.23%
	SMA 1 %	2.62%	1.59%	0.77%
	SMA 2 %	1.14%	0.88%	0.70%
	Provision Coverage Ratio (excluding technical write-offs)(%)	65.49%	63.62%	88.29%
	Standard Restructured Advances (%)	3.13%	1.26%	0.22%
	Net NPA (%)	1.33%	2.31%	0.39%
	Net Profit (₹ in million)	1,118.15	614.62	4,045.02
Profitability	Yield on Advances (%)	20.64%	19.57%	19.88%
	Net Interest Margin (%)	8.20%	8.75%	9.57%
	Credit Cost Ratio (%)	3.97%	5.03%	2.61%
	Operating Expenses to Total Average Assets (%)	5.10%	5.78%	5.92%
	Cost to Income Ratio (%)	56.54%	58.90%	54.15%
	Return on Total Average Assets (%)	1.05%	0.48%	2.42%
	Return on Average Equity (%)	9.99%	4.14%	22.84%
	Basic EPS	1.46	0.70	4.52
Others	Net Asset Value per Equity Share	16.13	17.56	22.33

I. Description on the historic use of the KPIs of our Bank to analyse, track or monitor the operational and/or financial performance of our Bank

The KPIs disclosed below have been used historically by us to understand and analyze the business performance, which in result, helps us in tracking and monitoring our performance in comparison to our peers. The Bidders can refer to the below-mentioned KPIs, being a combination of financial indicators and operational key performance indicators, to assess our performance over the last three Fiscals and make an informed decision. The KPIs mentioned below are the only relevant and material KPIs pertaining to us which may have a bearing on the Issue Price.

Key Performance Indicator	Description and rationale
Operations	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 four hours per day for at least five days a week.
Banking Outlets	This metric is used by the management to assess the physical presence, footprints and geographical expansion of the business of our Bank.
Gross Loan Portfolio	Gross Loan Portfolio includes on-book and off-book advances.
Gross Loan Portfolio Growth	Gross Loan Portfolio Growth represents growth in Gross Loan Portfolio for the relevant period/year as a percentage of Gross Loan Portfolio for the previous period/year.
Secured Advances as % of Total Advances	Secured Advances as % of Total Advances is total of secured loan which includes advances secured by tangible assets (includes advances against fixed
	These metrics are used by the management to assess the growth in terms of scale and composition of business of our Bank.

Key Performance Indicator		Description and rationale
		deposits and book debts) and advances covered by bank or government guarantees/ total advances, in percentage form.
		Total Advances is the aggregate of bills, purchased and discounted, cash credits, overdrafts and loans repayable on demand and term loans.
	Total Deposits	Total deposits include saving deposits, current deposits and term deposits. Saving deposits are demand deposits for customers that accrue interest, current deposits are demand deposits for customers that do not accrue interest.
	Total Deposits Growth	Total Deposits Growth represents increase in deposits for the relevant period/year as a percentage of total deposits for the previous period/year
	CASA Ratio (%)	CASA Ratio represents demand deposits and savings bank deposits as a percentage of Total Deposits
	CASA + Retail Term Deposits Ratio (as percentage of Total Deposits)	CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) represents demand deposits and savings bank deposits and retail term deposits as a percentage of Total Deposits. Retail term deposits are deposits below ₹ 20 million (except deposits received from other banks)
Capital	Net Worth	A sum of Capital and Reserves
	Total Capital Ratio (CRAR) (%)	Total Capital Ratio (CRAR) is the total of Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)
	Tier 1 Capital Ratio (%)	Tier 1 Capital Ratio consists mainly of share capital and disclosed reserves, and it is a bank's highest quality capital because it is fully available to cover losses.
	Cost of Deposits (%)	Cost of Deposits is defined as total interest paid on deposits / Average Deposits
	Cost of Funds (%)	Cost of Funds is interest expended divided by total average interest bearing liabilities calculated on the basis of quarterly average
		These metrics are used by the management to ensure the adequacy of capital for the business growth of our Bank.
		These metrics are used by the management to assess the cost for financial resources which are deployed for the business growth of our Bank.
Asset Quality	Gross NPA (%)	Gross NPA (%) is gross non-performing assets as at the year/period end / Gross Advances
	SMA 1 %	SMA 1 % – Special Mention Account 1 refers to those standard advances accounts that show overdue between 31 to 60 days as a percentage of Gross Loan Portfolio
	SMA 2 %	SMA 2 %- Special Mention Account 2 refers to those standard advances accounts that show overdue between 61 to 90 days as a percentage of Gross Loan Portfolio
	Provision Coverage Ratio (excluding technical write-	Provision Coverage Ratio (excluding technical write-offs) (%) is calculated as (GNPA-NNPA)/ GNPA, in percentage form

Key Performance Indicator	Description and rationale	
offs)(%)		
Standard Restructured Advances (%)	Standard Restructured Advances is a Standard Restructured Outstanding Portfolio as % of Gross Advances.	
Standard Restructured Advances (%)	Standard Restructured Outstanding Portfolio is balance outstanding for loans which were restructured earlier and are standard as on reporting date	
Net NPA (%)	Net NPA is net Non-Performing Assets as at the year/period end / Net Advances	
Profitability		
Net Profit	Net Profit is net profit after tax available for equity shareholders	This metrics is used by the management for assessing the financial performance of our Bank during a particular period.
Yield on Advances (%)	Yield on Advances is interest earned on loans and advances / average of total advances on book calculated on the basis of quarterly average balances	
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.	
Credit Cost Ratio (%)	Credit Cost Ratio is credit cost (including Provisions and write-offs) / average of total balance of advances calculated on the basis of quarterly average balances	These metrics are used by the management to assess the financial and profitability metrics and cost efficiency of the business of our Bank.
Operating Expenses to Total Average Assets (%)	Operating Expenses to Total Average Assets is expressed as Operating expenses as percentage of total average assets calculated on the basis of quarterly average balances	
Cost to Income Ratio (%)	Cost to Income Ratio is Operating expenses / (net interest income + other income)	
Return on Total Average Assets (%)	Return on Total Average Assets is Profit after tax / average of total assets on book calculated on the basis of quarterly average balances	These metrics are used by the management to assess the returns on the deployed capital and the assets in the business of our Bank
Return on Average Equity (%)	Return on Average Equity is profit after tax / average net worth calculated on the basis of quarterly average balances	
Others		
Basic EPS	Basic EPS 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.	These metrics are used by the management to assess the Earnings on the Capital deployed in the business and value per equity share of the net assets of our Bank.
Net Asset Value per Equity Share	Net Asset Value per Equity Share is defined as Net Worth, as restated at the end of the period or years / Total number of Equity Shares outstanding at the end of the period/years.	

J. Comparison of KPIs with Listed Peers

Table 1:

	Utkarsh Small Finance Bank Limited			Equitas Small Finance Bank Limited			Ujjivan Small Finance Bank Limited		
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021
Operations									
Banking Outlets	830	686	558	938	869	861	644	575	575
Gross Loan Portfolio (₹ in million)	1,39,571	1,06,307	84,157	278,610	2,05,970	1,79,250	2,40,850	1,74,877	1,64,631
Gross Loan Portfolio Growth (%)	31.29%	26.32%	26.34%	35.27%	14.91%	16.65%	32.61%	6.22%	16.32%
Secured Advances as % of Total Advances	33.08%	21.99%	13.82%	NA	80.78%	80.41%	27.00%	26.16%	27.38%
Total Deposits (₹ in million)	1,37,101	1,00,742	75,076	2,53,806	1,89,510	1,63,920	2,55,380	1,82,922	1,31,358
Total Deposits Growth (%)	36.09%	34.19%	43.41%	33.93%	15.61%	51.95%	39.61%	39.26%	21.85%
CASA Ratio (%)	20.89%	22.37%	17.68%	42.30%	52.00%	34.25%	26.40%	27.30%	20.55%
CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) (%)	61.55%	59.64%	57.51%	77.50%	89.43%	70.05%	66.00%	54.24%	47.52%
Capital									
Net Worth	20,003	15,723	13,684	51,579	42,460	33,963	42,090	27,604	31,750
Total Capital Ratio (CRAR) (%)	20.64%	21.59%	21.88%	23.80%	25.16%	24.18%	25.81%	18.99%	26.44%
Tier 1 Capital Ratio (%)	18.25%	18.08%	19.98%	23.08%	24.53%	23.23%	22.69%	17.70%	25.06%
Cost of Deposits (%)	6.71%	6.92%	7.89%	NA	6.42%	7.14%	NA	5.69%	6.53%
Cost of Funds (%)	6.96%	7.47%	8.27%	6.48%	6.75%	7.66%	6.08%	5.70%	6.93%
Asset Quality									
Gross NPA (%)	3.23%	6.10%	3.75%	2.60%	4.24%	3.73%	2.60%	7.34%	7.07%
SMA 1 %	0.77%	1.59%	2.62%	NA	NA	NA	NA	NA	NA
SMA 2 %	0.70%	0.88%	1.14%	NA	NA	NA	NA	NA	NA
Provision Coverage Ratio (excluding technical write-offs) (%)	88.29%	63.62%	65.49%	56.90%	42.73%	58.59%	98.00%	92.20%	60.34%
Standard Restructured Advance Ratio (%)	0.22%	1.26%	3.13%	NA	3.12%	NA	NA	NA	NA
Net NPA (%)	0.39%	2.31%	1.33%	1.14%	2.47%	1.58%	0.04%	0.61%	2.93%
Profitability									
Net Profit (₹ in million)	4,045	615	1,118	5,736	2,810	3,842	11,000	-4,146	83
Yield on Advances (%)	19.88%	19.57%	20.64%	16.67%	17.33%	18.96%	19.73%	16.73%	18.22%
Net Interest Margin (%)	9.57%	8.75%	8.20%	8.22%	7.89%	8.17%	9.48%	8.07%	8.91%
Credit Cost Ratio (%)	2.61%	5.03%	3.97%	1.32%	2.73%	2.45%	0.06%	7.41%	5.60%
Operating Expenses to Total Average Assets (%)	5.92%	5.78%	5.10%	6.59%	6.60%	6.04%	6.33%	6.80%	6.34%

	Utkarsh Small Finance Bank Limited			Equitas Small Finance Bank Limited			Ujjivan Small Finance Bank Limited		
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021
Cost to Income Ratio (%)	54.15%	58.90%	56.54%	63.41%	66.12%	59.99%	54.82%	71.68%	60.34%
Return on Total Average Assets (%)	2.42%	0.48%	1.05%	1.85%	1.09%	1.75%	3.86%	-1.89%	0.04%
Return on Average Equity (%)	22.84%	4.14%	9.99%	12.20%	7.35%	12.52%	31.37%	-13.97%	0.26%
Others									
Basic EPS	4.52	0.70	1.46	4.71	2.43	3.53	5.88	-2.40	0.05
Net Asset Value per Equity Share	22.33	17.56	16.13	NA	33.91	29.81	20.50	15.10	17.50

NA means Not Applicable; Source: CRISIL Report, page 158

Table 2:

	Credit Access Grameen Limited			Spandana Sphoorty Financial Limited			Bandhan Bank Limited		
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021
Operations									
Banking Outlets	1,786	1,164	964	1,227	1,120	1,052	6,012	5,629	5,310
Gross Loan Portfolio (₹ in millions)	1,75,610	1,37,320	1,13,410	85,110	61,599	73,285	10,91,200	9,93,380	8,70,430
Gross Loan Portfolio Growth (%)	27.88%	21.08%	14.60%	29.33%	-15.95%	46.04%	9.85%	14.13%	29.46%
Secured Advances as % of Total Advances	NA	0.08%	0.06%	NA	1.87%	1.64%	NA	33.15%	30.21%
Total Deposits (₹ in million)	NM	NM	NM	NM	NM	NM	10,80,693	9,63,306	7,79,722
Total Deposits Growth (%)	NM	NM	NM	NM	NM	NM	12.19%	23.54%	36.60%
CASA Ratio (%)	NM	NM	NM	NM	NM	NM	39.30%	41.61%	43.38%
CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) (%)	NM	NM	NM	NM	NM	NM	71.20%	77.30%	78.80%
Capital									
Net Worth	51,070	39,398	36,340	30,992	30,899	27,511	1,95,842	1,73,811	1,74,082
Total Capital Ratio (CRAR) (%)	23.58%	26.54%	31.75%	36.87%	50.74%	39.20%	19.76%	20.10%	23.47%
Tier 1 Capital Ratio (%)	NA	25.87%	30.50%	NA	50.55%	39.74%	18.70%	18.89%	14.63%
Cost of Deposits (%)	NM	NM	NM	NM	NM	NM	NA	4.95%	5.87%
Cost of Funds (%)	8.30%	8.18%	8.82%	12.86%	11.86%	10.10%	5.34%	4.88%	5.89%
Asset Quality									
Gross NPA (%)	1.21%	3.12%	4.38%	1.95%	15.0%	5.60%	4.90%	6.46%	6.81%
SMA 1 %	NA	NA	NA	NA	NA	NA	NA	NA	NA
SMA 2 %	NA	NA	NA	NA	NA	NA	NA	NA	NA
Provision Coverage Ratio (excluding technical write-offs) (%)	71.58%	70.55%	NA	70.00%	NA	NA	76.82%	87.23%	67.38%
Standard Restructured Advance Ratio (%)	NA	NA	NA	NA	NA	NA	NA	NA	NA

	Credit Access Grameen Limited			Spandana Sphoorty Financial Limited			Bandhan Bank Limited		
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021
Net NPA (%)	0.35%	0.94%	1.37%	0.58%	6.20%	3.10%	1.20%	1.66%	3.51%
Profitability									
Net Profit (₹ in million)	8,260	3,821	1,420	124	695	1,455	21,946	1,258	22,055
Yield on Advances (%)	19.39%	19.16%	19.67%	19.24%	21.47%	22.88%	13.86%	13.88%	14.69%
Net Interest Margin (%)	10.75%	9.72%	9.80%	9.96%	12.12%	14.73%	6.29%	6.87%	7.32%
Credit Cost Ratio (%)	2.04%	4.16%	6.85%	6.07%	7.72%	10.83%	2.85%	8.98%	6.67%
Operating Expenses to Total Average Assets (%)	4.22%	3.93%	3.84%	5.55%	4.76%	3.26%	3.15%	2.78%	2.73%
Cost to Income Ratio (%)	37.40%	35.38%	34.57%	51.01%	38.56%	21.63%	39.54%	30.54%	29.13%
Return on Total Average Assets (%)	4.20%	2.78%	1.22%	0.15%	0.91%	2.02%	1.49%	0.10%	2.13%
Return on Average Equity (%)	17.81%	10.09%	4.51%	0.40%	2.38%	5.41%	11.87%	0.72%	13.53%
Others									
Basic EPS	52.04	24.54	9.52	1.74	10.75	22.55	13.62	0.78	13.70
Net Asset Value per Equity Share	NA	NA	NA	NA	NA	NA	NA	100.14	106.47

NA means Not Applicable

NM means Not Meaningful;

Source: CRISIL Report, page 158

Table 3:

	AU Small Finance Bank Limited			Suryoday Small Finance Bank Limited			Fusion Micro Finance Limited		
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021
Operations									
Banking Outlets	795	919	744	519	565	556	1,086	934	725
Gross Loan Portfolio (₹ in millions)	5,91,580	4,67,890	3,53,560	61,140	50,640	42,060	92,960	67,860	46,380
Gross Loan Portfolio Growth (%)	23.68%	32.34%	29.83%	20.75%	20.40%	13.34%	36.99%	46.31%	28.60%
Secured Advances as % of Total Advances	92.00%	90.74%	93.91%	39.00%	30.34%	26.38%	NA	0.43%	0.08%
Total Deposits (₹ in million)	6,93,650	5,25,846	3,59,793	57,667	38,490	32,550	NM	NM	NM
Total Deposits Growth (%)	31.91%	46.15%	37.51%	34.24%	18.25%	14.25%	NM	NM	NM
CASA Ratio (%)	38.00%	37.29%	23.00%	17.10%	18.81%	15.45%	NM	NM	NM
CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) (%)	69.00%	66.00%	56.88%	73.10%	78.10%	80.00%	NM	NM	NM
Capital									
Net Worth	1,09,773	74,727	61,721	15,847	15,051	15,969	23,219	13,379	12,464
Total Capital Ratio (CRAR) (%)	23.59%	20.99%	23.37%	33.70%	37.90%	51.50%	27.94%	21.94%	27.26%
Tier 1 Capital Ratio (%)	21.80%	19.69%	21.53%	30.80%	34.40%	47.20%	NA	19.93%	25.52%
Cost of Deposits (%)	NA	5.11%	5.98%	NA	6.43%	7.81%	NM	NM	NM

	AU Small Finance Bank Limited			Suryoday Small Finance Bank Limited			Fusion Micro Finance Limited		
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021
Cost of Funds (%)	5.63%	5.29%	6.50%	6.10%	6.31%	8.09%	10.24%	9.83%	10.29%
Asset Quality									
Gross NPA (%)	1.66%	1.98%	4.25%	3.13%	11.80%	9.41%	3.46%	5.71%	5.50%
SMA 1 %	NA	NA	NA	NA	NA	NA	NA	NA	NA
SMA 2 %	NA	NA	NA	NA	NA	NA	NA	NA	NA
Provision Coverage Ratio (excluding technical write-offs) (%)	75.00%	75.00%	50.00%	51.43%	69.83%	63.73%	75.50%	71.26%	NA
Standard Restructured Advance Ratio (%)	NA	2.50%	1.80%	NA	10.40%	2.70%	NA	NA	NA
Net NPA (%)	0.42%	0.50%	2.18%	1.55%	5.97%	4.73%	0.87%	1.71%	2.20%
Profitability									
Net Profit (₹ in million)	14,279	11,300	11,707	777	-930	120	3,871	217	439
Yield on Advances (%)	13.10%	12.10%	12.82%	19.04%	18.72%	17.73%	22.92%	20.71%	21.48%
Net Interest Margin (%)	5.56%	5.36%	5.05%	8.28%	7.85%	6.80%	11.50%	8.66%	9.54%
Credit Cost Ratio (%)	0.19%	0.89%	2.27%	2.62%	8.98%	4.50%	2.41%	5.62%	4.38%
Operating Expenses to Total Average Assets (%)	4.32%	4.00%	3.54%	5.62%	5.55%	5.44%	5.34%	4.75%	4.37%
Cost to Income Ratio (%)	63.01%	57.07%	43.46%	60.02%	60.93%	64.44%	38.44%	45.81%	44.26%
Return on Total Average Assets (%)	1.79%	1.87%	2.50%	0.86%	-1.25%	0.20%	4.65%	0.33%	0.87%
Return on Average Equity (%)	15.44%	16.56%	22.31%	5.03%	-6.00%	0.89%	21.16%	1.68%	3.60%
Others									
Basic EPS	21.86	18.03	38.19	7.32	-8.76	1.32	43.29	2.67	5.56
Net Asset Value per Equity Share	165.00	239.00	201.00	149.28	140.00	150.40	NA	NA	NA

NA means Not Applicable

NM means Not Meaningful

Source: CRISIL Report, page 159

K. Disclosure of all the Key Performance Indicators pertaining to our Bank that have been disclosed to its investors at any point of time during the three years preceding to the date of this Red Herring Prospectus

The Audit Committee vide their resolution dated July 6, 2023, has taken on record that other than the key performance indicators set forth under “– Key Performance Indicators” above, our Bank has not disclosed any other such key performance indicators during the last three years preceding the date of the RHP previously to our earlier investors. Further, the KPIs herein have been certified by JHS & Associates LLP, Chartered Accountants pursuant to certificate dated July 6, 2023.

L. WACA, floor price and cap price

1. *The price per share of our Bank based on the primary/ new issue of Equity Shares or convertible securities*

Our Bank has not issued any Equity Shares or convertible securities, excluding Equity Shares issued under an employee stock option scheme and issuance of bonus shares, during the 18 months preceding the date of this Red Herring Prospectus, where such issuance is equal to or more than 5% of the fully diluted paid-up Equity Share capital of our Bank (calculated based on the pre-Issue capital before such transaction(s) and excluding employee stock options granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days.

2. *The price per share of our Bank based on secondary sale/ acquisitions of Equity Shares or convertible securities*

There have been no secondary sale/ acquisitions of Equity Shares or any convertible securities, by our Promoter during the 18 months preceding the date of this Red Herring Prospectus, where either acquisition or sale is equal to or more than 5% of the fully diluted paid up equity share capital of our Bank (calculated based on the pre-Issue capital before such transaction/s and excluding employee stock options granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days.

As on the date of this Red Herring Prospectus, other than our Promoter, there are no persons or entities that form a part of our Promoter Group.

3. Since there are no such transaction to report to under L(1) and (2) above, the following are the details basis the last five primary transactions (excluding Equity Shares issued under an employee stock option scheme and issuance of bonus Equity Shares, as applicable) or secondary transactions (secondary transactions where Promoter* is a party to the transaction), not older than three years prior to the date of this Red Herring Prospectus irrespective of the size of transaction:

* As on the date of this Red Herring Prospectus, other than our Promoter, there are no persons or entities that form a part of our Promoter Group.

Primary transactions

Date of allotment	Nature of transaction	No. of Equity Shares	Cost per Equity Share (in ₹)	Total Cost (in ₹)	Cumulative amount paid for the Equity Shares (in ₹)	Cumulative No. of Equity Shares
September 29, 2021	Private placement	4,402,515	31.80	139,999,977	139,999,977	4,402,515
September 1, 2021	Private placement	3,459,119	31.80	109,999,984	249,999,961	7,861,634
August 18, 2021	Private placement	3,144,654	31.80	99,999,997	349,999,958	11,006,288
August 13, 2021	Private placement	12,578,616	31.80	399,999,989	749,999,947	23,584,904
August 2, 2021	Private placement	23,584,905	31.80	749,999,979	1,499,999,926	47,169,809

Date of allotment	Nature of transaction	No. of Equity Shares	Cost per Equity Share (in ₹)	Total Cost (in ₹)	Cumulative amount paid for the Equity Shares (in ₹)	Cumulative No. of Equity Shares
Total					1,499,999,926	47,169,809
Weighted average cost of acquisition						31.80

Secondary transactions

Date of acquisition/ transfer	Nature of transaction	No. of Equity Shares	Cost per Equity Share (in ₹)	Total Cost (in ₹)	Cumulative amount paid for the Equity Shares (in ₹)	Cumulative No. of Equity Shares
November 23, 2020 ^s	Transfer of ownership by Mr. Abhisheka Kumar to Utkarsh CoreInvest Limited	1,000	27.00	27,000	27,000	1,000
Total					27,000	1,000
Weighted average cost of acquisition						27.00

^sPursuant 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 Utkarsh CoreInvest Limited, holding 1,000 Equity Shares. On November 23, 2020, Mr. Abhisheka Kumar transferred the legal ownership of 999 Equity Shares to the Promoter, and one Equity Share to Mr. Rahul Dey who was designated as a nominee shareholder of Utkarsh CoreInvest Limited on November 27, 2020

4. Weighted average cost of acquisition, floor price and cap price

Past Transactions	Weighted Average Cost of Acquisition (in ₹)**	Floor price in ₹ [•] [#]	Cap price in ₹ [•] [#]
WACA* of primary issuance	31.80	[•] times	[•] times
WACA* of secondary transactions	27.00	[•] times	[•] times

* WACA- Weighted average cost of acquisition

[#]To be included on finalisation of the Price Band

** As certified by JHS & Associates LLP, Chartered Accountants, vide their certificate dated July 6, 2023.

M. The Issue Price is [•] times of the face value of the Equity Shares

The Issue Price is [•] times of the face value of the Equity Shares. The Issue Price of ₹ [•] has been determined by our Bank in consultation with the Book Running Lead Managers, on the basis of assessment 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 25, 160, 347 and 262, respectively, to have a more informed view. The trading price of our Equity Shares could decline due to the factors mentioned in “Risk Factors” beginning on page 25 and you may lose all or part of your investments.

STATEMENT OF SPECIAL TAX BENEFITS

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO UTKARSH SMALL FINANCE BANK LIMITED (“THE BANK”) AND THE SHAREHOLDERS OF THE BANK UNDER THE DIRECT AND INDIRECT TAX LAWS IN INDIA

The Board of Directors

Utkarsh Small Finance Bank Limited

Utkarsh Tower, NH - 31 (Airport Road),
Sehmalpur, Kazi Sarai, Harhua,
Varanasi - 221105
Uttar Pradesh, India

Dear Sirs,

Sub: Statement of possible Special Tax Benefits available to the Bank and its equity shareholders under the direct and indirect tax laws

We refer to the proposed initial public offering of equity shares (the “**Offer**”) of Utkarsh Small Finance Bank Limited) (“**USFBL**” or the “**Bank**”). We enclose herewith the statement (the “**Annexure**”) showing the current position of special tax benefits available to the Bank and to its shareholders as per the provisions of the Indian direct and indirect tax laws including the Income-tax Act, 1961 (Act) as amended by the Finance Act 2023, i.e. applicable for the Financial Year 2023-24 relevant to the Assessment Year 2024-25, 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 (collectively the “**GST Act**”), the Customs Act, 1962 (“**Customs Act**”) and the Customs Tariff Act, 1975 (“**Tariff Act**”) (collectively the “**Taxation Laws**”) including the rules, regulations, circulars and notifications issued in connection with the Taxation Laws, as presently in force and applicable to the Assessment Year 2024-25 relevant to the Financial Year 2023-24 for inclusion in the Red Herring Prospectus (“**RHP**”) and Prospectus for the proposed initial public offering of shares of the Bank as required under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**ICDR Regulations**”).

Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Taxation Laws. Hence, the ability of the Bank or its shareholders to derive these direct and indirect tax benefits is dependent upon their fulfilling such conditions.

The benefits discussed in the enclosed Annexure are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information and explanations obtained from the Bank. This statement is only intended to provide general information to guide 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 and the changing tax laws, each investor is advised to consult their own tax consultants, with respect to the specific tax implications arising out of their participation in the Offer particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail. We are neither suggesting nor are we advising the investors to invest or not to invest money based on this statement.

We do not express any opinion or provide any assurance whether:

- The Bank or its Shareholders will continue to obtain these benefits in future;
- The conditions prescribed for availing the benefits have been/would be met;
- The revenue authorities/courts will concur with the views expressed herein.

This statement is provided solely for the purpose of assisting the Bank in discharging its responsibilities under the ICDR Regulations. We hereby give our consent to include this report and the enclosed Annexure regarding the tax benefits available to the Bank and its shareholders in the RHP and Prospectus for the proposed initial public offer of equity shares which the Bank intends to file with the Registrar of Companies, Uttar Pradesh and submit to the Securities and Exchange Board of India and the National Stock Exchange of India Limited and BSE Limited (the “**Stock Exchanges**”) where the equity shares of the Bank are proposed to be listed, as applicable, provided that the below statement of limitation is included in the RHP and Prospectus.

LIMITATIONS

Our views expressed in the enclosed Annexure are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the information, explanations and representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank and the existing provisions of taxation laws in force in India and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors and third parties who may or may not invest in the initial public offer relying on the statement. This statement has been prepared solely in connection with the proposed initial public offering of equity shares of the Bank under the ICDR Regulations.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 117365W)

For **Kirtane & Pandit LLP**
Chartered Accountants
(Firm Registration No. 105215W/W100057)

G. K. Subramaniam
Partner
Membership No. 109839
UDIN: 23109839BGXPZB2149
Place: Mumbai
Date: May 31, 2023

Aditya Kanetkar
Partner
Membership No. 149037
UDIN: 23149037BGUGJN3806
Place: Mumbai
Date: May 31, 2023

**ANNEXURE TO THE STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO UTKARSH
SMALL FINANCE BANK LIMITED (“BANK”) AND BANK’S SHAREHOLDERS
 (“SHAREHOLDERS”)**

The information provided below sets out the possible special direct and indirect tax benefits available to Utkarsh Small Finance Bank Limited (“USFBL” or “the Bank”) and the shareholders of the Bank in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares of the Bank, under the current Tax Laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant Tax Laws. Hence, the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business / commercial imperatives a shareholder faces, may or may not choose to fulfill. We do not express any opinion or provide any assurance as to whether the Bank or its shareholders will continue to obtain these benefits in future. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. 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. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

The statement below covers only relevant special direct and indirect tax law benefits and does not cover benefits under any other law.

INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX CONSULTANT WITH RESPECT TO THE TAX IMPLICATIONS OF AN INVESTMENT AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN THE SECURITIES, PARTICULARLY IN VIEW OF THE FACT THAT CERTAIN RECENTLY ENACTED LEGISLATION MAY NOT HAVE A DIRECT LEGAL PRECEDENT OR MAY HAVE A DIFFERENT INTERPRETATION ON THE BENEFITS, WHICH AN INVESTOR CAN AVAIL IN THEIR PARTICULAR SITUATION.

STATEMENT OF POSSIBLE SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE BANK AND SHAREHOLDERS OF THE BANK

A. SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE BANK

The statement of tax benefits enumerated below is as per the Act as amended from time to time and applicable for Financial Year 2023-24 relevant to Assessment Year 2024-25.

Lower Corporate tax rate under section 115BAA of the Act

- As per section 115BAA of the Act inserted by the Taxation Laws (Amendment) Act, 2019 (“the Amendment Act, 2019”) w.e.f. April 1, 2020 i.e. AY 2020-21 an option is granted to the domestic companies to compute corporate tax at a reduced rate of 25.17% (22% plus surcharge of 10% and cess of 4%), provided the taxpayer does not avail specified exemptions/incentives and complies with other conditions specified in section 115BAA of the Act. Further, the taxpayer availing such option will not be required to pay Minimum Alternate Tax (“MAT”) on its book profits under section 115JB of the Act.

However, such company will not be eligible to avail specified exemptions / incentives under the Act and will also need to comply with the other conditions specified in section 115BAA of the Act. Also, if a company opts for section 115BAA of the Act, the tax credit (under section 115JAA of the Act), if any, which it is entitled to on account of MAT paid in earlier years, will no longer be available. Further, it shall not be allowed to claim set-off of any brought forward loss arising to it on account of additional depreciation and other specified incentives.

The Bank has exercised the aforesaid option to be taxed at the reduced rate of 25.17% (including surcharge and cess).

Deduction in respect of inter-corporate dividends – Section 80M of the Act

- Dividend is taxable in the hands of the shareholder, hence, the Bank shall be required to deduct tax at source at applicable rates specified under the Act, subject to Double Taxation Avoidance Agreement, in case of shareholders who are eligible to claim benefit under Double Taxation Avoidance Agreement.

- As per the provisions of section 80M of the Act, a resident corporate shareholder can claim a deduction of an amount equal to dividends received from another domestic company or a foreign company or a business trust. Such deduction shall be claimed from gross total income of the resident corporate shareholder and shall not exceed the amount of dividend distributed by it on or before the due date. The “due date” means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139 of the Act.

Deduction under section 80JJAA of the Act

- As per the provisions of Section 80JJAA of the Act, where the gross total income of an assessee, to whom provisions of section 44AB of the Act applies, includes any profit and gains derived from business, then such assessee 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 previous 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.

Deduction for Bad and doubtful debts

- The Bank, being a Small Finance Bank, is entitled for accelerated deduction of bad and doubtful debts in terms of provision for bad and doubtful debts up to a specified limit under section 36(1)(viia) of the Act in computing its income under the head “Profits and gains of Business or Profession”(computed before making any deduction under this section and Chapter VI-A). The said deduction, which represents a timing difference for tax purposes, is available to the extent of 8.5% of the gross total income and 10% of the aggregate average advances made by rural branches of such bank, subject to the satisfaction of prescribed conditions. However, subsequent claim of deduction of actual bad debts under section 36(1)(vii) of the Act shall be reduced to the extent of deduction already allowed under section 36(1)(viia) of the Act. Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii)/36(1)(viia) of the Act, then, if any amount is subsequently recovered, the said amount is deemed to be profits and gains of business or profession under section 41 of the Act and is taxable accordingly to the extent it exceeds the deduction earlier allowed.

Other deductions

- Further, the Bank being a Small Finance Bank, is also eligible for a deduction of 20% of the eligible profits or an amount transferred to the special reserve, whichever is lower, as per the provisions of section 36(1)(viii) of the Act in computing its income under the head “Profits and gains of Business or Profession” (computed before making any deduction under this section). 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.
- In terms of section 43D of the Act, and subject to the conditions specified therein interest income of a bank and certain other specified financial institutions on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to Profit and Loss Account, whichever is earlier.

B. SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

- The Bank would be required to deduct tax at source on the dividend paid to the shareholders, at applicable rates specified under the Act, subject to Double Taxation Avoidance Agreement, in case of shareholders who are eligible to claim benefit under Double Taxation Avoidance Agreement. In case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, surcharge would be restricted to 15%, if the income exceeds INR 1 crore. However, if the income is between INR 50 lakhs to INR 1 crore, surcharge at the rate of 10% shall apply. The shareholders would be eligible to claim the credit of such tax in their return of income.
- As per the provisions of section 80M of the Act, a resident corporate shareholder can claim deduction of an amount equal to dividends received from another domestic company or a

foreign company or a business trust. Such deduction shall be claimed from gross total income of the resident corporate shareholder and shall not exceed the amount of dividend distributed by it on or before the due date. The “due date” means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139 of the Act.

- As per Section 112A of the Act, long-term capital gains arising from transfer of an equity share¹, or a unit of an equity-oriented fund² or a unit of a business trust³ shall be taxed at 10% (plus applicable surcharge and cess) (without indexation) of such capital gains subject to fulfillment of prescribed conditions under the Act as well as per Notification No. 60/2018/F.No.370142/9/2017-TPL dated 1 October 2018. It is worthwhile to note that tax shall be levied where such capital gains exceed INR 1,00,000.
- As per Section 111A of the Act, short term capital gains arising from transfer of a listed equity share, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 15% (plus applicable surcharge and cess) subject to fulfillment of prescribed conditions under the Act.
- The non-resident shareholders can offer the income to tax under the beneficial provisions of the Double Taxation Avoidance Agreement, if any, subject to eligibility and furnishing of requisite documents such as tax residency certificate, electronically filed Form 10F, No Permanent Establishment Certificate, etc (as may be applicable) Further, the non-resident shareholders would be eligible to claim the foreign tax credit, based on the local laws of the country of which the shareholder is the resident. Shareholders being Individual and HUF can opt to be taxed as per the new tax rates mentioned under section 115BAC of the Act.
- There are no other possible special tax benefits available to the Shareholders of the Bank for investing in the shares of the Bank.

STATEMENT OF POSSIBLE SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE BANK AND SHAREHOLDERS OF THE BANK

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, the Customs Act, 1962 and the Customs Tariff Act, 1975 (collectively referred to as “Indirect tax laws”).

A. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE BANK

- As per the GST law (vide GST notification no 12/2017- Central Tax (Rate) dated 28 June 2017), income earned out of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount is exempted from payment of GST. Thus, interest income earned by Banks is exempted from payment of GST.
- Further, in accordance to the provisions of the GST law, every registered person is required to reverse input tax credit attributable to the exempt income (arrived by determining the ratio of exempt income over total income). However, Banks are given an option to reverse merely 50% of their total eligible input tax credit.

B. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

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

¹ Where Securities Transaction Tax (STT) was paid on the acquisition and transfer of such share

² Where STT was paid on the transfer of such unit

³ Where STT was paid on the transfer of such unit

SECTION IV ABOUT OUR BANK

INDUSTRY OVERVIEW

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 July, 2022, read with addendum dated May, 2023 (the “CRISIL Report”) prepared and released by CRISIL MI&A and exclusively commissioned by and paid for by us pursuant to the appointment of CRISIL vide agreement dated September 1, 2020 read along with addendum no. 1 dated July 25, 2022, in connection with the Issue. The data included herein includes excerpts from the CRISIL Report available on the website of the Bank at <https://www.utkarsh.bank/investors>. The relevant industry sources are indicated at all relevant places within this section. Unless otherwise indicated, 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 calendar year. Also see, “Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data” on page 21.

While preparing its report, CRISIL MI&A has also sourced information from publicly available sources, including our Bank’s financial statements available publicly. However, financial information relating to our Bank presented in other sections of this Red Herring Prospectus has been prepared in accordance with Ind GAAP and restated in accordance with the SEBI ICDR Regulations. Accordingly, the financial information of our Bank in this section is not comparable with Indian GAAP financial information presented elsewhere in this Red Herring Prospectus.

MACROECONOMIC SCENARIO

The global economy is witnessing tightening of monetary conditions

The global economy is witnessing tightening of monetary conditions in most regions. As per the IMF (World Economic Outlook Update – April 2023), global growth prospects are estimated to fall from 3.4% in 2022 to 2.8% in 2023 and then witness an increase in 2024 to 3.0%, the impact of which is expected to be witnessed in the Indian economy as well. Global trade is estimated to have reached a record level of approximately US\$ 32 trillion in 2022, but its growth had turned negative during the second half of 2022. The trade outlook for 2023 is expected to be negatively impacted because of geopolitical frictions, persisting inflation and lower global demand. Further, deceleration in domestic growth could lead to some reduction in imports.

The U.S. economy grew by an annualised 1.1% in the first quarter of 2023, slowing compared with the previous quarter, which stood at 2.6%. The UK economy grew at 0.1% quarter-on-quarter in the first quarter, but the most recent data for March 2023 shows that its GDP contracted 0.3% month-on-month. At the same time, manufacturing activity in China contracted for the first time since the country reopened after ending its zero-COVID policy. Inflation hardened in the eurozone in April 2023, while it eased only marginally in the U.S. Inflation remains high in several key economies, prompting central banks to continue with rate hikes. The U.S. Federal Reserve, Bank of England and European Central Bank all hiked interest rates at their May 2023 policy meetings.

However, financial conditions in India eased in April 2023 after the RBI paused on rate hikes in its monetary policy, keeping the repo rates at 6.5%. While the RBI indicated its readiness to move if inflation showed on the upside, incoming headline inflation print, based on the consumer price index, eased to 5.7% in March, which was below the Monetary Policy Committee’s upper threshold of 6%. Moreover, bond yields eased significantly as investors factored in a pause in rate hikes. FPIs increased their investment in the Indian markets as global risk sentiment revived with the U.S. banking turmoil staying largely under control. Equity markets also gained amid the pause in rate hike and rising FPI inflows.

External risks remain high because of the possible impact of elevated interest rates in advanced economies on the leveraged market segments. However, India’s macroeconomic fundamentals are expected to improve in Fiscal 2023, which should cushion its vulnerability to global shocks. This, coupled with a pause on rate hikes by the RBI and US Federal Reserve, should limit tightening of domestic financial conditions going ahead.

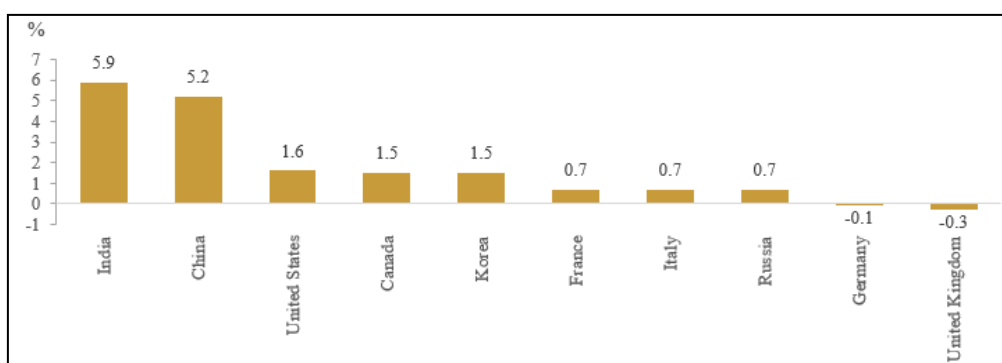
India is expected to remain one of the fastest growing economies amid the global slowdown

Faced with COVID-19, geopolitical conflict, climate change and central bank actions, the Indian economy has shown a fair degree of resilience. Despite global slowdown, tightening of monetary conditions and high inflation, India recorded a higher economic growth rate compared with many peer economies owing to its relatively strong local consumption, lower reliance on global demand and continued resilience to external adversities.

The growth pattern highlights two key features. First, the economy has recovered faster in nominal terms than in real terms, because of high inflation. Second, official data revisions released in February 2023 places real GDP growth in Fiscal 2023 at 7.0% year-on-year, which reveals that the economy was more resilient than estimated earlier. This was largely owing to healthy domestic demand, aided by a catch-up in contact-based services, strong investment activity, government push for capital expenditure, relatively accommodative financial conditions and overall normal monsoon for the fourth time in a row.

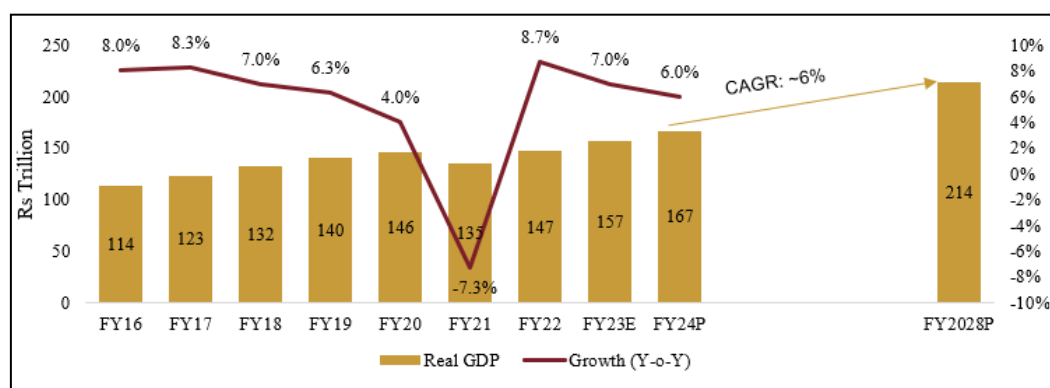
CRISIL MI&A expects growth outlook for Fiscal 2024 to be fettered with multiple risks, including sluggish exports and lagged impact of rate hikes manifested fully into the economy. Nevertheless, India is expected to remain the fastest growing economy in the world with GDP growth of 6.0% projected in Fiscal 2024 as per CRISIL MI&A. The IMF too estimates India's GDP to have grown by 6.8% in 2022 due to its broad range of fiscal, monetary and health responses. The IMF projects the growth to slow down to 5.9% in 2023, before picking up to 6.3% in 2024.

GDP growth (constant prices) for major global economies (2023)



Source: IMF, CRISIL MI&A

India's economy to grow at 6.0% in Fiscal 2024



Note: P = Projected. GDP growth for Fiscal 2023 and Fiscal 2024 is projected based on CRISIL MI&A estimates; Fiscal 2025 – Fiscal 2028 is projected based on IMF estimates.

Source: CRISIL MI&A, IMF (World Economic Outlook – April 2023 update)

Macroeconomic outlook for Fiscal 2024

Macro variables	Fiscal 2023E	Fiscal 2024P	Rationale for outlook
GDP (year-on-year)	7.0%	6.0%	Slowing global growth is likely to weaken India's export in Fiscal 2024. Domestic demand could also come under pressure as RBI rate hikes are transmitted to consumers.
Consumer price index inflation (year-on-year)	6.7%	5.0%	Lower commodity prices, base effect, expectation of softer food prices and cooling off domestic demand is likely to help in moderating inflation in Fiscal 2024.
10-year Government security yield (Fiscal-end)	7.4%	7.0%	A moderate increase in gross market borrowings is expected for Fiscal 2024. This, coupled with lower inflation and the RBI's rate cuts, is likely to lead to moderate yields in Fiscal 2024.

Macro variables	Fiscal 2023E	Fiscal 2024P	Rationale for outlook
(Current account balance)/GDP (%)	-2.5%	-2.0%	Lower crude prices and cooling of domestic demand is expected to lead to moderation of trade deficit in Fiscal 2024.
₹/\$ (March average)	82.3	83.0	While a lower current account deficit will support the Rupee, challenging external financing conditions will continue to exert pressure in the next fiscal.

Note: (^): NSO second advance estimates, E- Estimated, P – Projected;

Source: RBI, NSO, CRISIL MI&A

Government regulations to aid economic growth in Fiscal 2024

India is expected to remain the fastest-growing economy globally, but GDP growth is estimated to decelerate 100 basis points to 6% in Fiscal 2024 from 7% in Fiscal 2023. This is largely because of elevated inflation, aggressive rate hikes by major central banks and tricky geopolitical situation. These factors imply that India is likely to continue to reckon with volatility in crude and commodity prices.

Domestic inflation is expected to moderate to 5% in Fiscal 2024 from 6.8% in Fiscal 2023 owing to a high base effect. Further, the Union Budget 2023 - 2024 has highlighted the government’s renewed capex thrust, the largest in 15 years at a record 4.5% of the GDP, with sectors such as railways, highways, and petroleum benefiting the most.

Growth in Fiscal 2024 is expected to be supported by the following factors:

- The government has launched a production-linked incentive (“**PLI**”) scheme, which aims to incentivise local manufacturing by providing volume-linked incentives, for six of India’s top 10 export verticals. This is likely to propel incremental exports. In Fiscal 2024, PLI-driven exports are expected to be the lone growth driver for India, helping increase overall exports by 2% - 4%;
- Focus on investments is expected to enhance the productive capacity of the economy. Policy push and new-age opportunities are expected to lead capex growth in Fiscal 2024; and
- Policies aimed at greater formalisation of the economy are likely to accelerate per-capita income growth.

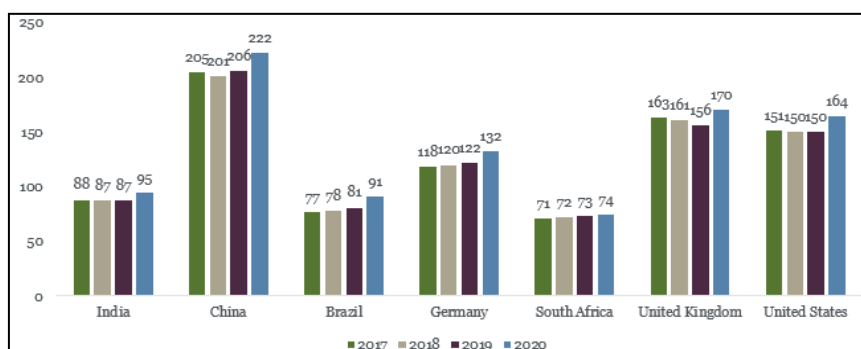
FINANCIAL INCLUSION

Current scenario and key developments

The COVID-19 pandemic has spread across the world, and India is no exception. The lockdown of nearly 1.4 billion people and a large number of businesses led to disruption and dislocation on a scale never imagined. It slammed the brakes on economic activity and caused enormous human suffering.

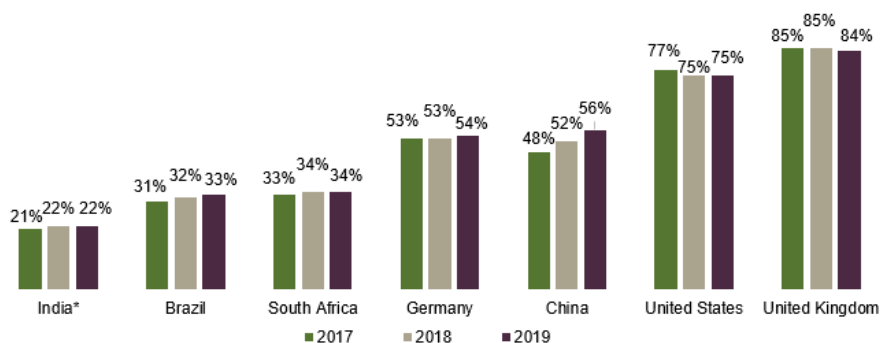
In these times of crisis, financial inclusion becomes more imperative than ever for vulnerable households and businesses to navigate the crises and recover after the pandemic. In terms of the credit to GDP ratio, India has a low credit penetration compared with other developing countries, such as China indicating that the existing gap needs to be bridged. Similarly, in terms of credit to households as a proportion of GDP as well, India lags other markets, with retail credit hovering at around 22% of GDP as of Fiscal 2020.

Credit to GDP ratio (%)



Note: Credit from all sectors to private non-financial sector.
 Source: Bank of International Settlements, CRISIL MI&A.

Household Credit to GDP ratio (2017 to 2019)



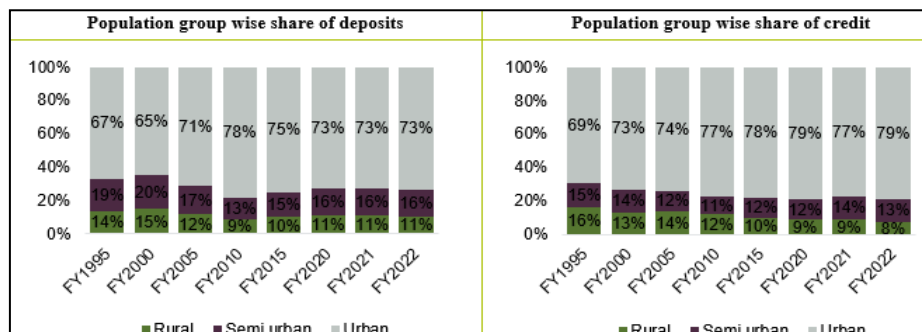
Note: For countries except India, data is represented for calendar years. *For India, data represented is for Fiscal 2018, Fiscal 2019 and Fiscal 2020.

Source: Bank of International Settlements, CRISIL MI&A. Rural India accounts for about half of GDP, but only about 8% of total credit and 11% of total deposits.

As of March 2022, there were about 640,000 villages in India, inhabited by close to 900 million people, comprising about 66% of the country's population. About 47% of India's GDP comes from rural areas. But their share in banking credit and deposits is abysmally low with just 8% of total credit and 11% of total deposits coming from rural areas. The massive divergence in the rural areas' share of India's GDP and banking credit and deposit services compared with urban areas is as an indicator of the extremely low penetration of the banking sector in rural areas.

The chart below shows the percentage of GDP contribution and credit outstanding in rural and urban areas:

Low share of banking credit and deposit indicates lower penetration in rural areas

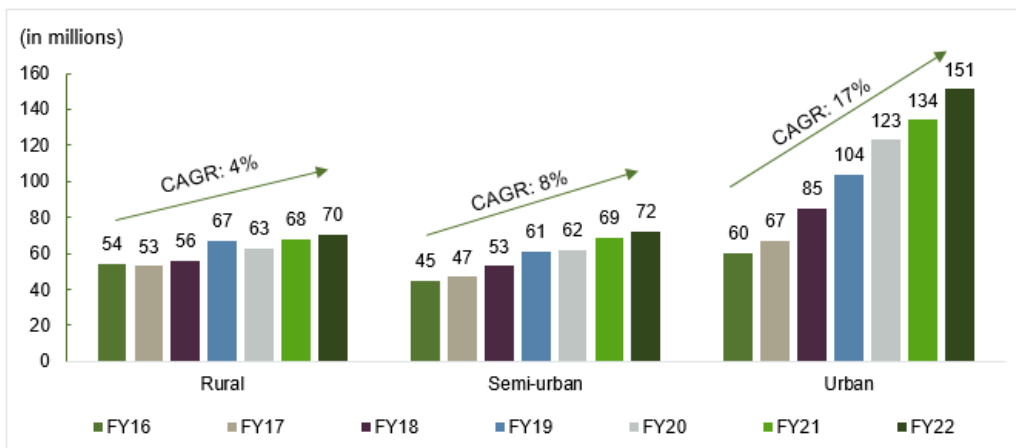


Source: CSO; RBI.

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 significant growth opportunities in rural areas.

The number of bank credit accounts in rural areas grew at a CAGR of 4% between the end of Fiscal 2016 and the end of Fiscal 2022 and the number of bank deposit accounts grew at a CAGR of 5% during the same period. Between the end of Fiscal 2016 and the end of Fiscal 2022, the number of credit accounts in semi-urban areas grew at a CAGR of 8% and the number of deposit accounts grew at a CAGR of 6%. However, with small finance banks and payments bank increasing their reach and expanding into semi-urban and rural areas and increasing financial awareness, faster growth in rural areas can be expected in the future given the huge untapped potential. Between the end of Fiscal 2016 and Fiscal 2022, the number of credit accounts in urban areas grew at a CAGR of 17% and the number of deposit accounts grew at a CAGR of 5%.

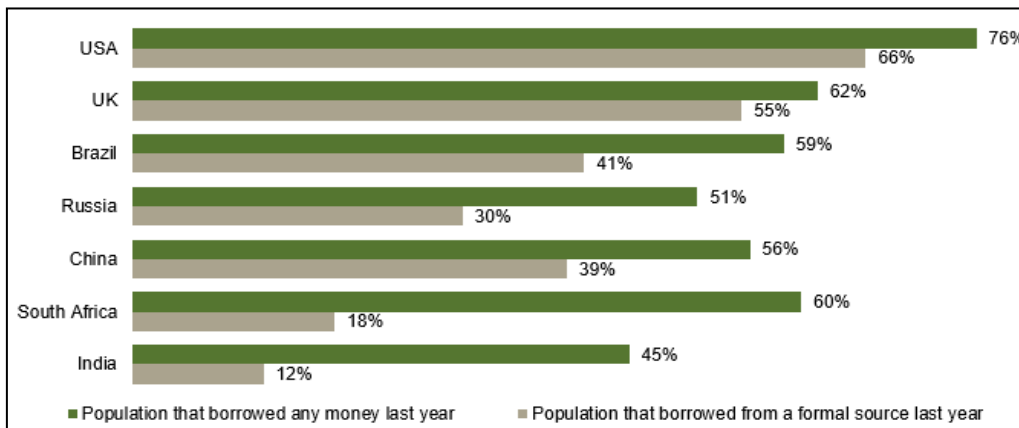
Bank credit accounts in rural, semi-urban and urban areas



Note: Urban includes data for Urban and Metropolitan areas; amounts are as of the end of the fiscal year indicated. Data represents only bank credit accounts.

Source: RBI; CRISIL MI&A.

Only 12% of India’s population borrowed money from formal sources



Note: 1. Global Findex data for India excludes northeast states, remote islands and selected districts. 2. Data is for the population within the age group of 15+.

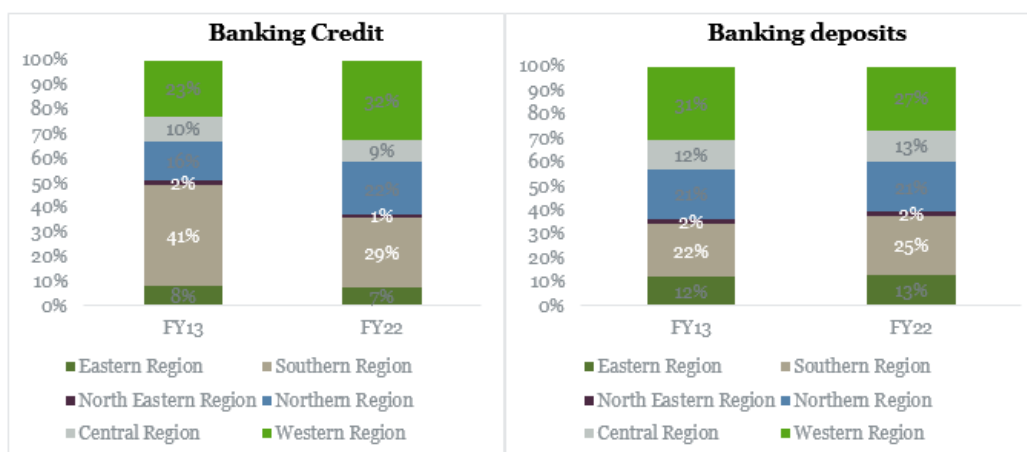
Source: World Bank - The Global Findex Database 2021, CRISIL MI&A.

To tackle financial exclusion, the Indian government introduced the Pradhan Mantri Jan Dhan Yojna ("PMJDY") a scheme that facilitates opening bank accounts by the unbanked. However, the effective use of these new accounts, increase in the number of transactions in these accounts and availability of credit remain key challenges, which need to be effectively addressed as borrowings from the formal sources still remains low.

Region-wise asymmetry: Central and eastern regions have a lower share in total bank credit and deposits

Bank credit and deposits are predominantly concentrated in the southern and western regions, whereas they have been especially low in the north-eastern and eastern regions. Credit penetration in the western region has increased over the past nine fiscal years by 9%.

Region-wise share of banking credit and total deposits

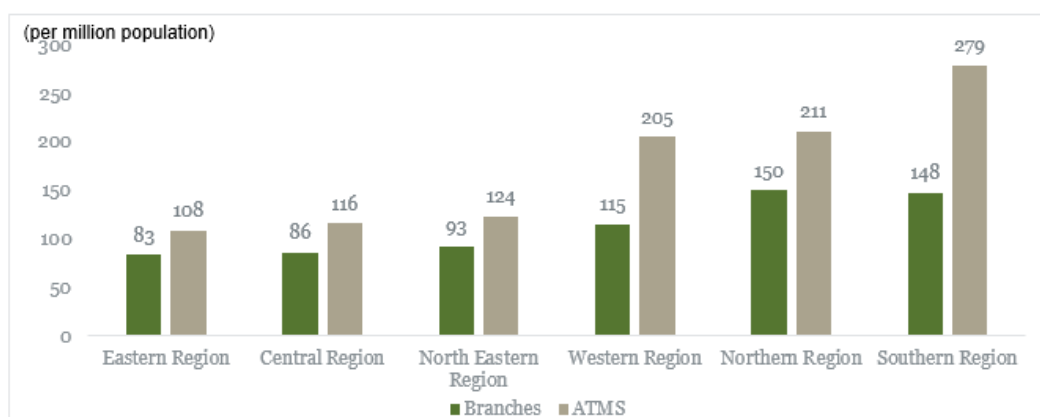


Note: The percentages are as of the end of the fiscal year indicated.

Source: RBI; CRISIL MI&A.

The number of branches and ATM facilities in the eastern regions, where credit penetration and deposit-base are low is also below those of the southern and western regions, which CRISIL MI&A believes is largely due to lower focus from the bigger banks.

Region-wise presence of bank ATM and branches (as of March 31, 2022)



*Population is as per the census data of 2011.

Source: RBI; Census India; CRISIL MI&A.

Large variation in credit availability across states and districts

There is a wide variation across states and within various districts in the same state as well in terms of credit, which indicates latent opportunity for providing banking services to unserved or underserved customers.

State-wise rural credit accounts in banks and top five districts concentration (Fiscal 2022)

State	No. of districts	% share in overall population in India	Share in overall credit	Credit to Deposit ratio	Concentration of credit in top 5 districts	% of credit in rural areas	Concentration of credit accounts in top 5 districts*	% credit accounts in rural areas
Maharashtra	36	9%	27%	92%	90%	2%	77%	7%
NCT of Delhi	11	1%	12%	93%	100%	0%	100%	0%
Tamil Nadu	38	6%	9%	99%	62%	11%	44%	27%
Karnataka	31	5%	7%	58%	75%	8%	50%	28%
Gujarat	33	5%	5%	69%	72%	6%	49%	18%
Telangana	33	3%	5%	92%	79%	6%	48%	22%
Uttar Pradesh	75	17%	5%	40%	38%	17%	23%	37%
Andhra Pradesh	26	4%	4%	128%	64%	15%	49%	29%

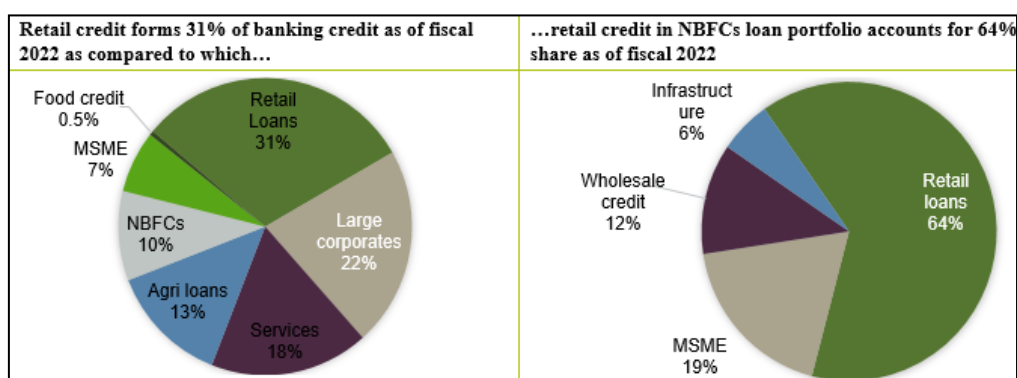
State	No. of districts	% share in overall population in India	Share in overall credit	Credit to Deposit ratio	Concentration of credit in top 5 districts	% of credit in rural areas	Concentration of credit accounts in top 5 districts*	% credit accounts in rural areas
West Bengal	23	8%	4%	45%	73%	14%	47%	45%
Kerala	14	3%	3%	59%	66%	2%	52%	4%
Rajasthan	33	6%	3%	73%	53%	14%	40%	30%
Madhya Pradesh	52	6%	3%	65%	54%	12%	33%	25%
Haryana	22	2%	3%	53%	62%	8%	44%	19%
Punjab	23	2%	2%	52%	61%	19%	46%	28%
Bihar	38	9%	1%	38%	46%	22%	36%	48%
Odisha	30	3%	1%	39%	61%	19%	47%	51%
Chhattisgarh	28	2%	1%	64%	73%	8%	52%	22%
Assam	34	3%	1%	46%	50%	23%	37%	43%
Jharkhand	24	3%	1%	29%	68%	18%	53%	49%
Chandigarh	1	0%	1%	90%	100%	0%	100%	1%
Jammu & Kashmir	20	1%	1%	49%	60%	35%	50%	50%
Uttarakhand	13	1%	1%	34%	89%	21%	82%	32%
Himachal Pradesh	12	1%	0%	30%	74%	58%	68%	69%
Goa	2	0%	0%	24%	100%	17%	100%	31%
Puducherry	4	0%	0%	60%	100%	10%	100%	15%
Tripura	8	0%	0%	33%	87%	30%	83%	37%
Meghalaya	12	0%	0%	29%	93%	36%	88%	44%
Manipur	16	0%	0%	59%	83%	29%	82%	28%
Nagaland	12	0%	0%	43%	84%	23%	81%	27%
Arunachal Pradesh	25	0%	0%	23%	72%	27%	65%	33%

Note: Arranged in descending order of share in overall credit outstanding of banks, (*) As of Fiscal 2021.

Source: RBI, CRISIL MI&A.

With high focus on retail loans, NBFCs and NBFC-MFIs driving financial inclusion

While banks are the primary institutions for banking in India, retail loan portfolio forms only 31% of the overall banking credit. Other focus areas for banks are wholesale lending to large corporates, credit to services sector and agriculture sector. Lower presence of banks in the retail space has created an opportunity for NBFCs and NBFC-MFIs to penetrate the segment which has also led to greater financial inclusion as NBFCs and NBFC-MFIs also cater to riskier customer profiles with lower income. Compared to that of banks, NBFC credit to retail segment forms more than 60% of its portfolio and NBFC-MFI exclusively into retail indicating larger focus on retail customers.



Source: RBI, CRISIL MI&A estimates

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. Also, a few microfinance companies, local area banks and an NBFC as well as one urban co-operative bank have received permission to set up small finance banks ("SFBs"). As of March 2023, the RBI has awarded SFB licences to 12 players keeping in with the government's focus on financial inclusion and inclusive banking.

Comparison of different business models

Scheduled commercial banks	SFBs	MFIs	
Priority sector lending			
Targeted lending to sectors	<ul style="list-style-type: none"> 40% of their adjusted net bank credit (“ANBC”) or equivalent off-balance sheet exposure (whichever is higher) for priority sector lending 18% of ANBC to agriculture 7.5% of ANBC to micro-enterprises 10% of ANBC to weaker sections 	<ul style="list-style-type: none"> 75% of their ANBC for priority sector lending 18% of ANBC to agriculture 7.5% of ANBC to micro-enterprises 12% of ANBC to weaker sections At least 50% of loan portfolio should constitute loans and advances of up to ₹ 2.5 million 	<ul style="list-style-type: none"> 75% of total assets should be qualifying micro-finance loans Income generation loans greater than 50% of total loans
Prudential norms			
Capital adequacy framework	<ul style="list-style-type: none"> Minimum Tier-I capital: 7% Minimum capital adequacy ratio: 9% 	<ul style="list-style-type: none"> Minimum Tier-I capital: 7.5% (Tier-II capital cannot be more than 100% of Tier-I capital) Minimum capital adequacy ratio: 15% 	<ul style="list-style-type: none"> Tier-I capital more than Tier-II capital Minimum capital adequacy ratio: 15%
CRR / SLR	<ul style="list-style-type: none"> Maintenance of CRR/SLR ratio mandatory CRR – 3%, 3.5% begin. March 27, 2021, 4% beginning May 22, 2021, 4.5% beginning May 21, 2022 SLR – 18% 	<ul style="list-style-type: none"> Maintenance of CRR/SLR ratio mandatory CRR – 3%, 3.5% begin. March 27, 2021, 4% beginning May 22, 2021, 4.5% beginning May 21, 2022 SLR – 18% 	No such requirement
Leverage ratio	<ul style="list-style-type: none"> Minimum leverage ratio of 4% 	<ul style="list-style-type: none"> Minimum leverage ratio of 4% 	No such requirement
LCR (liquidity coverage ratio)/ NSFR (net stable funding ratio)	<ul style="list-style-type: none"> Mandatory requirement to maintain liquidity coverage ratio NSFR applicable to scheduled commercial banks 	<ul style="list-style-type: none"> Minimum liquidity coverage ratio of 100% by April 1, 2021 NSFR will be applicable to SFBs on par with scheduled commercial banks as and when finalised 	No such requirement
Funding			
Deposits	<ul style="list-style-type: none"> Primarily rely on deposits, CASA and term deposits, for funding requirements 	<ul style="list-style-type: none"> Primarily rely on deposits, CASA and term deposits, for funding requirements Deposit ramp-up will require time 	Cannot accept deposits
Bank loans / market funding	<ul style="list-style-type: none"> Access to broader array of market borrowings 	<ul style="list-style-type: none"> Access to bank loans and broader array of market borrowings (including refinance from NABARD, among others) 	Diversified funding sources, including bank loans, short-term and long-term market borrowings. Funding from NABARD, MUDRA loans etc.
Products			
Products offered	<ul style="list-style-type: none"> Full spectrum of banking, savings, investment and insurance products 	<ul style="list-style-type: none"> Can offer savings and investment products apart from credit products / loans Can act as corporate agent to offer insurance products Cannot act as business correspondent to other banks 	<ul style="list-style-type: none"> Can act as business correspondent to another bank and offer savings, deposits, credit and investment products Can act as corporate agent to offer insurance products

Source: RBI, CRISIL MI&A.

GROWTH DRIVERS FOR SMALL FINANCE BANKS

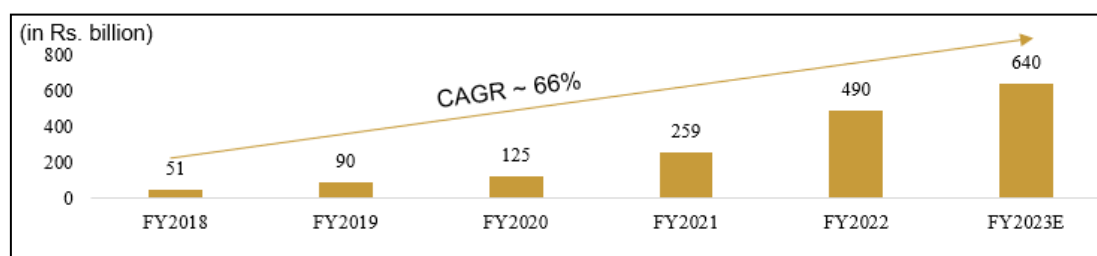
Customized products aided by technology and information availability

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

Availability of funds at cheaper rates

CASA and other retail deposits are a cheap source of funds for SFBs, which help them expand their product portfolio. They can provide lower rates in the market to compete with NBFCs. With SFBs expanding in the underserved regions further, their deposit base is expected to further widen. The CASA deposits for SFBs is estimated to have grown at 66% CAGR from Fiscal 2018 to Fiscal 2023. This will give them an advantage over NBFCs and help expand their asset book.

CASA deposits for SFBs is estimated to reach ₹ 640 billion at the end of Fiscal 2023



Note: E- Estimated

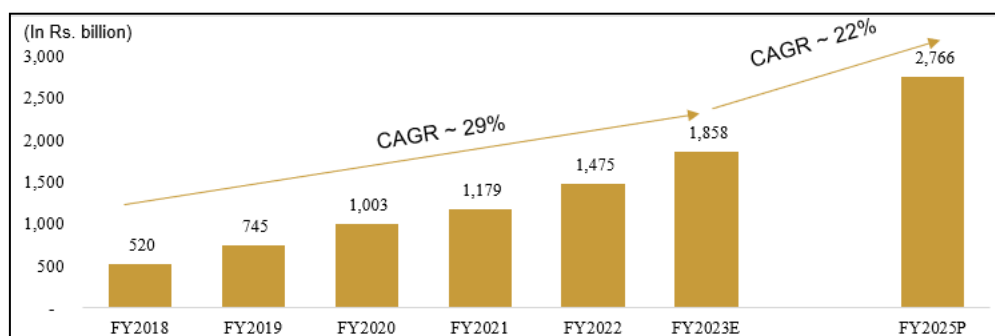
Source: RBI, CRISIL MI&A

Large Target audience

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

INDUSTRY GROWTH AND OUTLOOK

Huge opportunity to support growth over next two years ("AUM")



Note: E: Estimated; P: Projected; The amounts are as of the end of the fiscal indicated;

Source: Company reports, CRISIL MI&A.

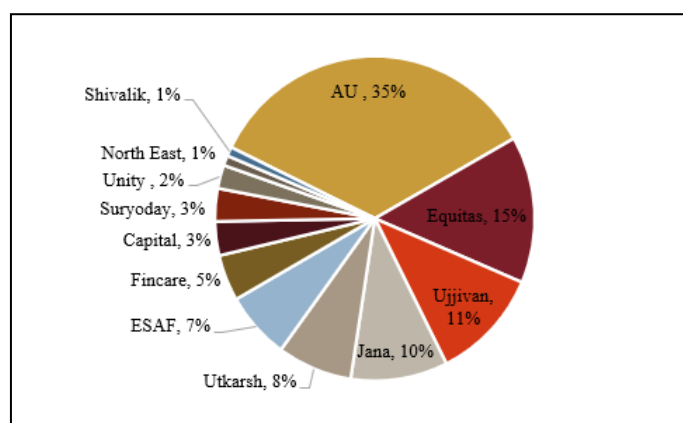
SFBs' AUM is estimated to have clocked 29% CAGR from Fiscal 2018 to Fiscal 2023. CRISIL MI&A estimates that the top three SFBs accounted for approximately 62% of the aggregate AUM as of Fiscal 2023, compared to 55% as of Fiscal 2017, indicating the rising concentration and expansion of the top three players within the SFBs. CRISIL MI&A also estimates that the top six players accounted for approximately 89% of the market share as of Fiscal 2023. In Fiscal 2021 and Fiscal 2022, new loan origination remained low as SFBs turned cautious and

selective in disbursements due to the pandemic. However, as the economy revived and business operations normalised, SFBs' AUM witnessed strong growth following the pandemic. As of Fiscal 2023, SFBs' AUM is estimated to have crossed ₹ 1,800, billion growing at 26% - 27% year-on-year. CRISIL MI&A expects SFBs' loan portfolio to see a strong CAGR of approximately 22% between Fiscal 2023 and Fiscal 2025, as most SFBs have completed the transition phase and are likely to benefit from the operating leverage.

Growth in SFBs' AUM is likely to be driven by the following factors:

- Huge market opportunity in the rural segment – Despite its larger contribution to GDP of 47%, the rural segment's share in credit remains fairly low at approximately 9-10% of the overall credit outstanding as of Fiscal 2022. 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 tap this market
- Geographic diversification – With increased focus on diversifying their portfolio and expanding their reach, SFBs are expected to log higher growth as they tap 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 & 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 asset products, insurance etc.

Top six players estimated for 84% of industry advances as of December 31, 2022



Note: Market share is estimated as of December 31, 2022.

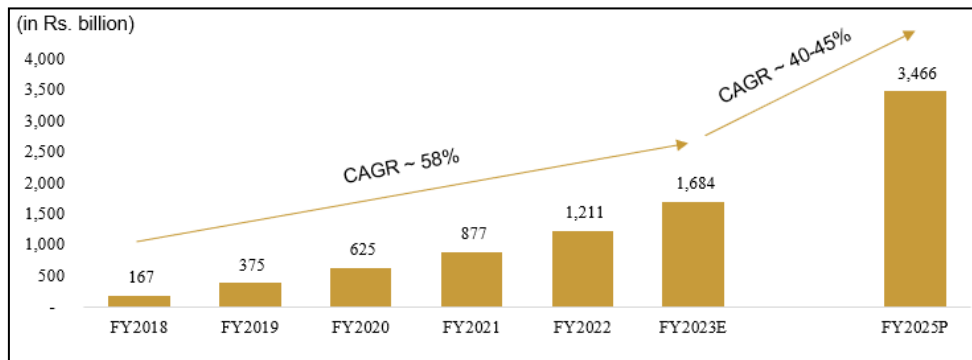
Source: Company reports; CRISIL MI&A.

SFB deposits to grow faster than private and public-sector banks

SFBs have 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 around ₹ 375 billion as of Fiscal 2019. Further, proportion of CASA deposits has shot up from nearly around 20% as of Fiscal 2020 to approximately 39% as of December 31, 2022. The increase could be attributed to the higher interest rates they offer and increase in their branch network.

Deposit growth for SFBs continued to grow at a strong pace of 36% in the nine months ended December 31, 2022 year-on-year and is estimated to have reached ₹ 1,684 billion at the end of Fiscal 2023. Going forward, CRISIL MI&A expects SFBs' deposit to grow at 40% - 45% CAGR over Fiscal 2023 – Fiscal 2025 as players focus on popularising 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 the fiscal indicated; P: Projected

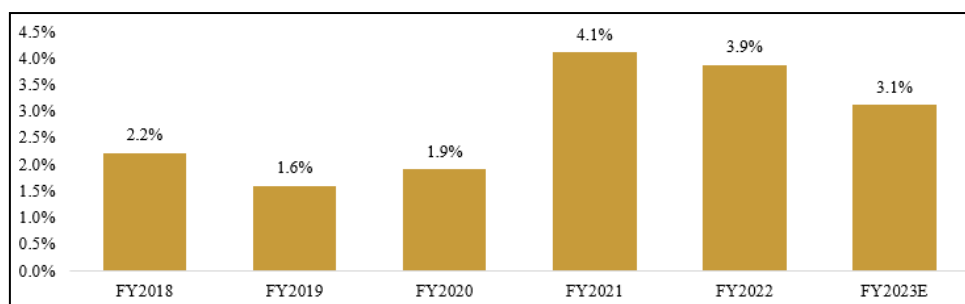
Source: Company reports, CRISIL MI&A

Asset quality for SFBs to marginally improve after pandemic-related stress

GNPA of SFBs improved to 1.6% as of Fiscal 2019 from 2.2% as of Fiscal 2018, which was significant impacted by demonetization and residual asset quality issues. 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 faced severe asset quality issues, as near-term collections saw 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 stand-still 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, Government of India and RBI has 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.

Despite government measures, the lockdown impacted the low- and middle-income segments the most. They also happened to be the target audience of SFBs. While banks offered moratorium period to borrowers, SFBs' asset quality deteriorated due to difficulties faced by their borrowers. In Fiscal 2022, GNPA improved marginally to 3.9%. In Fiscal 2023, the asset quality of SFBs improved on account of lower slippages, write-offs and improved collection efficiencies. GNPA for SFBs is estimated at 3.1% at the end of Fiscal 2023. The asset quality of SFBs is expected to improve further. However, it will vary depending on efficiency in credit underwriting, monitoring and collection over the long term.

GNPA trend of overall SFB Industry



Note: E = Estimated; Data excludes data for Jana SFB and North-east SFB

Source: Company reports, CRISIL MI&A

PEER BENCHMARKING

Utkarsh SFB has been compared with its SFB peers of gross loan portfolio of more than ₹ 60 billion in India, based on the latest data available for Fiscal 2023. Large listed microfinance players have also been analysed, since many SFBs were present in this space before switching to a SFB. Bandhan Bank's performance has also been analysed, as it services a profile of customers that Utkarsh SFB might cater to.

Utkarsh SFB is the third fastest growing SFB amongst compared peers

Utkarsh SFB recorded the third fastest growth in gross loan portfolio among its peers, at 31.0% CAGR between Fiscal 2019 and Fiscal 2023, to reach ₹ 139.6 billion. Fincare SFB reported the highest CAGR for gross loan portfolio during the period at 33.2%, followed by ESAF SFB at 32.3%.

Utkarsh SFB reported third highest CAGR in terms of deposits between Fiscal 2019 and Fiscal 2023

Utkarsh SFB reported the third highest growth in total deposits among its peers at a CAGR of 37.9% between Fiscal 2019 and Fiscal 2023, to reach ₹ 137.1 billion. Fincare SFB recorded the highest growth in deposits at a CAGR of 40.8% during the same period, followed by Jana SFB (40.4%). Suryoday SFB recorded the highest credit to deposit ratio, at 116.4% as of Fiscal 2023, followed by Jana SFB (108.7%) and Fincare SFB (108.3%).

SFBs and other players as of end-Fiscal 2023

₹ billion	Gross Loan Portfolio (Fiscal 2019 - 2023)	GLP CAGR (Fiscal 2019 - Fiscal 2023)	Deposit (Fiscal 2023)	Deposit CAGR (Fiscal 2019- Fiscal 2023)	Credit to deposit ratio	Banking outlets^ (Fiscal 2023)	Number of employees	Capital adequacy ratio
SFBs								
AU SFB	591.6	25.0%	693.7	37.5%	84.2%	795	28,320	23.59%
Equitas SFB	278.6	24.2%	253.8	29.6%	101.6%	938	20,563	23.80%
Ujjivan SFB	240.9	21.5%	255.4	36.4%	83.4%	644	17,870	25.81%
Jana SFB	177.6**	30.0%	163.3	40.4%	108.7%	595	NA	15.57%
ESAF SFB	139.2**	32.3%	146.7	35.8%	94.9%	704	NA	19.83%
Utkarsh SFB	139.6	31.0%	137.1	37.9%	95.3%	830[§]	15,424	20.64%
Fincare SFB	87.0**	33.2%	80.3	40.8%	108.3%	868	NA	20.04%
Suryoday SFB	61.1	19.5%	51.7	34.9%	116.4%	519	6,025	33.70%
Microfinance								
Credit Access	175.6	25.1%	NA	NA	NA	1,786	16,759	23.58%
Spandana	85.1	18.1%	NA	NA	NA	1,227	10,016	36.87%
Fusion	93.0	37.0%	NA	NA	NA	1,086	9,663 [#]	27.94%
Universal banks								
Bandhan Bank	1,091.2	24.9%	1,080.7	25.7%	96.9%	6,012	69,702	19.76%

Note: GLP: Gross Loan Portfolio; **Advances as of March 31, 2023; ^ Functioning offices for SFBs and universal banks as per RBI; NA: Not available; # Based on company website as of May 30, 2023; § As per CA certificate shared by the company; Source: Company reports, RBI, CRISIL MI&A.

Leverage ratio of SFBs in the four preceding Fiscals

Leverage ratio	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
AU SFB	9.23%	11.19%	9.99%	11.10%
Equitas SFB	13.17%	12.85%	14.73%	13.21%
Ujjivan SFB	16.52%	14.20%	9.74%	11.51%*
Jana SFB	7.09%	5.60%	5.63%	6.97%*
ESAF SFB	11.85%	11.26%	7.99%	8.28%*
Utkarsh SFB	10.15%	10.30%	9.49%	9.55%
Fincare SFB	12.04%	11.91%	10.05%	NA
Suryoday SFB	18.64%	22.64%	17.03%	15.58%*
Bandhan Bank	16.16%	14.63%	12.23%	11.91%*

Notes: Leverage ratio is as reported in Basel 3 disclosures; NA – Not available; * as of December 2022; Source: Company reports, CRISIL MI&A

Deposit details of SFBs and other players as of end-Fiscal 2023

	Proportion of deposit to total loan book (%)	Proportion of deposit in total borrowing (%)	Retail deposits (% of deposits)	CASA (% of deposits)	Retail TD (% of deposits)	Bulk TD (% of deposits)
SFBs						
AU SFB	118.7%	91.7%	69.0%	38.0%	31.0%	31.0%
Equitas SFB	98.4%	89.5%	77.5%	42.3%	35.2%	22.5%
Ujjivan SFB	120.0%	90.6%	66.0%	26.4%	39.6%	33.1%
Jana SFB	92.0%	72.2%	NA	NA	NA	NA
ESAF SFB	105.3%	81.4%	93.7%*	22.8%*	70.9%*	6.3%*

	Proportion of deposit to total loan book (%)	Proportion of deposit in total borrowing (%)	Retail deposits (% of deposits)	CASA (% of deposits)	Retail TD (% of deposits)	Bulk TD (% of deposits)
Utkarsh SFB	104.9%	85.4%	61.6%	20.9%	40.7%	38.4%
Fincare SFB	92.3%	74.3%	82.2%*	36.3%*	45.9%*	17.8%*
Suryoday SFB	85.9%	65.1%	73.1%	17.1%	56.0%	26.9%
Universal banks						
Bandhan Bank	103.2%	81.39%	71.2%	39.3%	31.9%	28.8%

Notes: * As of March 31, 2022; NA – Not available; Retail deposits includes CASA and retail term deposits. Bulk deposits include institutional deposits; CASA ratio is calculated based on overall deposits excluding certificates of deposits.

Source: Company reports, CRISIL MI&A.

Utkarsh SFB has the second lowest share of deposits from top state

Contribution of top state in overall deposit is lowest for Jana SFB among the compared SFBs. Utkarsh SFB stood second in share of top state in overall deposits, at 16% among the compared peers.

State mix of deposit (Fiscal 2023)

	Top state	Top 3 states	Top 5 states	Top 7 states	Top 7 states names
SFBs					
AU SFB	31%	62%	78%	89%	Rajasthan, Maharashtra, Delhi NCR, Punjab, Haryana, Gujarat and Madhya Pradesh
Equitas SFB#	25%	51%	66%	77%	Tamil Nadu, Maharashtra, Punjab, Chandigarh, Delhi, Karnataka and Haryana
Jana SFB*	15%	39%	57%	68%	Maharashtra, Karnataka, Tamil Nadu, West Bengal, New Delhi, Uttar Pradesh and Haryana
ESAF SFB#	97%	90%	92%	98%	Kerala, Delhi, Tamil Nadu, Karnataka, Maharashtra, Jharkhand and West Bengal
Utkarsh SFB	16%	45%	60%	71%	Haryana, Uttar Pradesh, NCT of Delhi, Maharashtra, Uttarakhand, Bihar and Jharkhand
Fincare SFB#	17%	46%	64%	79%	Kerala, Gujarat, Tamil Nadu, Karnataka, Maharashtra, Rajasthan and NCT of Delhi
Suryoday SFB	40%	68%	79%	83%	Maharashtra, Tamil Nadu, Karnataka, Gujarat, Delhi, Odisha

Note: States are arranged in descending order of their exposure, * As of September 2020, # As of March 2021; ^ As of March 2022.

Source: Company reports, CRISIL MI&A.

Product mix

Equitas SFB has the most diversified portfolio among peers, with reasonable book size in multiple asset classes as of Fiscal 2023. Most of the SFBs were erstwhile MFIs, and hence still have a huge concentration in MFI products whereas Equitas is diversified with other businesses. With SFBs' focus on portfolio diversification, we expect the product mix to be distributed into multiple asset classes in the coming years.

Product mix of all SFBs and banks (in Fiscal 2023)

	MFI	Vehicle Loans	Mortgage loans	MSME	Large and mid-corporate loans	Gold loans	Others
SFBs							
AU SFB	-	32%	7%	31%	22%	-	8%
Equitas SFB	19%	25%	-	51%	4%	-	1%
Ujjivan SFB	72%	-	14%	7%	-	-	7%
ESAF SFB#	81%	-	-	-	4%	9%	6%
Utkarsh SFB	66%	4%	4%	11%	11%	-	4%
Fincare SFB	63%	-	27%	-	-	8%	2%
Suryoday SFB	61%	6%	11%	6%	-	-	16%

Note: # As of March 31, 2022; *As of December 31, 2022.

Source: Company reports, CRISIL MI&A.

Geographical concentration of loan portfolio

Top 7 states for Utkarsh SFB accounts for 88% which is third lowest among the compared SFBs. Ujjivan SFB had the most geographically diversified portfolio among the compared peers with the top state (16%), top 3 states (41%), top 5 states (58%) and top seven states (72%) in Fiscal 2023. Some SFBs like ESAF SFB, Equitas SFB and AU SFB also have a high single state concentration of 56% (Kerala), 53% (Tamil Nadu) and 35% (Rajasthan) respectively, which could pose a portfolio concentration risk in uncertain times.

Fiscal 2023	Top state	Top 3 states	Top 5 states	Top 7 states	Top 7 states names
SFBs					
AU SFB	35%	66%	83%	93%	Maharashtra, Rajasthan, Delhi NCR, Punjab, Gujarat, Madhya Pradesh and Haryana
Equitas SFB [#]	53%	76%	85%	90%	Tamil Nadu, Maharashtra, Karnataka, Rajasthan, Gujarat, Madhya Pradesh and Delhi
Ujjivan SFB	16%	41%	58%	72%	Tamil Nadu, Karnataka, West Bengal, Maharashtra, Gujarat, Bihar and Uttar Pradesh
Jana SFB*	20%	53%	66%	78%	Tamil Nadu, Karnataka, Maharashtra, Madhya Pradesh, West Bengal, Gujarat and Haryana
ESAF SFB ^{\$}	56%	79%	-	-	Kerala, Tamil Nadu and Karnataka
Utkarsh SFB	31%	69%	81%	88%	Bihar, Uttar Pradesh, Maharashtra, Jharkhand, Haryana, NCT of Delhi and Madhya Pradesh
Fincare SFB ^{\$}	22%	53%	74%	90%	Tamil Nadu, Gujarat, Karnataka, Madhya Pradesh, Rajasthan, Maharashtra and Andhra Pradesh
Suryoday SFB	31%	70%	87%	93%	Maharashtra, Tamil Nadu, Odisha, Gujarat, Karnataka, Madhya Pradesh and Uttar Pradesh

Note: States are arranged in descending order of their exposure.

As of December 31, 2022;

* As of September 30, 2020; \$ As of March 31, 2022.

Source: Company reports, CRISIL MI&A.

Experience of leadership team

SFBs have better management depth as compared to NBFC-MFIs, as its average team size is 20 as compared to 14 of microfinance players. Utkarsh SFB's average management experience is at par with the industry average for SFBs.

Experience of leadership team (Fiscal 2023)

Player Name	Team size	Average experience (years)
SFBs		
AU SFB	27	19
Equitas SFB	12	27
Ujjivan SFB	14	28
Jana SFB	16	28
ESAF SFB	34	23
Utkarsh SFB	19	24
Fincare SFB	22	26
Suryoday SFB	15	28
Average	20	25
Microfinance		
Credit Access	15	24
Satin Creditcare	11	26
Fusion	15	27
Average	14	26

Source: Company reports, CRISIL MI&A.

Profitability

Utkarsh SFB has the best cost to income ratio amongst compared SFBs in as of Fiscal 2023

Amongst compared SFBs, Utkarsh SFB has the best cost to income ratio of 54.15% in Fiscal 2023, followed by Ujjivan SFB at 54.82%, Jana SFB at 56.22% and ESAF SFB at 57.94%. Fincare SFB reported the highest cost to income ratio of 66.13% during the same period.

Utkarsh SFB reported second highest RoE and second highest RoA among the compared SFBs as of Fiscal 2023

Utkarsh SFB posted second highest RoE at 22.64% in Fiscal 2023, after Ujjivan SFB which reported a RoE of 31.37%. Moreover, Utkarsh SFB also reported the second highest RoA at 2.37%, after Ujjivan SFB (3.86%) among compared SFBs as of Fiscal 2023.

Utkarsh SFB reported the fourth highest NIM among the compared SFBs in Fiscal 2023

Utkarsh SFB posted the fourth highest NIMs at 8.95% after ESAF SFB (9.68%), Ujjivan SFB (9.48%) and Fincare SFB (9.33%) among the compared SFBs in Fiscal 2023.

Profitability of players in Fiscal 2023

Players	Yield on advances (%)	Cost of borrowing (%)*	NIMs (%)	Opex (%)	Cost to income (%)	Credit cost (%)	RoE (%)	RoA (%)
SFBs								
AU SFB	13.10%	5.63%	5.56%	4.32%	63.01%	0.19%	15.44%	1.79%
Equitas SFB	16.67%	6.48%	8.22%	6.59%	63.41%	1.32%	12.20%	1.85%
Ujjivan SFB	19.73%	6.08%	9.48%	6.33%	54.82%	0.06%	31.37%	3.86%
Jana SFB	19.99%	6.96%	7.24%	5.61%	56.22%	3.25%	17.08%	1.12%
ESAF SFB	19.81%	6.02%	9.68%	6.49%	57.94%	2.57%	19.37%	1.59%
Utkarsh SFB	19.56%	6.80%	8.95%	5.79%	54.15%	1.77%	22.64%	2.37%
Fincare SFB	20.19%	6.47%	9.33%	7.48%	66.13%	2.68%	8.26%	0.89%
Suryoday SFB	19.04%	6.10%	8.28%	5.62%	60.02%	2.62%	5.03%	0.86%
Microfinance								
Credit Access	19.39%	8.30%	10.75%	4.22%	37.40%	2.04%	17.81%	4.20%
Spandana	19.24%	12.86%	9.96%	5.55%	51.01%	6.07%	0.40%	0.15%
Fusion	22.92%	10.24%	11.50%	5.34%	38.44%	2.41%	21.16%	4.65%
Universal banks								
Bandhan Bank	13.9%	5.3%	6.3%	3.1%	39.5%	2.8%	11.9%	1.5%

Note: *Cost of borrowing is calculated on total borrowings (borrowing + deposits), Credit costs is calculated as provisions on average assets, Opex is calculated as operating expense on average assets.

Source: Company reports, CRISIL MI&A

Profitability of players in Fiscal 2022

Players	Yield on advances (%)	Cost of borrowing (%)*	NIMs (%)	Opex (%)	Cost to income (%)	Credit cost (%)	RoE (%)	RoA (%)
SFBs								
AU SFB	12.10%	5.29%	5.36%	4.00%	57.07%	0.60%	16.56%	1.87%
Equitas SFB	17.33%	6.75%	7.89%	6.60%	66.12%	1.91%	7.35%	1.09%
Ujjivan SFB	16.73%	5.70%	8.07%	6.80%	71.68%	5.19%	-13.97%	-1.89%
Jana SFB	22.15%**	7.58%	7.08%	5.80%	66.46%	2.90%	0.46%	0.03%
ESAF SFB	19.59%**	5.99%	7.64%	5.74%	63.69%	2.78%	3.97%	0.36%
Utkarsh SFB	17.85%	6.92%	7.80%	5.41%	59.11%	3.04%	4.18%	0.45%
Fincare SFB	21.45%	7.07%	9.28%	6.85%	60.01%	4.51%	0.80%	0.09%
Suryoday SFB	18.72%	6.31%	7.85%	5.55%	60.93%	5.26%	-6.00%	-1.25%
Microfinance								
Credit Access	19.16%	8.18%	9.72%	3.93%	35.38%	3.27%	10.09%	2.78%
Spandana	21.47%	11.86%	12.12%	4.76%	38.56%	6.31%	2.39%	0.92%
Fusion	20.71%	9.83%	8.66%	4.75%	45.81%	5.62%	1.68%	0.33%
Universal banks								

Players	Yield on advances (%)	Cost of borrowing (%)*	NIMs (%)	Opex (%)	Cost to income (%)	Credit cost (%)	RoE (%)	RoA (%)
Bandhan Bank	13.88%	4.88%	6.87%	2.78%	30.54%	6.21%	0.72%	0.10%

Note: *Cost of borrowing is calculated on total borrowings (borrowing + deposits), Credit costs is calculated as Provisions on average assets, Opex is calculated as operating expense on average assets; ** Total interest income is considered for calculation.

Source: Company reports, CRISIL MI&A.

Utkarsh SFB has the highest LCR ratio as of Fiscal 2023

As of Fiscal 2023, Utkarsh SFB has the highest liquidity coverage ratio at 375.82%, followed by Equitas SFB (186.28%) and Suryoday SFB (150.36%).

Utkarsh SFB has the second highest provision coverage ratio (“PCR”) as of Fiscal 2023

Utkarsh SFB has the second highest PCR ratio of 88.29% as of Fiscal 2023 after Ujjivan SFB (98.00%). Suryoday SFB has the lowest PCR ratio of 51.43% in the same period.

Utkarsh SFB has the second lowest NNPA among compared SFBs as of Fiscal 2023

Utkarsh SFB has the second lowest NNPA ratio of 0.39% after Ujjivan SFB (0.04%) among the compared SFB peers in Fiscal 2023. Suryoday SFB has the highest NNPA (1.55%) amongst compared SFB peers during the same period.

Asset Quality and Liquidity ratios for players in Fiscal 2023

Players	Provision Coverage Ratio (%)	Liquidity Coverage Ratio (%)	GNPA (%)	NNPA (%)
SFBs				
AU SFB	75.00%	128.00%	1.66%	0.42%
Equitas SFB	56.90%	186.28%	2.60%	1.14%
Ujjivan SFB	98.00%	NA	2.60%	0.04%
Jana SFB	NA	NA	NA	NA
ESAF SFB	55.11%	138.79%	2.49%	1.13%
Utkarsh SFB	88.29%	375.82%	3.23%	0.39%
Fincare SFB	60.82%	NA	3.25%	1.30%
Suryoday SFB	51.43%	150.36%*	3.13%	1.55%
Microfinance				
Credit Access	71.58%	NA	1.21%	0.35%
Spandana	70.00%	NA	1.95%	0.58%
Fusion	75.50%	NA	3.46%	0.87%
Universal banks				
Bandhan Bank	76.82%	136.34%*	4.90%	1.20%

Note: * As of December 31, 2022; NA – Not Available.

Source: Company reports, CRISIL MI&A.

ANALYSIS OF VARIOUS SEGMENTS

Microfinance

MFI Industry Gross Loan Portfolio witnessed robust year-on-year growth of 21.2% in Fiscal 2023; Rising penetration to support continued growth of the industry

Although India’s household credit penetration on MFI loan has increased it is still on the lower side as only few states have higher penetration. There is huge untapped market available for MFI players. As at the end of March 2023, the microfinance industry had grown at a CAGR of 23% since Fiscal 2017. In Fiscal 2023, the industry grew by 21% year-on-year to reach ₹ 3.4 trillion. The growth was driven by pent-up credit demand after the adverse impact of pandemic faded away, increased outreach to new customers, strong pick-up in disbursements across all lender groups, along with a growth in the average ticket size.

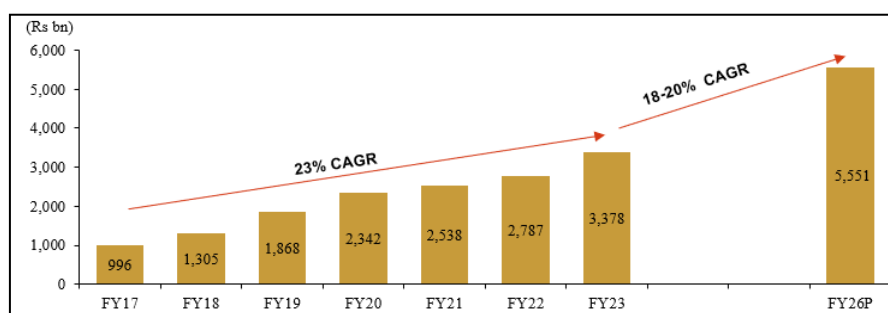
CRISIL MI&A expects the MFI loan portfolio to clock CAGR of 18% - 20% between Fiscal 2023 and Fiscal 2026. Key drivers behind superior growth outlook of the MFI industry include increasing presence of MFIs deep into the hinterland and expansion into newer states, faster growth in rural segments, expansion in average ticket

size, and support systems like Credit Bureaus. The presence of self-regulatory organisations (“SRO”) like MFIN and Sa-Dhan is also expected to support sustainable growth of the industry going forward. Microfinance sector in India regulated by the RBI. The RBI’s new regulatory regime for micro finance loans effective April 2022, which has done away with interest rate cap applicable on loans given by NBFC-MFIs, will also support growth by enabling players to calibrate pricing in line with customer risk.

Key enablers behind superior growth outlook of the MFI industry

- Digitalisation to bring down costs, improve collection efficiency and profitability for MFIs. CRISIL MI&A expects that the lower cost of servicing customers, better productivity and lower credit costs through the use of technology will help MFIs improve their profitability.
- MFIs have built a large distribution network in urban and rural India. Now these MFIs are leveraging this network to distribute financial and non-financial products including insurance and product financing of other institutions to members at a cost lower than competition.
- The RBI has revised the definition of microfinance loan as a collateral-free loan given to a household having annual household income up to ₹ 300,000. The earlier definition had set the threshold of annual household income up to ₹ 125,000 for rural households and ₹ 200,000 for urban/ semi-urban households. This will help players tap a broader customer pool. Raising the household income threshold will help MFIs reach many more households, and tap higher income bands, thus increasing their average ticket sizes, and simultaneously the number of trades.

MFI Industry GLP to grow at 18-20% CAGR over Fiscal 2023 - Fiscal 2026



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

Note: P: Projected

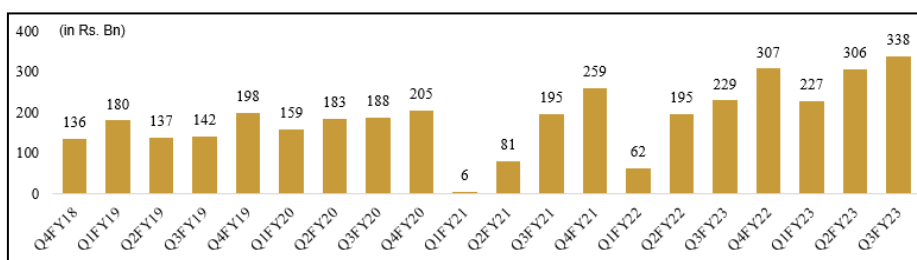
Source: CRIF Highmark, Company reports, Industry and CRISIL MI&A.

Disbursements have surpassed pre-COVID-19 levels

MFI loan disbursements dropped significantly in the first quarter of Fiscal 2021 on account of increased focus of players on preserving liquidity and collections which was adversely impacted due to the moratorium granted to customers post-COVID. However, as borrowers were made aware about the impact of moratorium and as lockdowns were eased, collections started to pick up, giving the comfort to the lenders towards the sector. Disbursements started to increase towards the second half of the second quarter of the Fiscal 2021, and by the third quarter, disbursements were back at pre-COVID levels. Disbursements grew 26% on year in the fourth quarter of Fiscal 2021.

The growth in disbursements was halted by the second wave of COVID-19 and it dropped by approximately 76% over the previous quarter in the first quarter of Fiscal 2022. However, with a recovery in economy from July 2021, collections started to improve, and disbursements increased by 141% and 17% year-on-year in the second quarter of Fiscal 2022 and the third quarter of Fiscal 2022 respectively. In the fourth quarter of Fiscal 2022 as well, disbursements continued to remain robust and witnessed a growth of 19% year-on-year. Collection efficiency of most players reached 98%-99% in the fourth quarter of Fiscal 2022. Disbursement declined in the first quarter of Fiscal 2023 owing to disruptions related to the transition to the RBI’s new guidelines on MFI lending. However, disbursements gained traction in the second quarter and third quarter of Fiscal 2023, as they reported growth of 56.9% and 47.6% year-on-year respectively, owing to healthy demand due to increasing economic activities and support from the RBI regulatory framework.

Disbursements gaining traction after COVID-19 impact



Note: Data includes data for NBFC-MFI.

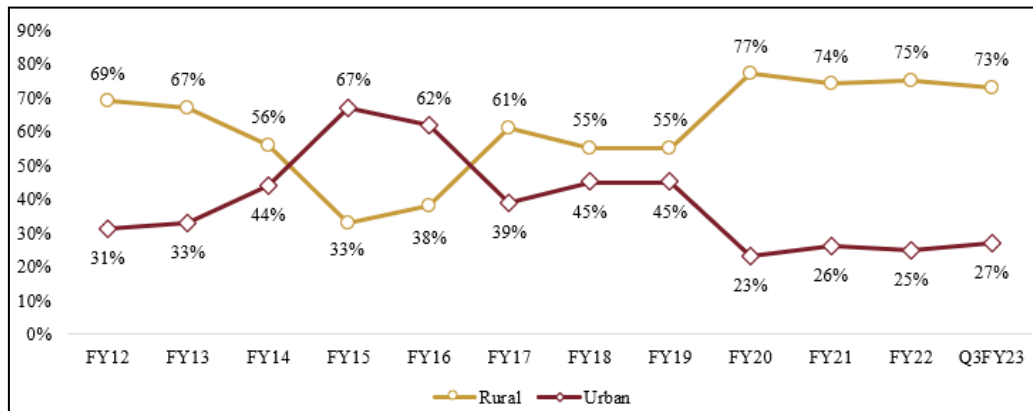
Source: MFIN, CRISIL MI&A.

Higher share of rural segment in MFI business to drive growth

CRISIL MI&A expects the share of rural segment in MFIs' business to remain higher, with burgeoning 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 opening up a huge opportunity for savings and loan products.

Over four years until Fiscal 2015, the share of the MFIs' urban clients rose sharply. According to Sa-dhan, share of urban borrowers increased due to rising focus of bigger lenders on urban clientele to achieve maximum operational efficiency and maintain profitability given the margin cap regulations. While only 33% of MFI clients were from rural areas in Fiscal 2015, with bigger players converting to SFBs and their exclusion, the share rose to 61% in Fiscal 2017. After Fiscal 2016, share of rural clientele has been higher and further increased to 75% in Fiscal 2022. Compared to banks, MFIs have higher focus on rural areas. CRISIL MI&A believes that establishing a good rapport with rural customers leads to longer and more loyal customer relationship, which can be further leveraged to cross-sell other products.

Share of rural and urban clients



Source: Sa-Dhan, CRISIL MI&A.

With the government's focus on financial inclusion and increasing number of financial institutions opening up branches in the unbanked areas, CRISIL MI&A has seen that demand for loan is higher in rural areas. As of Fiscal 2022, the rural pie had accounted for 71% of the overall disbursement. Additionally, in terms of GLP, rural regions accounted for 75% of the overall portfolio of NBFC-MFIs, other NBFCs, and non-profit MFIs.

Disbursement and number of borrowers in rural areas (as of Fiscal 2022)

(₹ billion)	Disbursement (Fiscal 2022)	Share of disbursement	Portfolio outstanding	Share of GLP	Share of borrowers
Rural	566	71%	721	75%	75%
Urban	231	29%	240	25%	25%

Note: The data for the industry given above is estimated using the data available for MFIs as per Bharat Microfinance Report 2020. Amounts have been rounded to the nearest 10 million.

Source: Sa-Dhan, CRISIL MI&A.

With higher focus on rural areas, over the past few Fiscals, NBFC-MFIs have been able to maintain better asset quality in rural areas compared to that in urban areas. Such a trend in asset quality forms a strong base for NBFC-MFIs to penetrate more into rural areas.

Advantages in rural focused business

- Huge market opportunity in the rural segment – Despite its larger contribution to GDP of 47%, the rural segment’s share in credit remains fairly low at approximately 8% of the overall credit outstanding. This provides a huge market opportunity for MFI players present in the segment.
- Less competition – In remote areas, informal credit channels have a major presence. In other words, there is a huge section of unbanked population with low competition. MFI players are better placed to tap this market.
- Geographic diversification – With increased focus on diversifying their portfolio and expanding their reach, MFI players are expected to log higher growth as they tap newer geographies.
- Ability to manage local stakeholders – With their microfinance experience, MFI players have the ability to manage local stakeholders and maintain operational efficiency.
- Lower delinquency rates: Asset quality of rural region is better than urban and semi urban region since Fiscal 2017 due to better risk profile of customer and better credit discipline than the urban and semi-urban region.
- Loan recovery and control on aging NPAs – MFI players are experienced in collection and monitoring of default risk. This will help them keep asset quality under check.

Challenges in rural-focused business

The microfinance industry mainly caters to the poorer section of society, because of which there are some 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 elongates the breakeven 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, about the product and services offered by them, and establish 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 TAT from the financier’s perspective.

However, the rural economy has been resilient in the last year, amidst the COVID-19 pandemic. India has witnessed above normal, timely and largely well distributed monsoon, benefitting the agriculture industry and rural India. The government is also committed to their cause towards rural India. For instance, increase in the agriculture credit target and allocation of infrastructure fund for the development of Agriculture Produce and Livestock Market Committee (“APMC”) reiterates government’s commitment and is expected to provide a thrust to rural India.

Industry resilient despite major setbacks and changing landscape

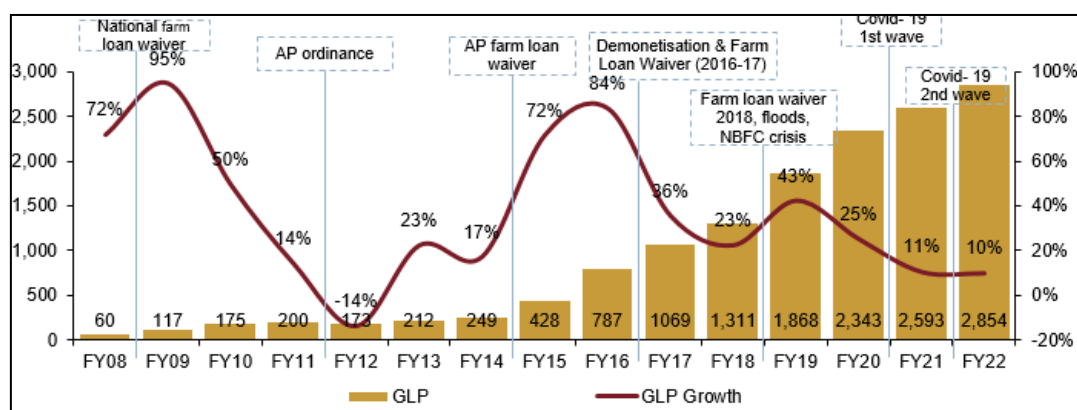
The industry’s growth has been regardless various headwinds in the past decade – national farm loan waivers (2008), the Andhra Pradesh crisis (2010), Andhra Pradesh farm loan waiver (2014), demonetisation (2016), and

farm loan waiver across some more states (2017 and 2018). Of these events, the Andhra Pradesh crisis of 2010 had a lasting impact on the 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 hurt the industry, the impact was not as serious as the Andhra Pradesh crisis and limited to certain districts.

Portfolio at risk (“PAR”) data as of September 2018 indicates that the industry has recovered fairly strongly from the aftermath of demonetisation. Furthermore, collections of loan disbursements since September 2017 have been healthy. The liquidity crisis in 2018, however, has had a ripple effect on microfinance lending as smaller NBFC-MFIs with capital constraints and lenders relying on NBFCs for funding slowed down disbursements.

NBFC- MFIs faced initial hiccups at the start of Fiscal 2021 due to the COVID-19 pandemic on account of uncertainty over collections and aversion by lenders to extend further funding to them; however, the situation improved gradually and most NBFC-MFIs, with the exception of a few, were able to improve the liquidity buffers during the course of the year by raising funds and support from various government schemes. While the resurgence of COVID-19 again led to a fresh bout of uncertainty in respect of collections in first quarter of Fiscal 2022, the impact was not as pronounced as in the early part of the previous Fiscal. the industry gradually rebounded in Fiscal 2022 and is expected to grow at healthy pace over the next few years as well, given the low penetration of credit amongst the target population.

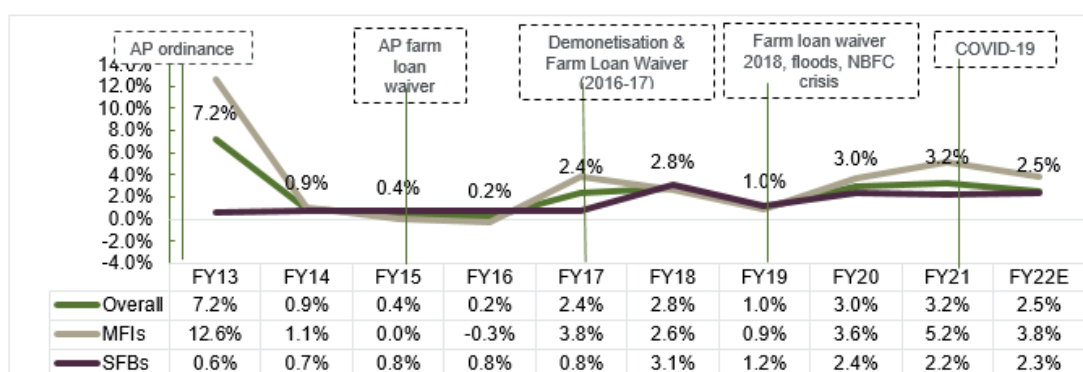
MFI industry has shown resilience over the past decade



Note: Data includes data for Banks lending through joint liability group (“JLG”), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of fiscal year
Source: MFIN, CRISIL MI&A.

Over the years, MFIs have proven their resilience. They have 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 like that of Demonetization within a few months and have been able to maintain profitability over a cycle.

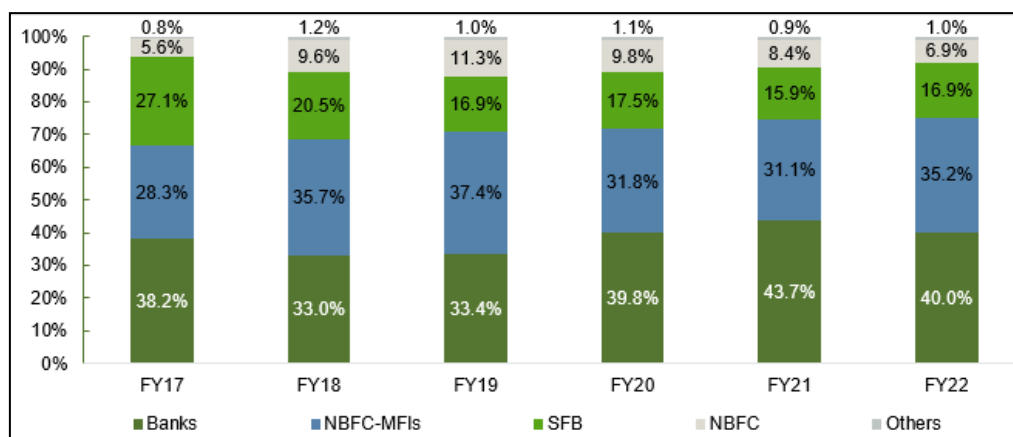
Credit costs for microfinance industry across various events



Note: E: Estimated, Data includes data for 12 MFIs (includes NBFC MFIs) & 8 SFBs which constitute more than 80% of Industry. Jana SFB, North East SFB and Shivalik SFB has been excluded from analysis.
Source: Company Reports, CRISIL MI&A.

The share of SFBs in microfinance industry has been reducing over the past years from 27% in Fiscal 2017 to 17% in Fiscal 2022 owing to portfolio diversification. NBFC MFIs on the other hand has gained market share from 28% in Fiscal 2017 to 35% in Fiscal 2022.

SFBs account for 17% of the total gross loan portfolio



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

Source: MFIN, CRISIL MI&A.

REGULATIONS

New regulatory regime for microfinance loans, effective April 2022, levels the playing field

The RBI, in its master directions on microfinance loans, released in March 2022, has done away with the interest rate cap applicable on loans given by NBFC-MFIs. Entities providing microfinance loans will have to put in place a Board approved policy for the pricing of loans. The policy should include the interest rate model, range of spread of each component for categories of borrowers, and ceiling on interest rate and all other charges on MFI loans. The RBI’s move levels the playing field, with both NBFC-MFIs and banks/SFBs providing microfinance loans now being subject to the same rules, which was not the case in the earlier regime. This move is expected to positively impact NBFC-MFIs.

The increase in the annual household income cap for micro finance borrowers (to ₹ 3,00,000 in both urban and rural areas), removal of the two-lender norm for lending by NBFC-MFIs and allowing NBFC-MFIs greater flexibility to offer non-MFI loans (MFI loans required to account for 75% of total assets for NBFC-MFIs, as per then new regulations) would increase the market opportunity available to MFIs and enable them to create a more balanced portfolio.

Area of regulation	Existing regulations		Revised regulations (effective from April 01, 2022)
	For NBFC-MFIs	For Banks and SFBs	For all Regulated Entities*
Loan pricing	Margin cap at 10% for large MFIs (loan portfolios greater than ₹ 1 billion); 12% for small MFIs (loan portfolios <₹1 billion)	No restrictions for Banks and SFBs	No pricing cap; underwriting of loans will be done on a risk-based analysis, and a risk premium will be charged based on the borrower. Board approved policy for pricing of loans to be put in place. The policy should include the interest rate model, range of spread of each component for categories of borrowers, and ceiling on interest rate and all other charges on MFI loans.
Processing fees	Not more than 1% of gross loan amount		
Qualifying criteria	85% loans unsecured	Have to meet the target set for priority sector loans (“PSL”)	The minimum requirement of microfinance loans for NBFC-MFIs revised to 75 per cent of the total assets. The maximum limit on microfinance loans for NBFCs other than NBFC-MFIs revised to 25% of the total assets from 10% earlier
Household income	Rural areas: ₹ 1,25,000 per annum Urban areas: ₹ 2,00,000 per annum	No restrictions for Banks and SFBs	<u>Annual household income:</u> Up to ₹ 3,00,000 in urban as well as rural areas (This amount is higher than what was stated in the consultation paper issued in June 2021)

Area of regulation	Existing regulations		Revised regulations (effective from April 01, 2022)
	For NBFC-MFIs	For Banks and SFBs	For all Regulated Entities*
Ticket size of loans	₹ 75,000 in the first cycle and ₹ 1,25,000 in the subsequent cycles		– up to ₹ 1,25,000 for rural areas and ₹ 2,00,000 for urban and semi-urban areas)
Tenure of loans	Not to be less than 24 months for loan amount in excess of ₹ 30,000		Board-approved policy for assessment of household income
Lending to the same borrower	Not more than 2 lenders allowed per borrower	More than 2 banks can lend to same borrower	<u>Limit on Maximum Loan Repayment Obligation of a household towards all loans: 50% of monthly household income</u>
Overall borrower indebtedness	Should not exceed ₹ 1,25,000	No restrictions for Banks and SFBs	

Note: Regulated entities*: All Commercial Banks (including Small Finance Banks, Local Area Banks, and Regional Rural Banks) excluding Payments Banks, All Primary (Urban) Co-operative Banks/ State Co-operative Banks/ District Central Co-operative Banks, All Non-Banking Financial Companies (including Microfinance Institutions and Housing Finance Companies).

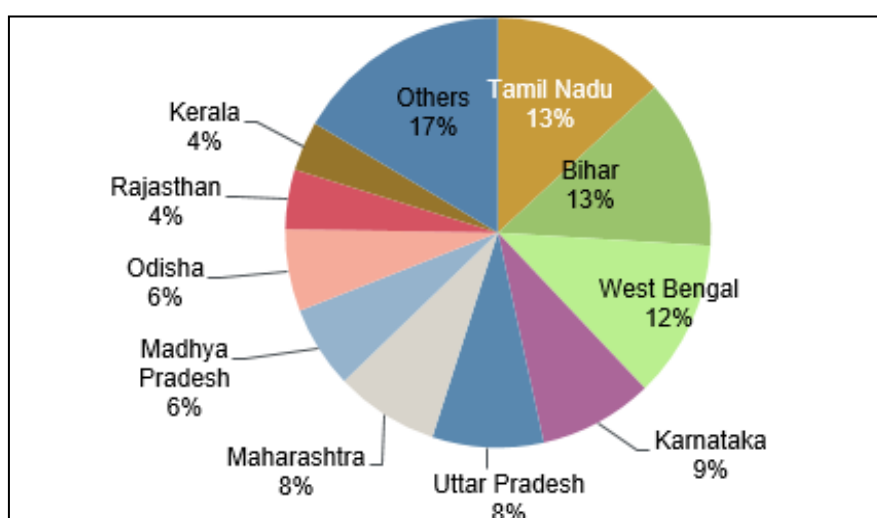
Source: RBI, CRISIL MI&A.

STATE-WISE ANALYSIS

Top 10 states contribute about 83% of MFI loans

About 83% of the gross loan portfolio is concentrated in the top 10 states with Tamil Nadu (13%), Bihar (13%) and West Bengal (12%) recording the highest shares as at March 2022. Among the top 15 states, Rajasthan, Bihar, Jharkhand and Odisha have witnessed a CAGR of 38%, 36%, 35% and 28% respectively over Fiscals 2017 to 2022 in terms of GLP. This growth can be mainly attributed on account of increasing number of players and rising number of branches in the region.

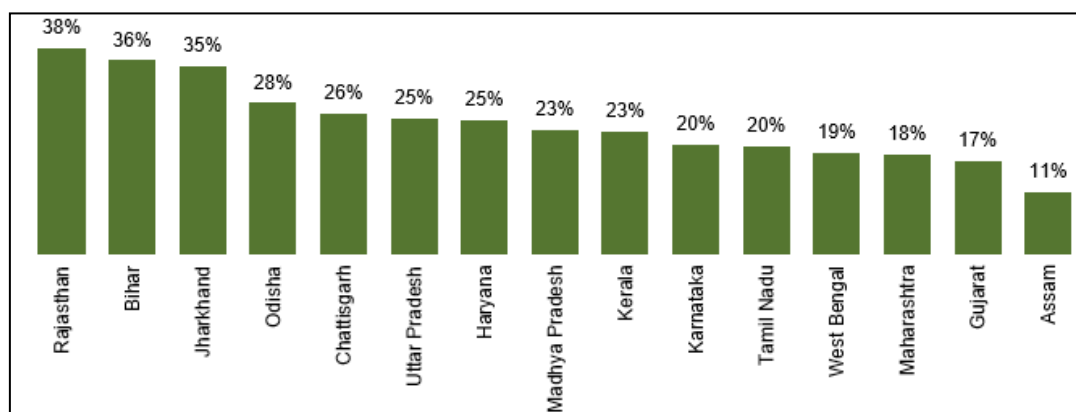
State-wise distribution of MFI loans portfolio (as at March 2022)



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

Source: CRIF Highmark, CRISIL MI&A.

Rajasthan, Bihar, Jharkhand and Orissa have reported over 30% GLP growth between Fiscal 2017 and Fiscal 2022



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

Source: CRIF Highmark, CRISIL MI&A.

Credit variation across various districts in states continues to decrease

State-wise concentration of MFI loans in various districts

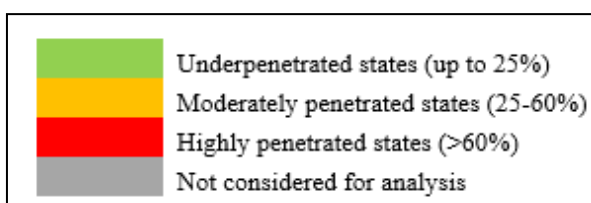
States	GLP as of March 2021 (₹ billion)	Top 5 districts	Contribution of Top 5 district to GLP	
			March 2017	March 2022
Tamil Nadu	368	Cuddalore, Viluppuram, Thanjavur, Kancheepuram and Madurai	26%	27%
Bihar	356	Samastipur, Purba Champaran, Muzaffarpur, Madhubani and Begusarai	27%	31%
West Bengal	332	North 24 parganas, Murshidabad, Jalpaiguri, Barddhaman and Nadia	41%	43%
Karnataka	242	Mysore, Belgaum, Bangalore, Tumkur and Hassan	43%	35%
Uttar Pradesh	236	Gorakhpur, Kushinagar, Deoria, Varanasi and Saharanpur	25%	24%
Maharashtra	219	Aurangabad, Nagpur, Pune, Solapur and Jalgaon	32%	33%
Madhya Pradesh	173	Indore, Jabalpur, Ujjain, Chhindwara and Bhopal	30%	23%
Odisha	172	Ganjam, Cuttack, Khordha, Bhadrak and Baleshwar	36%	34%
Rajasthan	125	Banswara, Udaipur, Nagaur, Alwar and Dungarpur	20%	31%
Kerala	104	Thiruvananthapuram, Kollam, Palakkad, Alappuzha and Thrissur	68%	64%

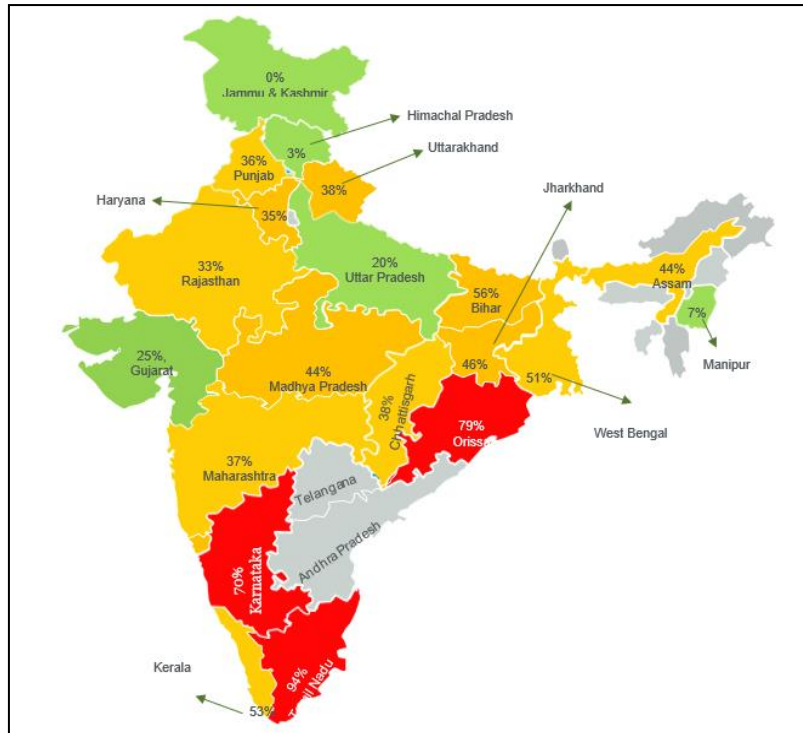
Note: States are arranged in order of GLP, Data includes data for Bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.

Source: CRIF High Mark, CRISIL MI&A.

Underpenetrated states to drive growth for MFI in the coming years

CRISIL MI&A expects growth in the MFI portfolio to come from states that have a relatively lower penetration. Thus, CRISIL MI&A expects underpenetrated states like Uttar Pradesh, Gujarat, Himachal Pradesh and Manipur to drive future growth along with some of the moderately penetrated states, such as Uttarakhand, Bihar, Rajasthan, Maharashtra and Madhya Pradesh.





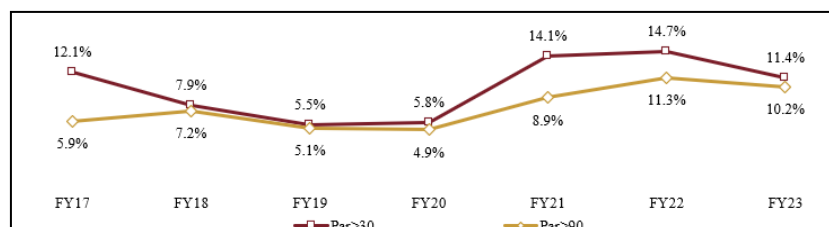
Source: CRIF Highmark, CRISIL MI&A.

Note: 1) Penetration has been computed by dividing number of active MFI loans by estimated number of households in March 2022; 2) Pan-India penetration has been determined based on the analysis of 20 states; 3) Data includes data for Banks lending through joint liability group (“JLG”), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of the fiscal year.

ASSET QUALITY

The PAR>30 and PAR>90 for the industry shot up to 14.1% and 8.8% respectively as of March 2021 owing to the nationwide lockdown imposed in March 2020 to control the spread of COVID-19 and the subsequent moratorium granted by RBI. In the first quarter of Fiscal 2022, PAR>30 and PAR>90 for the industry further deteriorated to 22.5% and 10.4% respectively, mainly due to fall in collection efficiencies experienced in months of May and June 2021 in the aftermath of the second COVID wave. The collections started to improve from July 2021 onwards owing to relaxations in COVID-19 restrictions across the country and economic activity picking pace. Nevertheless, in Fiscal 2022, asset quality remained under some pressure, on account of strain on MFI borrowers’ earning capabilities. Fiscal 2023 saw improvements in asset quality owing to improvements in collection efficiency across the industry players, decline in stressed loans and major write-offs done by the players. With collection efficiency being back to pre-COVID levels, asset quality is expected to further improve in Fiscal 2024.

Asset quality trend over the years



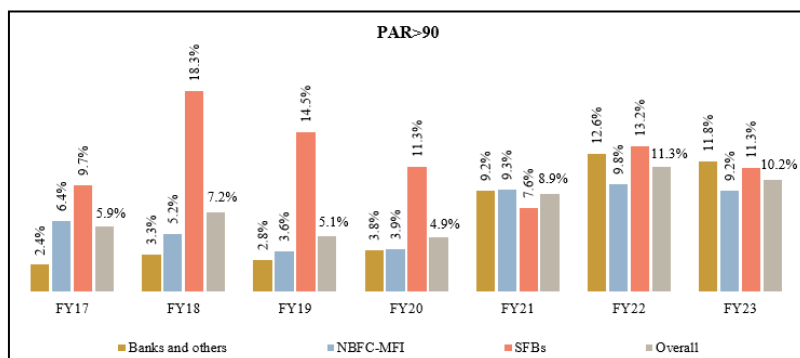
Note: 1) Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of fiscal year; 2) PAR 30+ and PAR 90+ include delinquency beyond 180 days of MFI industry.

Source: CRIF Highmark, CRISIL MI&A.

Asset quality of Banks, NBFC-MFIs better than the industry over Fiscals 2017 to 2023; banks have seen significant deterioration in asset quality in the two preceding years

As at March 2023, overall PAR >90 for the industry as a whole was 10.2%, but Banks have relatively higher PAR >90 at 11.8% as at the same date and is still higher than the pre-pandemic level.

Asset quality of player groups in microfinance industry (PAR>90 days)



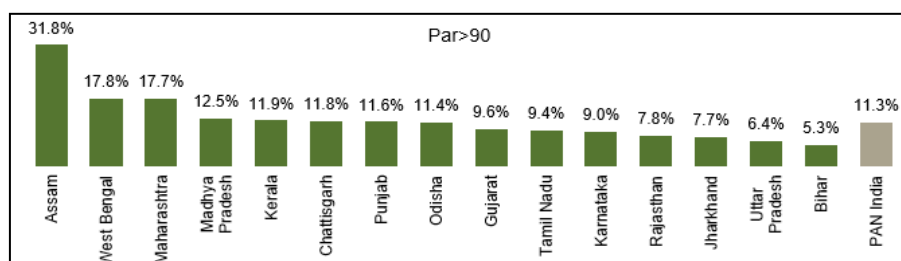
Note: 1) Data includes data for Banks lending through joint liability group, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of the fiscal year; 2) Note: PAR 90+ includes delinquency beyond 180 days of MFI industry.

Source: CRIF Highmark, CRISIL MI&A.

Asset quality has weakened across states in Fiscal 2022

Asset quality has worsened across states due to COVID-19 pandemic. Assam has seen a sharp deterioration in asset quality due to the recent proposed bill on micro finance, the PAR 90+ stood at 31.8% in March 2022. Bihar, Uttar Pradesh, and Jharkhand has the best asset quality amongst the other states and has PAR>30 days and PAR>90 days lower than that at a Pan India level.

State-wise asset quality of top states

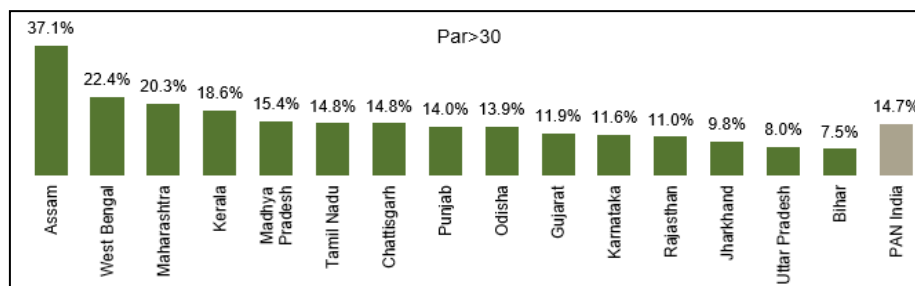


Note: 1) Data includes data for Banks lending through joint liability group (“JLG”), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of fiscal year.

2) PAR 90+ includes delinquency beyond 180 days.

Source: CRIF Highmark, CRISIL MI&A.

State-wise asset quality of top states (Fiscal 2022)



Note: 1) Data includes data for Banks lending through joint liability group (“JLG”), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of the fiscal year.

2) PAR 30+ includes delinquency beyond 180 days.

Source: CRIF Highmark, CRISIL MI&A.

Considerable variation in asset quality across districts

State-wise district wise variation in asset quality of top states as of March 2022

State	PAR>90				Worst 5 Districts based on PAR>90 (March 2021)	Cumulative PAR>90		Cumulative share of worst 5 districts to states portfolio (March 2021)
	March 2017	March 2020	March 2021	March 2022		Worst 5 districts	Rest of the districts	
Tamil Nadu	2.60%	4.35%	6.06%	9.38%	Chennai, Salem, Dharmapuri, Coimbatore and Dindigul	12.91%	8.72%	15.67%
Bihar	0.54%	1.02%	4.05%	5.35%	Kaimur, Munger, Banka, Nalanda and Rohtas	10.72%	5.02%	5.93%
West Bengal	2.47%	2.92%	13.10%	17.82%	Koch Bihar, Nadia, North 24 parganas, South 24 parganas and Jalpaiguri	23.97%	13.74%	39.83%
Karnataka	9.93%	8.28%	6.80%	9.00%	Dakshina Kannada, Udupi, Bangalore, Chikmagalur and Chikkaballapura	19.94%	7.45%	12.35%
Uttar Pradesh	13.10%	6.29%	5.76%	6.41%	Bareilly, Kannauj, Lucknow, Fatehpur and Pratapgarh	12.23%	6.18%	5.65%
Maharashtra	15.26%	10.19%	14.48%	17.69%	Solapur, Kolhapur, Amravati, Wardha and Sangli	29.60%	14.41%	19.06%
Madhya Pradesh	7.96%	6.78%	8.98%	12.54%	Dewas, Narshimhapur, Sehore, Khargone and Shajapur	18.54%	11.66%	12.84%
Odisha	2.83%	4.73%	9.18%	11.42%	Gajapati, Jharsuguda, Bhadrak, Baleshwar and Khordha	15.43%	10.41%	20.11%
Rajasthan	4.68%	2.18%	3.69%	7.81%	Jaipur, Dausa, Karauli, Alwar and Bharatpur	12.46%	7.03%	12.03%
Kerala	0.66%	3.19%	7.16%	11.90%	Kozhikode, Wayanad, Kollam, Thiruvananthapuram and Kasaragod	15.99%	9.83%	33.60%

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 MI&A.

MFI collection efficiency almost back to pre-pandemic levels

Collections of microfinance institutions (“MFIs”), which had plunged to near zero in April 2020 because of the nationwide lockdown due to the COVID-19 pandemic, rebounded to 80% to 85% in September 2020, with restrictions being lifted gradually. In December 2020, collection efficiency for the industry as a whole rebounded further to 90-93%, as per CRISIL MI&A estimates. 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. 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. In the third quarter of Fiscal 2021, collection efficiency for the industry as a whole rebounded further to 85% to 93%, as per CRISIL MI&A estimates. Subsequently, in the fourth quarter of Fiscal 2021, collections further improved to 92% to 95%.

The second COVID-19 wave again dented collections in April and May 2021 due to localised lockdowns imposed by several states. The medical impact of the second wave of the pandemic was much worse than the first wave; the impact was seen across rural and urban areas, unlike the first wave impact which was largely urban centric. Southern states witnessed a sharper fall in collections as compared to other states in May 2021, as the lifting of lockdowns was delayed till June, whereas northern states were impacted largely in April. Ground-level infrastructural and operational challenges, as well as restrictions on movement of people, impinged on the MFI sector’s collection efficiency. As per CRISIL MI&A estimates overall collection efficiency witnessed a swift recovery from 80% to 85% in June 2021 and reached pre-pandemic level of 95% to 98% in March 2022 as the economic activity picked up pace. Going forward, the trend in the restructured book would need close monitoring to assess incremental slippages. The microfinance sector restructured around 10% of its loan book under the Resolution framework 2.0 announced by the RBI in the wake of the second COVID-19 wave. As of May 2022, collection efficiency for the restructured book, billing for which began in Quarter 4 of Fiscal 2022, was in the range of 60% to 70%.

Monthly collection efficiency trend for MFIs

Apr-20	May-20	Jun-20	Sep-20	Dec-20	Mar-21	May-21	Jun-21	Sep-21	Dec-21	Mar-22
<10%	<45%	45-65%	80-85%	90-93%	92-95%	70-80%	80-85%	94-97%	90-93%	95-98%

Note: 1) Collection Efficiency numbers are estimated 3) Monthly Collection efficiency = {Current + Overdue collections (excluding prepayments)} / Scheduled billing assuming no moratorium.
Source: CRISIL MI&A.

Reduction in credit cost to boost profitability of MFIs in the medium term

In Fiscal 2021 and 2022, the cost of borrowings has remained stable despite stress of the pandemic. However, with an increase in repo rates in Fiscal 2023, the cost of borrowings for MFIs are expected to increase, which is likely to be passed on to the customer.

Over the course of Fiscal 2021 and Fiscal 2022, most MFIs increased provisioning levels significantly to fortify their balance sheets against asset quality risks. We expect the credit costs to decrease gradually in Fiscals 2023 and 2024, thereby augmenting profitability of the sector.

MSME FINANCE

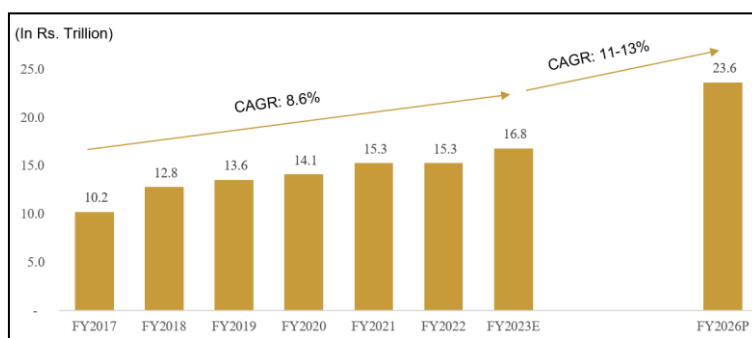
Overall MSME lending has grown at a CAGR of 8.6% between Fiscal 2017 and Fiscal 2023

CRISIL MI&A estimates the total size of the MSME lending market across ticket sizes and various player groups (banks, NBFCs, small finance banks, and other formal lenders) to be around ₹ 16.8 trillion as of March 2023. This market size includes loans taken by MSMEs across various constitution types (sole proprietorships, partnership firms, private and public limited companies, and co-operatives) and the ticket size spectrum, and includes loans extended in the name of the firm/entity/company as well as the individuals in case of micro enterprises or entrepreneurs.

CRISIL MI&A estimates loans to MSMEs to have grown at a CAGR of 8.6% during Fiscal 2017 to Fiscal 2023. In Fiscal 2019 and Fiscal 2020, the growth was relatively muted due to the NBFC liquidity crisis as well as a cautious stance being taken when lending to MSMEs due to slower economic growth. It was followed by the economic slowdown in Fiscal 2020 and the COVID-19 pandemic in Fiscal 2021. The COVID-19 pandemic had a heavy impact in the MSME industry in Fiscal 2021, which was also seen in the first quarter of Fiscal 2022. ECLGS schemes aimed to reduce the impact of the pandemic on the MSME sector. The first half of Fiscal 2022 was also impacted by the second wave, leading to lower disbursements to these MSMEs. In Fiscal 2023, the MSME portfolio is estimated to have grown by 8% - 9%. Revival of economic activity, pent-up demand, strong export and domestic support helped the segment to grow.

Going forward, CRISIL MI&A expects the MSME portfolio to grow at 11% - 13% CAGR over Fiscal 2023 and Fiscal 2026, aided by increasing penetration of such loans, enhanced availability of data making it easier to underwrite such loans, enhanced use of technology, newer players entering the segment and continued government support.

MSME Loans to grow at 11% - 13% CAGR over Fiscal 2023 and Fiscal 2026



Note: P: Projected; Data excludes data for LAP; Source: CRISIL MI&A.

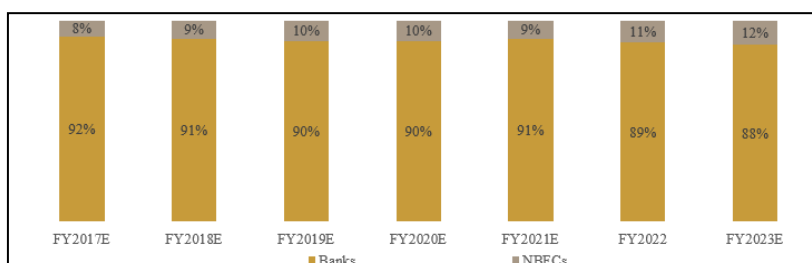
NBFCs outpace banks' MSME lending over Fiscals 2017 to 2023

NBFCs have managed to carve out a strong presence in MSME loans due to their focus on serving the needs of the customer segment, faster turnaround time, customer service provided and expansion in geographic reach. Over the years, the MSME portfolio of NBFCs has grown at a faster rate than the overall MSME portfolio at a systemic level. Under MSME lending, though banks account for a giant share, NBFCs gained approximately 4% of market share over Fiscal 2017 – Fiscal 2023, owing to their aggressive approach, higher risk-taking ability, and better leveraging of their property appraisal capabilities, despite slowing down post the IL&FS default. Banks are also losing share as some have triggered the RBI's 'prompt corrective action', which restricts lending. Moreover, in

Fiscal 2022 and Fiscal 2023, NBFCs increased their share as economic activity picked pace and collection efficiency improved.

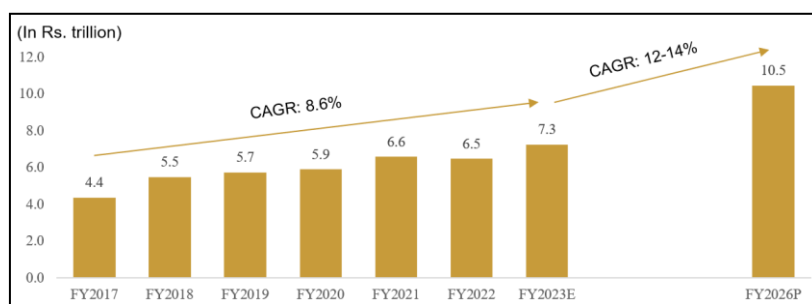
Thus, the share of NBFCs in total credit to MSMEs is estimated to have increased to approximately 12% at the end of Fiscal 2023, from 8% as of Fiscal 2017. Going forward, CRISIL MI&A expects the competitive positioning of NBFCs to remain strong, given their strong target customer and product focus.

Banks still account for dominant share in MSME credit



Note: E - Estimated; Data excludes data for LAP; Source: CRISIL MI&A.

MSME (ticket size less than ₹ 20 million) to grow at 12% to 14% CAGR over Fiscal 2023 to Fiscal 2026



Note: E: Estimated; P: Projected; Data excludes data for LAP; Source: CRISIL MI&A, industry.

Growth drivers

High credit gap in the MSME segment

Less than 15% of approximately 70 million odd MSMEs have access to formal credit in any manner as of March 2022. High risk perception and the prohibitive cost of delivering services physically have constrained traditional institutions’ ability to provide credit to underserved or unserved MSMEs and self-employed individuals historically. As a result, they resort to credit from informal sources. This untapped market offers huge growth potential for financial institutions. As stated earlier, the credit gap was estimated at around ₹ 58.4 trillion as of 2017, as per the IFC report ‘Financing India’s MSMEs’, released in November 2018, and is estimated to have widened further to around ₹ 85 trillion as of Fiscal 2022.

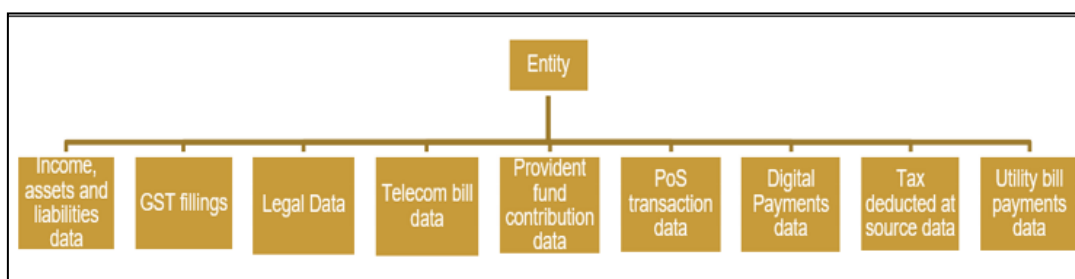
Increased data availability and transparency

With increased digital initiatives by the MSMEs, the shift towards their formalisation and digitisation has created a plethora of data points for lenders that would help improve the efficacy of credit assessment and gradually enable provision of credit to hitherto underserved customer segments. For example, the quantum of retail digital payments has catapulted from ₹ 140 trillion in Fiscal 2017 to ₹ 587 trillion in Fiscal 2023. Within UPI, the quantum of person-to-merchant payments has increased from ₹ 6.2 trillion in Fiscal 2021 to ₹ 30.8 trillion in Fiscal 2023. UPI has increased banking transactions materially, impacting significant increase in tax compliance. This increase has created a digital footprint of customers, which can be potentially used for credit decision making, along with other relevant parameters such as customer demographics, business details, credit score, and personal situation of the borrower. Demonetisation and GST have further accelerated formalization of the Indian economy.

Moreover, National Payments Corporation of India (“NPCI”) has launched UPI LITE as a new payment solution for low value transactions, without utilizing a Remitter bank’s core banking systems in real-time. UPI LITE enables improved success rate of UPI transactions, less infrastructure loan on the remitter bank CBS, uncluttered passbook for users and one-click single factor authentication for UPI transactions of value less than ₹ 200. Several

banks have gone live with NPCI's UPI LITE feature since its launch in September 2022. Utkarsh SFB was the first among small finance bank industry to launch UPI LITE feature for the customers.

Multiple data points can be used for credit assessment



Source: CRISIL MI&A.

Growth in branch network of players in MSME segment

Over past few years, players offering MSME loans have expanded their branch network with the intent to serve a larger customer base. In the future also, CRISIL MI&A expects lenders with a strong focus on MSME lending and healthy competitive positioning to continue to invest in branch expansion. With increasing branch network, customer acquisition and credit penetration, share of MSME loans is also expected to increase.

Reduction in risk premiums due to information asymmetry

In the absence of reliable information about small businesses, it becomes difficult for lenders to assess the creditworthiness of the borrower. Hence, lenders often charge a credit risk premium from these customers, leading to higher interest rates. By leveraging technology and using a combination of traditional data (bureau data, financial statements, credit score), non-traditional data (payments, telecom, provident fund contribution and psychometric data), and government data (Aadhaar, GST), lenders would be able to gain greater insight into their customers' data, thereby increasing the accuracy of customer assessments. This would reduce the level of asymmetry in information and could lower the credit risk premium over a period.

Increasing competition with entry of new players and partnerships between them

More players in consumer-facing businesses with a repository of data (such as e-commerce companies and payment service providers) are expected to enter the lending business, intensifying competition. For example, in June 2018, Amazon India launched a platform for lenders and sellers, wherein sellers can choose loan offers from various lenders at competitive rates. In August 2021, Meta (earlier known as Facebook) partnered with Indifi Technologies to provide loans to small businesses that advertise on its platform. Incumbent traditional lenders will increasingly leverage the network of their partners and/or digital ecosystem to cross-sell products to existing customers, tap customers of other lenders, and also cater to new-to-credit customers. This will expand the market for MSME loans.

Reduction in TAT and increased use of technology

With the availability of multiple data points and technological advancement, TAT for lending to MSMEs has been continuously declining. This too will drive the demand for MSME loans.

Segment profitability and asset quality

Asset quality deteriorated by 150 to 200 bps in Fiscal 2023

GNPAs in MSME below ₹ 20 million for banks have hovered in the range of 5% to 7% between Fiscal 2017 to Fiscal 2020. Overall GNPA in Fiscal 2021 increased further to approximately 7% to 8%, due to the impact of the COVID-19 pandemic on MSMEs. Banks performed better as compared to NBFCs. Within the banks, private banks have better control over asset quality as compared to public sector banks. The deterioration of asset quality would have been worse, if it had not been for the support provided by the emergency credit line scheme of the government and restructuring of loans allowed by the RBI. With improving collections, the asset quality improved marginally in the second quarter of Fiscal 2022. However, the impact of the first quarter of Fiscal 2022 impacted the overall asset quality at an aggregate level for the fiscal year. In Fiscal 2023, as the impact of COVID-19 faded away and incomes of borrowers improved along with cash flow growth and increased recoveries, the asset quality

in MSME lending below ₹ 20 million is estimated to have improved by 150 bps - 200 bps at the end of Fiscal 2023.

Going forward, as GDP growth recovers and cash flows for MSMEs stabilize, the GNPA levels are expected to improve further in Fiscal 2024.

MSME profitability improved in Fiscal 2023

Net interest margins (“NIMs”) contracted in Fiscal 2021 owing to higher credit cost and operating expenses in Fiscal 2021 as the businesses were impacted due to the pandemic. Credit cost remained elevated in Fiscal 2022 largely due to the impact of the second COVID-19 wave in the first quarter of the fiscal year. However, profitability improved marginally in Fiscal 2023 owing to lower credit costs due to contingency provisioning buffers created over the course of the previous two Fiscals and improvement in the efficacy of the credit assessment process of MSME lenders.

Affordable housing loans (ticket size lesser than ₹ 2.5 million)

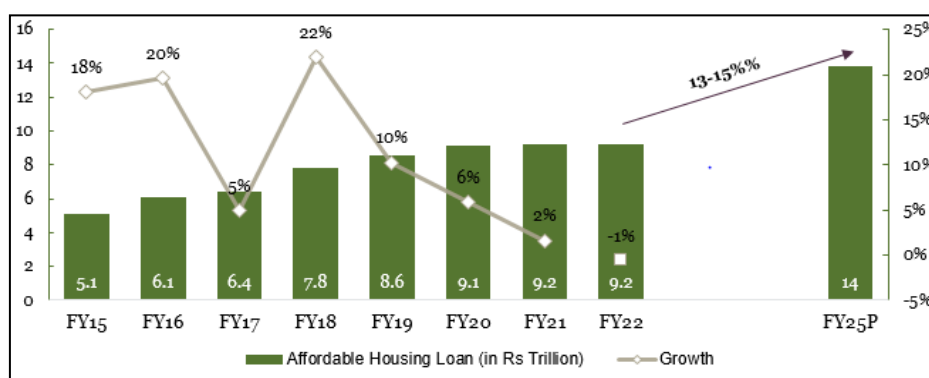
Housing finance (loans up to ₹ 2.5 million) sector witnessing encouraging trends; Market to bounce back more strongly in longer term

Housing loans (up to ₹ 2.5 million ticket size) logged a CAGR of approximately 12% during Fiscals 2015 to 2020. This was largely because of the government’s increased focus on the housing loans (up to ₹ 2.5 million) segment. In Fiscal 2019, however, the growth slowed down considerably to 10% on year due to liquidity constraints in NBFCs and HFCs. The growth further weakened to approximately 6% on year in Fiscal 2020 and 0% to 2% in Fiscal 2021 and 2022 due to economic slowdown. In Fiscal 2021, lenders reported sharp fall in disbursements in April and May due to the lockdown. Furthermore, the COVID-19 pandemic’s second wave hampered loan offtake in the first quarter of Fiscal 2022. Overall HFC disbursements plunged 40-60% sequentially. Moreover, affordable HFCs had to grapple with high gross non-performing assets (“GNPAs”) and liquidity issues.

In longer term CRISIL MI&A expect the segment to bounce back sharply and grow at approximately 13% to 15% CAGR over Fiscal 2022 to Fiscal 2025 on account of following.

- Recovery in economic activity over the medium term
- Increased supply of affordable homes
- Rising demand for affordable homes as consumers increasingly work out of Tier 2/3/4 cities in a post-COVID-19 world
- Ease of access to finance and rise in finance penetration
- Favourable government and regulatory support to promote housing loans (up to ₹ 2.5 million) industry

Housing loan growth (up to ₹ 2.5 million) to accelerate from Fiscal 2022



Note: P- Projected; Source: Company reports, RBI, CRISIL MI&A.

Key factors contributing to high competitiveness of SFBs in housing loans (up to ₹ 2.5 million) will be:

- **Clear understanding of 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. The strong network helps players to source business from niche customer category by having references from their existing

customers. It is observed that 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.

- **Collection Efficiency:** Given that players in the segment typically cater to the lower income customer segment, many of whom may not be financially literate, a strong focus and understanding of SFBs on collections and monitoring risk of default at customer level will help them to keep asset quality under check.
- Access to public deposits for the SFBs gives it a pricing advantage due to lower cost of funds as compared to HFCs

Loan against property (ticket size lesser than ₹ 2.5 million)

Evolving landscape of the LAP market

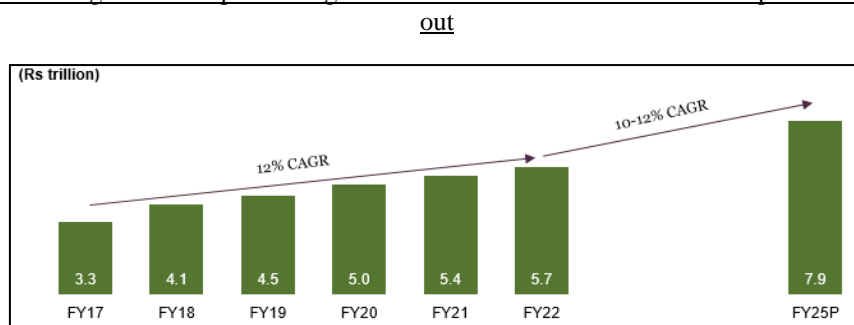
Key factors that contributed to high LAP growth are:

- Quick turnaround time, lower interest rate, lesser documentation: LAP loans are disbursed in about half the time taken for a secured MSME loan. It is also offered at a lower interest rate than secured MSME loans, unsecured personal and business loans. LAPs requires lesser documentation than other secured SME products, leading to fewer hassles for customers
- Greater transparency in the system: Demonetisation, GST, and the government’s strong push for digitisation have led to higher transparency in the system. This will keep pushing up loan amount eligibility of borrowers. Formalisation will also help many new borrowers come under the ambit of formal lending channels
- Rising penetration of formal channels: Increase in penetration and availability of formal lending channels outside the top 10 cities will eat into the market share of moneylenders
- Higher comfort for lenders: Lenders are comfortable disbursing LAP loans, as they offer favourable risk-return characteristics, compared with MSMEs and unsecured loans. They also offer higher recovery in case of default (supported by the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002) and better asset quality, which is only partly offset by lower yields.

Overall LAP segment advances growth slowed in Fiscal 2021 and Fiscal 2022

LAP (banks and non-banks) clocked a CAGR (compounded annual growth rate) of approximately 15% between Fiscals 2017 and 2020, driven by rising penetration of formal channels and higher comfort for the lenders to lend. However, the growth slowed to approximately 8% in Fiscal 2021 owing to the outbreak of the COVID-19 pandemic that affected economic activity and subsequently borrower’s cash flow, which affected collections and reduced asset quality. This turned lenders cautious while lending to LAP segment and industry continued to grow at slow pace of 6% in Fiscal 2022 as well. Going forward in Fiscal 2023, with improvement in the economy and lenders being positive towards mortgage-based lending, the LAP segment is expected to perform better. Banks are expected to register strong growth in the segment due to their higher market penetration, lower cost of funds and adequate liquidity support. However, lenders are unlikely to be as aggressive as they were in the past and the overall market is projected to grow at 10-12% CAGR between Fiscal 2022 and Fiscal 2025.

Overall LAP advances growth is expected to grow over Fiscal 22 to Fiscal 2025 as impact of COVID-19 wanes



Note: P: Projected; Data Includes data for banks and non-banks; Source: CRISIL MI&A.

In the past, lower ticket size LAP (ticket size lesser than ₹ 2.5 million) witnessed a faster growth of approximately 20% between Fiscal 2017 and Fiscal 2020. The growth in this segment is attributed to increasing finance penetration and increase in number of players serving this specific target market. In Fiscal 2022 when the industry logged slow growth, the growth in the low-ticket size LAP market has outpaced the overall industry and has grown by strong 17% to 20%. This has also led to the share of lower ticket size LAP in overall LAP industry to increase to 31% in Fiscal 2022 from approximately 25% in Fiscal 2019. Given the relatively low penetration levels, the vast market available, and increasing interest of financiers, CRISIL MI&A expects low ticket sized LAP credit to grow at a faster rate, leading to a CAGR of 16% to 19% between Fiscal 2022 and Fiscal 2025.

Gold loans

Gold loans AUM is expected to grow at 11% CAGR between Fiscals 2022 and 2025

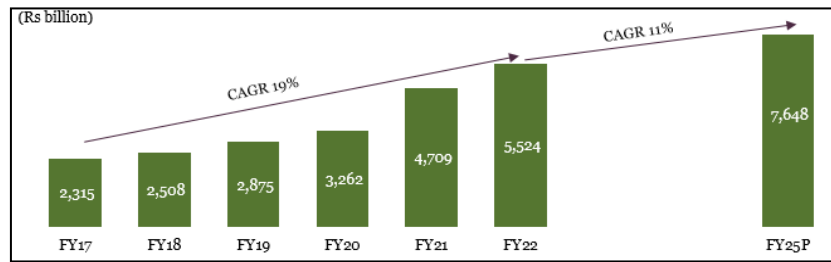
Gold loans are typically small ticket, short duration, convenient and instant credit. Though moneylenders and pawn brokers understand the psyche local borrowers and offer immediate liquidity without any documentation formalities, customers are left vulnerable to exploitation, due to the absence of regulatory oversight. Such players also give lower loan-to-value ratio compared with organized ones. As banks and NBFCs aggressively moved in to seize this vast untapped market, they cornered a significant market share from unorganized lenders, growing at a compounded annual growth rate (“CAGR”) of 76% between Fiscals 2009 and 2012. Sustained increase in gold price till 2012 saw the gold loan business boom in India. In such a scenario, customers could be offered higher and higher loan amounts on their gold, while lenders would benefit by price increases acting as a natural hedge, in the event of default. In Fiscal 2020, gold loan industry (including Banks and NBFCs) AUM grew approximately 13% YoY 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.

In Fiscal 2021, the demand for gold loan finance witnessed a massive surge with AUM shooting up from ₹ 3.2 trillion to ₹ 4.7 trillion, as India’s economy coped with the devastating effect of the global pandemic and consumers availed of gold loans to meet their consumption and emergency funding needs. Many consumers, who had gold stock and ornaments lying with them, considered gold loans as an option to meet their credit requirements during this period. The demand for gold loans was also supported by a consistent surge in gold price, liquidity crunch in the immediate aftermath of the pandemic and lenders’ hesitancy to give unsecured loans due to risk aversion. The RBI also revisited its guidelines for banks’ lending gold loans by increasing the maximum LTV allowed to 90% from existing 75% for non-agricultural gold loans extended during August 2020 to March 2021 to help stressed borrowers to unlock more value. The growth was also supported by players continued focus to wean away consumers from the unorganised gold loan market by means of awareness and diversifying their regional presence with the help of branch as well as digital channels.

In Fiscal 2022 as well, the gold loan market continued to witness strong growth, with industry AUM increasing by 17% on-year to touch ₹ 5.5 trillion as of March 2022. Increase in AUM can be attributed to factors such as high gold prices, strong demand and increased promotion by financiers to acquire unorganised gold loan market by means of awareness and diversifying their regional presence with the help of branch as well as digital channels. Financiers also were very aggressive in tapping new customers during the year with some of them running campaigns offering gold loans at a lower interest rate for short tenures. For instance, Manappuram Finance introduced low interest rate, for retail customers with a tenure of 3 months.

Going forward, according to the CRISIL Report, the scope to capture share from unorganised gold loan financiers’, initiatives to increase awareness and increasing comfort of customers with gold loans due to the convenience are expected to help the industry grow moderately along with geographic diversification to markets beyond the Southern part of India. Demand for gold loans from micro enterprises and individuals to fund working capital and personal requirements is expected to increase owing to pickup in economic activity. In addition, with demand reviving and market expansion through doorstep gold loans model, CRISIL MI&A expects AUM to touch close to ₹ 7,648 billion by March 2025, translating into a 11% to 12% CAGR between Fiscals 2022 and 2025.

Growth in gold loan AUMs of organized lenders



Note: P: Projected; Organised lenders includes banks and non-banks; Source: CRISIL MI&A.

SFBs to witness strong growth due to following reasons:

- 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 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 past experience to serve non-bankable and underbanked customers in tier III and tier IV cities. This would not only help SFBs to capture share in organised market but will also increase the share of organised financiers in the industry by catering untapped customers in remote regions.

Unsecured personal loan

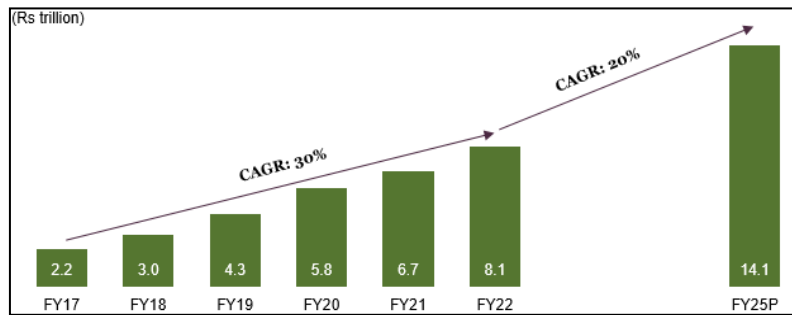
Personal loans to grow at 20% CAGR over Fiscals 2022 and 2025

The personal loan market has seen its share of ups and downs - sharp slowdown marked with high defaults during Fiscal 2008 (around the global financial crisis), followed by a period of recovery and significant growth. In Fiscal 2017 through Fiscal 2022, the personal loan market has grown at a stupendous approximately 30% CAGR to touch approximately ₹ 8 trillion as of March 2022. Increasing urbanization, improved access to loans, increased data availability with credit bureaus and reduction in turnaround time through technology have all coalesced to effect the change.

In Fiscal 2021, the growth for personal loan segment slowed down owing to requirements such as funds for marriage, travel, owner's contribution towards home loan purchase, etc., being curtailed due to the pandemic and lockdowns. Individuals were limited their spending on account of the uncertainty ahead, thereby impacting overall personal loan demand. Though additional funding requirements emerged due to layoffs, salary cuts, etc., lenders were also little reluctant to lend due to the higher risk perception and increased caution. Nevertheless, disbursements gained pace in the second half of Fiscal 2021, as the economy witnessed gradual revival and discretionary spending also increased owing to easing of restrictions. However, with an increase in demand for personal loans post-COVID-19, rise in discretionary spending particularly during festive season and economic growth, the personal loans market witnessed growth of approximately 21% on-year in Fiscal 2022 to reach ₹ 8.1 trillion.

Going forward, the outstanding personal loan of the industry is expected to grow at CAGR of 20% between Fiscal 2022 to Fiscal 2025. The growth will be driven by rising focus of the lenders to increase the penetration of personal loans, rising preference of the lenders to tap tier-II, tier-III and tier-IV cities, efforts of the lenders to make personal loans more accessible to the customers through digital channels, rising potential customer base and increasing focus of NBFCs in the segment.

Personal loan outstanding to reach ₹ 14 trillion in Fiscal 2025



Note: P – Projected; Source: CRISIL MI&A.

Asset quality expected to reach pre-pandemic levels in Fiscal 2023

Personal loans are one of the most affected loan segments in a crisis as they are unsecured with no need to examine end use. In Fiscal 2021, asset quality for personal loans deteriorated as the pandemic and subsequent nationwide lockdowns impacted borrowers' repayment capability and collection efforts of lenders. While the collection efforts began to increase pace by end of Fiscal 2021, the efforts were temporarily impacted in the first quarter of Fiscal 2022. However, the impact in second wave of pandemic in Fiscal 2022 was lower as compared to that in Fiscal 2021, which caused the GNPA's at systemic level (banks plus NBFCs) to reduce to approximately 3.2% as of March 2022. CRISIL expects the trend to continue with asset quality projected to improve and moderate to 2.7% to 3.2% in Fiscal 2023.

New Two-Wheeler Loans

Improving income sentiments and increased mobility to buoy two-wheelers in Fiscal 2023

The two-wheeler industry sales clocked a 7% CAGR from Fiscal 2015 to Fiscal 2019, but in Fiscal 2020, sales fell sharply by 18% as the decline in economic growth hurt demand. In Fiscal 2021 and Fiscal 2022 as well, sales continued to be under pressure due to the debilitating impact of COVID-19 on consumer incomes, especially in the lower middle-class segment.

Domestic two-wheeler wholesale sales plunged by around 13% on year in Fiscal 2020 to 2021. Demand sentiment in urban areas were impacted due to widespread COVID-19 cases, several corporates in employee-intensive sectors preferring to allow their employees to work from home and the relatively higher reliance on services sector activity. The continued closure of key demand segments such as students in educational institutes also impacted demand. In rural India as well, the decline in manufacturing and service sector activity in the immediate aftermath of COVID-19 hurt demand, albeit lesser than in urban areas. Volumes are expected to be driven by recovery in scooter sales as educational institutions and offices re-open, more people commute to office, and urban income sentiment improves. Normal monsoons prediction is expected to support demand for motorcycles segment positively.

In the medium to long term, we expect two-wheeler sales to grow at 9% to 11% CAGR between Fiscal 2022 to Fiscal 2025 owing to:

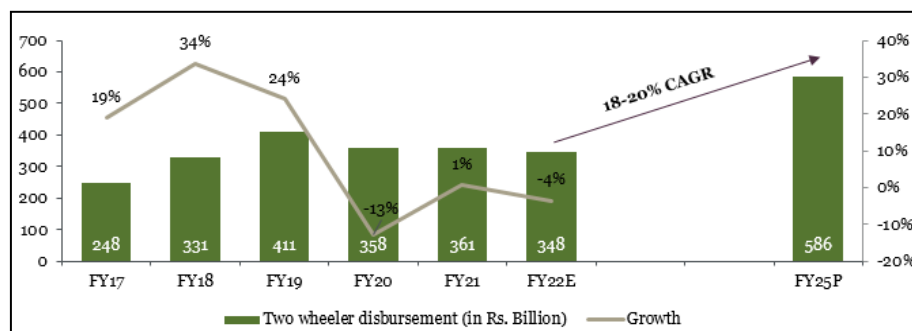
- Manufacturers focus on expansion in distribution network in semi-urban and rural areas, new model launches in the affordable segment for scooters and premium segment for motorcycles.
- Improving rural productivity, diversification towards horticultural crops, government income support schemes and structural measures taken by the government such as PM-KISAN, eNAM, Pradhan Mantri Fasal Bima Yojna (“PMFBY”) to name a few, will aid rural income in the long run.
- Ramp up seen road construction.

Two-wheeler disbursements estimated to de-grow in Fiscal 2022; disbursements expected to grow at a 18% to 20% CAGR in the subsequent 3 years

Two-wheeler loan disbursements increased by 19% CAGR between Fiscals 2015 and 2020, led by an increase in average vehicle prices, considerable shift of consumer preference towards premium segments (mostly in urban areas), increasing loan-to-value (“LTV”), and higher finance penetration. CRISIL MI&A expects disbursements

to de grow by 4% in Fiscal 2022 owing to 11% fall in two-wheeler sales during the Fiscal due to increasing realisation. Over the next 3 years ending Fiscal 2025, we expect disbursements to grow at 18-20% CAGR on a weak base of the previous few years, driven by sales volume growth, gradual increase in finance penetration, and steady increase in the average ticket size with vehicle prices rising.

Growth in two wheeler loan disbursements



E: Estimated; P: Projected; Source: CRISIL MI&A.

New commercial vehicle finance

Commercial vehicles (“CV”) sales volume growth rebound from Fiscal 2022

COVID-19 outbreak led to nationwide lockdown across the country which hampered economic activity in Quarter 1 of Fiscal 2021. Supply chain constraints and labour availability issues hampered OEM's attempt to build up inventory at dealer end in the first quarter. In Quarter 3 of Fiscal 2021, volumes witnessed on-year growth over a low base driven by sequential improvement in freight demand. The final quarter of Quarter 4 of Fiscal 2021 witnessed significant growth aided by a low base, pick-up in economic activity, deferred demand as well as inventory build-up.

In Fiscal 2022, demand picked up as the impact of COVID-19 outbreak lessened with more vaccination leading to an increase in private consumption and freight demand. Financing environment also improved in the Fiscal. CRISIL MI&A expects CV sales in Fiscal 2023 to grow by 18% but volumes still to remain below pre-pandemic levels. Volume growth is expected to remain strong across segments due to higher private consumption, lower penetration, greater availability of redistribution freight and improved finance. Replacement demand is also expected to be positive in Fiscal 2023 as some replacement sales that was expected in last couple of Fiscals would have got deferred to subsequent years. Improving volumes up for replacement in the terminal years would aid demand growth.

Segment-wise domestic sales projections

Segment	Fiscal 2022 Volume (in ‘000)	Fiscal 2022 growth	Fiscal 2023 ^P Growth	Fiscal 2024 ^P Growth
LCVs	456	15%	14%	9%
MHCVs	229	50%	20%	16%
Buses	32	68%	69%	35%
Total	716	26%	18%	13%

Note: P: Projected.

Source: SIAM, CRISIL MI&A.

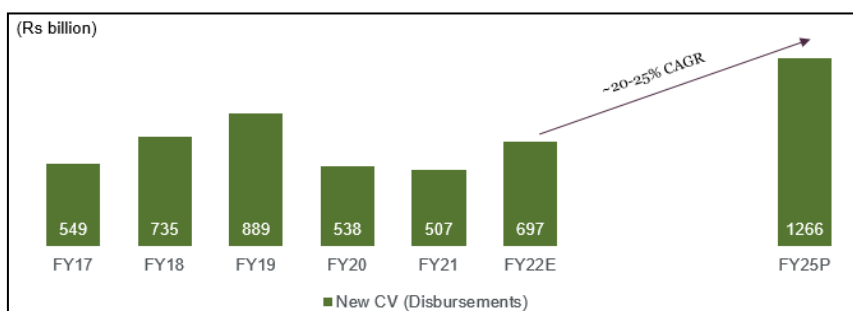
Disbursements picked up in Fiscal 2022 on a lower base

In Fiscal 2022, disbursement demand saw an uptick as economic recovery lead to an increase in private consumption and freight demand. As collections improved amidst demand revival, risk aversion among lenders also declined as replacement demand picked up. However, higher stress in this segment is likely to lead to slower revival in lending activity and players will still remain cautious in this segment, especially in light of high fuel prices.

Going forward, we expect the new CV financing market to reach ₹ 1,266 billion in Fiscal 2025 supported by increase in demand of underlying asset. In addition to this, average price realisation expected to increase due to rising input prices. The LTV is expected to increase approximately 100 bps and finance penetration is expected to remain range bound. Increased outlay of funds towards improvement of infrastructure along with Bharatmala project undertaken by the National Highway Association of India (“NHAI”) is expected to positively impact the

demand for CVs in the long run. CRISIL MI&A, thus expects new CV disbursements to grow at approximately 20% to 25% CAGR between Fiscal 2022 and 2025.

Trend in new CV disbursements



Note: E- Estimated, P- Projected; Source: Industry, Company Reports, CRISIL MI&A

Comparison of Bank's KPIs with Listed Peers

	Utkarsh Small Finance Bank Limited			Equitas Small Finance Bank Limited			Ujjivan Small Finance Bank Limited		
	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023	Fiscal 2022	Fiscal 2021
Operations									
Banking Outlets*	830#	686#	558#	938	869	861	644	575	575
Gross Loan Portfolio (₹ in million)	1,39,571	1,06,307	84,157	278,610	2,05,970	1,79,250	2,40,850	1,74,877	1,64,631
Gross Loan Portfolio Growth (%)	31.29%	26.32%	26.34%	35.27%	14.91%	16.65%	32.61%	6.22%	16.32%
Secured Advances as % of Total Advances	33.08%	21.99%	13.82%	NA	80.78%	80.41%	27.00%	26.16%	27.38%
Total Deposits (₹ in million)	1,37,101	1,00,742	75,076	2,53,806	1,89,510	1,63,920	2,55,380	1,82,922	1,31,358
Total Deposits Growth (%)	36.09%	34.19%	43.41%	33.93%	15.61%	51.95%	39.61%	39.26%	21.85%
CASA Ratio (%)	20.89%	22.37%	17.68%	42.30%	52.00%	34.25%	26.40%	27.30%	20.55%
CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) (%)	61.55%	59.64%	57.51%	77.50%	89.43%	70.05%	66.00%	54.24%	47.52%
Capital									
Net Worth	20,003	15,723	13,684	51,579	42,460	33,963	42,090	27,604	31,750
Total Capital Ratio (CRAR) (%)	20.64%	21.59%	21.88%	23.80%	25.16%	24.18%	25.81%	18.99%	26.44%
Tier 1 Capital Ratio (%)	18.25%	18.08%	19.98%	23.08%	24.53%	23.23%	22.69%	17.70%	25.06%
Cost of Deposits (%)	6.71%	6.92%	7.89%	NA	6.42%	7.14%	NA	5.69%	6.53%
Cost of Funds (%)	6.96%	7.47%	8.27%	6.48%	6.75%	7.66%	6.08%	5.70%	6.93%
Asset Quality									
Gross NPA (%)	3.23%	6.10%	3.75%	2.60%	4.24%	3.73%	2.60%	7.34%	7.07%
SMA 1 %	0.77%	1.59%	2.62%	NA	NA	NA	NA	NA	NA
SMA 2 %	0.70%	0.88%	1.14%	NA	NA	NA	NA	NA	NA
Provision Coverage Ratio (excluding technical write-offs) (%)	88.29%	63.62%	65.49%	56.90%	42.73%	58.59%	98.00%	92.20%	60.34%
Standard Restructured Advance Ratio (%)	0.22%	1.26%	3.13%	NA	3.12%	NA	NA	NA	NA
Net NPA (%)	0.39%	2.31%	1.33%	1.14%	2.47%	1.58%	0.04%	0.61%	2.93%
Profitability									
Net Profit (₹ in million)	4,045	615	1,118	5,736	2,810	3,842	11,000	-4,146	83
Yield on Advances (%)	19.88%	19.57%	20.64%	16.67%	17.33%	18.96%	19.73%	16.73%	18.22%
Net Interest Margin (%)	9.57%	8.75%	8.20%	8.22%	7.89%	8.17%	9.48%	8.07%	8.91%
Credit Cost Ratio (%)	2.61%	5.03%	3.97%	1.32%	2.73%	2.45%	0.06%	7.41%	5.60%
Operating Expenses to Total Average Assets (%)	5.92%	5.78%	5.10%	6.59%	6.60%	6.04%	6.33%	6.80%	6.34%
Cost to Income Ratio (%)	54.15%	58.90%	56.54%	63.41%	66.12%	59.99%	54.82%	71.68%	60.34%
Return on Total Average Assets (%)	2.42%	0.48%	1.05%	1.85%	1.09%	1.75%	3.86%	-1.89%	0.04%
Return on Average Equity (%)	22.84%	4.14%	9.99%	12.20%	7.35%	12.52%	31.37%	-13.97%	0.26%
Others									
Basic EPS	4.52	0.70	1.46	4.71	2.43	3.53	5.88	-2.40	0.05
Net Asset Value per Equity Share	22.33	17.56	16.13	NA	33.91	29.81	20.50	15.10	17.50

Note: NA means Not Applicable; * Functioning offices for SFBs and Universal Banks as per RBI; # as per CA certificate shared by the company; Source: Company reports, CRISIL MI&A.

	Credit Access Grameen Limited			Spandana Sphoorty Financial Limited			Bandhan Bank Limited		
	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023	Fiscal 2022	Fiscal 2021
Operations									
Banking Outlets	1,786	1,164	964	1,227	1,120	1,052	6,012	5,629	5,310
Gross Loan Portfolio (₹ in millions)	1,75,610	1,37,320	1,13,410	85,110	61,599	73,285	10,91,200	9,93,380	8,70,430
Gross Loan Portfolio Growth (%)	27.88%	21.08%	14.60%	29.33%	-15.95%	46.04%	9.85%	14.13%	29.46%
Secured Advances as % of Total Advances	NA	0.08%	0.06%	NA	1.87%	1.64%	NA	33.15%	30.21%
Total Deposits (₹ in million)	NM	NM	NM	NM	NM	NM	10,80,693	9,63,306	7,79,722
Total Deposits Growth (%)	NM	NM	NM	NM	NM	NM	12.19%	23.54%	36.60%
CASA Ratio (%)	NM	NM	NM	NM	NM	NM	39.30%	41.61%	43.38%
CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) (%)	NM	NM	NM	NM	NM	NM	71.20%	77.30%	78.80%
Capital									
Net Worth	51,070	39,398	36,340	30,992	30,899	27,511	1,95,842	1,73,811	1,74,082
Total Capital Ratio (CRAR) (%)	23.58%	26.54%	31.75%	36.87%	50.74%	39.20%	19.76%	20.10%	23.47%
Tier 1 Capital Ratio (%)	NA	25.87%	30.50%	NA	50.55%	39.74%	18.70%	18.89%	14.63%
Cost of Deposits (%)	NM	NM	NM	NM	NM	NM	NA	4.95%	5.87%
Cost of Funds (%)	8.30%	8.18%	8.82%	12.86%	11.86%	10.10%	5.34%	4.88%	5.89%
Asset Quality									
Gross NPA (%)	1.21%	3.12%	4.38%	1.95%	15.0%	5.60%	4.90%	6.46%	6.81%
SMA 1 %	NA	NA	NA	NA	NA	NA	NA	NA	NA
SMA 2 %	NA	NA	NA	NA	NA	NA	NA	NA	NA
Provision Coverage Ratio (excluding technical write-offs) (%)	71.58%	70.55%	NA	70.00%	NA	NA	76.82%	87.23%	67.38%
Standard Restructured Advance Ratio (%)	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net NPA (%)	0.35%	0.94%	1.37%	0.58%	6.20%	3.10%	1.20%	1.66%	3.51%
Profitability									
Net Profit (₹ in million)	8,260	3,821	1,420	124	695	1,455	21,946	1,258	22,055
Yield on Advances (%)	19.39%	19.16%	19.67%	19.24%	21.47%	22.88%	13.86%	13.88%	14.69%
Net Interest Margin (%)	10.75%	9.72%	9.80%	9.96%	12.12%	14.73%	6.29%	6.87%	7.32%
Credit Cost Ratio (%)	2.04%	4.16%	6.85%	6.07%	7.72%	10.83%	2.85%	8.98%	6.67%
Operating Expenses to Total Average Assets (%)	4.22%	3.93%	3.84%	5.55%	4.76%	3.26%	3.15%	2.78%	2.73%
Cost to Income Ratio (%)	37.40%	35.38%	34.57%	51.01%	38.56%	21.63%	39.54%	30.54%	29.13%
Return on Total Average Assets (%)	4.20%	2.78%	1.22%	0.15%	0.91%	2.02%	1.49%	0.10%	2.13%
Return on Average Equity (%)	17.81%	10.09%	4.51%	0.40%	2.38%	5.41%	11.87%	0.72%	13.53%
Others									
Basic EPS	52.04	24.54	9.52	1.74	10.75	22.55	13.62	0.78	13.70
Net Asset Value per Equity Share	NA	NA	NA	NA	NA	NA	NA	100.14	106.47

Note: NA means Not Applicable; * Functioning offices for SFBs and Universal Banks as per RBI; Source: Company reports, CRISIL MI&A

	AU Small Finance Bank Limited			Suryoday Small Finance Bank			Fusion Micro Finance Limited		
	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023	Fiscal 2022	Fiscal 2021
Operations									
Banking Outlets	795	919	744	519	565	556	1,086	934	725
Gross Loan Portfolio (₹ in millions)	5,91,580	4,67,890	3,53,560	61,140	50,640	42,060	92,960	67,860	46,380
Gross Loan Portfolio Growth (%)	23.68%	32.34%	29.83%	20.75%	20.40%	13.34%	36.99%	46.31%	28.60%
Secured Advances as % of Total Advances	92.00%	90.74%	93.91%	39.00%	30.34%	26.38%	NA	0.43%	0.08%
Total Deposits (₹ in million)	6,93,650	5,25,846	3,59,793	57,667	38,490	32,550	NM	NM	NM
Total Deposits Growth (%)	31.91%	46.15%	37.51%	34.24%	18.25%	14.25%	NM	NM	NM
CASA Ratio (%)	38.00%	37.29%	23.00%	17.10%	18.81%	15.45%	NM	NM	NM
CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) (%)	69.00%	66.00%	56.88%	73.10%	78.10%	80.00%	NM	NM	NM
Capital									
Net Worth	1,09,773	74,727	61,721	15,847	15,051	15,969	23,219	13,379	12,464
Total Capital Ratio (CRAR) (%)	23.59%	20.99%	23.37%	33.70%	37.90%	51.50%	27.94%	21.94%	27.26%
Tier 1 Capital Ratio (%)	21.80%	19.69%	21.53%	30.80%	34.40%	47.20%	NA	19.93%	25.52%
Cost of Deposits (%)	NA	5.11%	5.98%	NA	6.43%	7.81%	NM	NM	NM
Cost of Funds (%)	5.63%	5.29%	6.50%	6.10%	6.31%	8.09%	10.24%	9.83%	10.29%
Asset Quality									
Gross NPA (%)	1.66%	1.98%	4.25%	3.13%	11.80%	9.41%	3.46%	5.71%	5.50%
SMA 1 %	NA	NA	NA	NA	NA	NA	NA	NA	NA
SMA 2 %	NA	NA	NA	NA	NA	NA	NA	NA	NA
Provision Coverage Ratio (excluding technical write-offs) (%)	75.00%	75.00%	50.00%	51.43%	69.83%	63.73%	75.50%	71.26%	NA

			AU Small Finance Bank Limited			Suryoday Small Finance Bank			Fusion Micro Finance Limited		
			Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023	Fiscal 2022	Fiscal 2021
Standard Ratio (%)	Restructured	Advance	NA	2.50%	1.80%	NA	10.40%	2.70%	NA	NA	NA
Net NPA (%)			0.42%	0.50%	2.18%	1.55%	5.97%	4.73%	0.87%	1.71%	2.20%
Profitability											
Net Profit (₹ in million)			14,279	11,300	11,707	777	-930	120	3,871	217	439
Yield on Advances (%)			13.10%	12.10%	12.82%	19.04%	18.72%	17.73%	22.92%	20.71%	21.48%
Net Interest Margin (%)			5.56%	5.36%	5.05%	8.28%	7.85%	6.80%	11.50%	8.66%	9.54%
Credit Cost Ratio (%)			0.19%	0.89%	2.27%	2.62%	8.98%	4.50%	2.41%	5.62%	4.38%
Operating Expenses to Total Average Assets (%)			4.32%	4.00%	3.54%	5.62%	5.55%	5.44%	5.34%	4.75%	4.37%
Cost to Income Ratio (%)			63.01%	57.07%	43.46%	60.02%	60.93%	64.44%	38.44%	45.81%	44.26%
Return on Total Average Assets (%)			1.79%	1.87%	2.50%	0.86%	-1.25%	0.20%	4.65%	0.33%	0.87%
Return on Average Equity (%)			15.44%	16.56%	22.31%	5.03%	-6.00%	0.89%	21.16%	1.68%	3.60%
Others											
Basic EPS			21.86	18.03	38.19	7.32	-8.76	1.32	43.29	2.67	5.56
Net Asset Value per Equity Share			165.00	239.00	201.00	149.28	140.00	150.40	NA	NA	NA

Note: NA means Not Applicable; * Functioning offices for SFBs and Universal Banks as per RBI; Source: Company reports, CRISIL MI&A

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 24 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 25 and 349, 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 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 July, 2022 read with the addendum dated May, 2023 (the “CRISIL Report”) prepared and released by CRISIL MI&A and exclusively commissioned by and paid for by us pursuant to the appointment of CRISIL vide agreement dated September 30, 2020 read along with addendum no.1 dated July 25, 2022, in connection with the Issue. The data included herein includes excerpts from the CRISIL Report available on the website of the Bank at <https://www.utkarsh.bank/investors> and may have been re-ordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the proposed issue), that has been left out or changed in any manner. The relevant industry sources are indicated at all relevant places within this section. Unless otherwise indicated, 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. Also see, “Certain Conventions, Presentations of Financial Industry and Market Data and Currency of Presentation – Industry and Market Data” on page 21.

Overview

We are an SFB in India and recorded the third fastest Gross Loan Portfolio growth between Fiscal 2019 and Fiscal 2023 among SFBs with Gross Loan Portfolio of more than ₹ 60 billion. (Source: CRISIL Report, page 133) Our Promoter, Utkarsh CoreInvest Limited, commenced its operations as a NBFC in Fiscal 2010 and was focused on providing microfinance to unserved and underserved segments and in particular in the states of Uttar Pradesh and Bihar. We have our headquarters located 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 Utkarsh CoreInvest Limited.

On October 7, 2015, Utkarsh CoreInvest Limited 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, Utkarsh CoreInvest Limited 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 26 States and Union Territories with 830 Banking Outlets and 15,424 employees, as of March 31, 2023. As of March 31, 2023, 27.35% 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 March 31, 2023, we had 3.59 million customers (both deposit and credit) majorly located in rural and semi-urban areas primarily in the states of Bihar and Uttar Pradesh that, in Fiscal 2022, are among the states with the best asset quality but with low and moderate credit penetration (Source: CRISIL Report, page 147). As of March 31, 2023, these states constituted 30.88% and 25.98% 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 in addition to existing states where we operate by entering into arrangements with business correspondents (“BCs”) and direct selling agents (“DSAs”) and as of March 31, 2023, we had tie-ups with 13 BCs to source customers and 321 DSAs to grow our asset portfolio.

Given the legacy of Utkarsh CoreInvest Limited as a non-banking finance company-microfinance institutions (“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 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, and individual loans; (ii) retail loans that includes unsecured loans, such as business loans and personal loans, and secured loans, such as loans against property (“LAP”) (iii) wholesale lending that includes short term and long-term loan facilities to SMEs, mid and large corporates and institutional clients; (iv) housing loans with a focus on affordable housing; (v) commercial vehicle / construction equipment loans; and (vi) gold loans that was launched in Fiscal 2022. 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 from ₹ 75,075.68 million as of March 31, 2021 to ₹ 100,741.83 million as of March 31, 2022 and further to ₹ 137,101.40 million as of March 31, 2023. Our total number of deposit customers, that include microbanking customers to whom we also offer ‘joint liability group’ (“JLG”) loans, were 0.88 million, 1.50 million and 2.04 million, as of March 31, 2021, 2022 and 2023, respectively. Our retail term deposits comprised 39.83%, 37.28% and 40.66% of our total deposits, as of March 31, 2021, 2022 and 2023, respectively, while CASA as a percentage of overall deposits was 17.68%, 22.37% and 20.89% as of March 31, 2021, 2022 and 2023, respectively. We have been focusing on growing a stable and sustainable CASA base and our CASA was ₹ 28,637.35 million as of March 31, 2023.

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 March 31, 2023, 15,797 employees used handheld devices/ digital services for onboarding 573,619 savings 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 of individuals having diverse experience across industries and our Independent Directors provide strategic guidance to help improve and grow our operations. Our senior management team has significant experience in the banking and financial services industry. Our Promoter, Utkarsh CoreInvest Limited, is an NBFC-CIC-NDSI in India and is backed by a number of institutional investors including British International Investment PLC (formerly, CDC Group PLC), RBL Bank Limited, International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, Faering Capital India Evolving Fund, Hero Enterprises Partner Ventures, responsAbility Participations Mauritius, Shriram Life Insurance Company Limited, and Aavishkaar Bharat 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,		
	2021	2022	2023
	(₹ million, except percentages)		
Gross Loan Portfolio	84,156.60	106,307.25	139,571.08
Disbursements	59,140.08	90,462.79	124,428.94
Deposits	75,075.68	100,741.83	137,101.40
Credit to Deposit Ratio ⁽¹⁾	109.45%	101.53%	95.32%
Capital & Reserves	13,683.53	15,722.97	20,003.21
Net Interest Income ⁽²⁾	8,392.46	10,608.51	15,290.31
Net Interest Margin ⁽¹⁾	8.20%	8.75%	9.57%
Profit before taxes	1,514.36	797.13	5,358.14
Net profit for the year	1,118.15	614.62	4,045.02
Return on Average Assets	1.05%	0.48%	2.42%
Return on Average Equity	9.99%	4.14%	22.84%
Average Yield	15.46%	15.24%	15.67%
Cost of Funds ⁽¹⁾	8.27%	7.47%	6.96%
CASA + Retail Term Deposit Ratio (as percentage of total deposits)	57.51%	59.64%	61.55%
CASA Ratio ⁽¹⁾	17.68%	22.37%	20.89%
Provision Coverage Ratio (including technical write off) ⁽¹⁾	80.42%	78.14%	95.78%

Metric	As of and for the years ended March 31,		
	2021	2022	2023
	(₹ million, except percentages)		
Cost to Income Ratio ⁽¹⁾	56.54%	58.90%	54.15%
Gross NPA as a percentage of Gross Advances (%)	3.75%	6.10%	3.23%
Net NPA as a percentage of Net Advances (%)	1.33%	2.31%	0.39%

Notes:

- (1) For further information on reconciliation of these measures, see “Selected Statistical Information – Reconciliation of non-GAAP measures” on page 258.
- (2) Net Interest Income is difference of Interest Earned and Interest Expended. For further information, see “Selected Statistical Information – Reconciliation of non-GAAP measures” on page 258.
- (3) 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). further information, see “Selected Statistical Information – Reconciliation of non-GAAP measures” on page 258.

As of March 31, 2021, 2022 and 2023, our CRAR was 21.88% (Tier I capital of 19.98%), 21.59% (Tier I capital of 18.08%) and 20.64% (Tier I capital of 18.25%), respectively. Our Bank’s provisioning and write-off policy is more stringent than norms prescribed by the RBI. As of March 31, 2021, 2022 and 2023, our gross NPAs were ₹ 3,152.89 million, ₹ 6,481.57 million and ₹ 4,315.04 million, respectively, and accounted for 3.75%, 6.10% and 3.23% of our Gross Advances, respectively. Our net NPAs were ₹ 1,088.14 million, ₹ 2,357.92 million and ₹ 505.12 million, and accounted for 1.33%, 2.31% and 0.39% of our Net Advances, as of March 31, 2021, 2022 and 2023, respectively.

As of March 31, 2021, gross NPAs in our microbanking, retail, wholesale and housing loan segments accounted for 4.13%, 3.22%, 0.00% and 0.72% of our Gross Advances, respectively, and as of March 31, 2022, gross NPAs in our microbanking, retail, wholesale and housing loan segments accounted for 7.53%, 1.85%, 0.00% and 4.61% of our Gross Advances, respectively. As of March 31, 2023, gross NPAs in our microbanking, retail, wholesale and housing loan segments accounted for 4.09%, 1.36%, 0.00% and 5.09% of our Gross Advances, respectively. Our certificate of deposits programme and subordinated non-convertible tier II bonds are rated by credit rating agencies; our certificate of deposit programme has a rating of “[ICRA] A1+” by ICRA and non-convertible tier II bonds have a rating of “CARE A (Positive)” by CARE and “[ICRA] A+ (Stable)” from ICRA.

Our endeavour is to be a retail focused bank with the aim to provide financial services that offer 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 the top 100 cities in terms of overall deposits, in addition to tapping metropolitan and urban areas by promoting our savings accounts along with 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 in addition to certain other digital channels. We 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 our product offerings, customer segments and geography supported by technology, process and data analytics.

Strengths

Sound understanding of microfinance segment and presence in rural and semi-urban areas

Utkarsh CoreInvest Limited, originally commenced operations as a NBFC in Fiscal 2010 and later converted to a NBFC – MFI. Utkarsh CoreInvest Limited has a history of serving customers in the microfinance segment with a particular focus on financial inclusion for unserved and underserved customer segments in rural/ semi-urban areas of Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh and Uttarakhand. The erstwhile business of Utkarsh CoreInvest Limited 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. Utkarsh CoreInvest Limited 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, 2023, there were about 640,000 villages in India, inhabited by close to 900 million people, comprising about 66% of the country’s population. About 47% of India’s GDP comes from rural areas. But their share in banking credit and deposits is low with just 8% of total credit and 11% of total deposits coming from rural areas. The massive divergence in the rural areas’ share of India’s GDP and banking credit and deposit

services compared with urban areas is as an indicator of the low penetration of the banking sector 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, but their share in overall credit outstanding is only 5% and 1% respectively shows large variation in credit. There is a wide variation across states and within various districts in the same state as well in terms of credit, which indicates latent opportunity for providing banking services to unserved or underserved customers. Further, in Fiscal 2023, Bihar, Uttar Pradesh, and Jharkhand have the best asset quality amongst the other states and have portfolio at risk greater than 30 days and portfolio at risk greater than 90 days lower than that at a pan-India level. (Source: CRISIL Report, page 147).

These areas offer potential for growth on account of being under penetrated and we believe that our understanding of the customer segments in rural and semi-urban areas in these geographies coupled with our significant presence in these areas allows us to cater to the financing requirements of potential customers. As of March 31, 2021, 2022 and 2023, our microbanking portfolio constituted 81.98%, 75.28% and 66.03% of our total Gross Loan Portfolio and were to our microbanking loan customers primarily present in rural and semi-urban areas across 159 districts, as of March 31, 2023.

Our total customers (both deposit and credit) have been continuously increasing and our customer base grew from 2.90 million customers as of March 31, 2021 to 3.14 million customers as of March 31, 2022 and further to 3.59 million customers as of March 31, 2023. As of March 31, 2021, 2022 and 2023, we generated 68.47%, 63.23% and 56.42% of our Gross Loan Portfolio from rural and semi-urban areas, respectively. 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 borrower and guarantor (who is typically the earning member of a family) are 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.

Our focus on the microbanking segment is also reflected in our lending towards 'priority sectors'. As of March 31, 2021, 2022 and 2023, 86.15%, 83.04% and 78.38% of our advances qualified as 'priority sector lending', as compared to the regulatory requirement of 75% for SFBs. We also stand to benefit from the re-classification norms prescribed by the RBI pursuant to which, from 2022 onwards, our incremental priority sector credit to certain districts (where the credit flow is comparatively lower) is eligible for a PSL weightage of 125% and 100%, respectively. As of March 31, 2023, these districts accounted for 50.81% and 40.56% of our JLG portfolio, respectively.

Growing deposits with focus on retail deposits

We offer a variety of demand and time deposit products along with 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 from ₹ 75,075.68 million as of March 31, 2021, to ₹ 100,741.83 million as of March 31, 2022, and further to ₹ 137,101.40 million as of March 31, 2023, while our deposit-only customers have increased from 0.38 million as of March 31, 2021, to 0.65 million as of March 31, 2022 and further to 0.86 million as of March 31, 2023. The percentage of our non-callable deposit to our total deposits was 35.13%, 33.16% and 39.28%, as of March 31, 2021, 2022 and 2023, respectively, while the average tenor of our term deposits was 1.75 years, 1.96 years, and 2.07 years as of March 31, 2021, 2022 and 2023, respectively. The average ticket size of our deposits based on number of deposit accounts was ₹ 85,163, ₹ 67,303 and ₹ 67,139, as of March 31, 2021, 2022 and 2023, respectively.

Our CASA franchise has increased from ₹ 13,269.92 million as of March 31, 2021 to ₹ 22,532.85 million as of March 31, 2022 and further to ₹ 28,637.35 million as of March 31, 2023. Our CASA to total deposits ratio was 17.68% as of March 31, 2021, increased to 22.37% as of March 31, 2022, and further to 20.89% as of March 31, 2023. 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 8.27% in Fiscal 2021 to 7.47% in Fiscal 2022 and further to 6.96% in Fiscal 2023.

A continuous growth in our customer base has led to diversification of our deposit franchise and our retail deposit base has grown from ₹ 29,905.18 million as of March 31, 2021 to ₹ 37,553.56 million as of March 31, 2022 and further to ₹ 55,751.33 million as of March 31, 2023. The ratio of our retail term deposits to total deposits, as of March 31, 2021, 2022 and 2023 was 39.83%, 37.28% and 40.66%, 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 customer 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 March 31, 2023, 54.97%, 39.28%, 3.06% and 2.69% of our total deposit base were in metropolitan, urban, semi-urban and rural areas, respectively, based on the location of our Banking Outlets.

As of March 31, 2021, our deposit base was spread across 18 States and Union Territories in India, with 58.74%, 14.60%, 1.16% and 25.50% of our deposits in the Northern, Eastern, Southern, and Western regions of India, respectively. As of March 31, 2022, our deposit base was spread across 22 States and Union Territories in India, with 59.73%, 14.66%, 4.71% and 20.89% of our deposits in the Northern, Eastern, Southern and Western regions of India, respectively. Further, as of March 31, 2023, our deposit base was spread across 26 States and Union Territories in India, with 58.76%, 17.38%, 5.25% and 18.61% of our deposits in the Northern, Eastern, Southern, and Western regions of India, respectively. We had the second lowest share of deposits from top state in overall deposits among SFBs with Gross Loan Portfolio of more than ₹ 60 billion in Fiscal 2023. (*Source: CRISIL Report, page 134*)

Diversified distribution network with significant cross-selling opportunities

We have an extensive physical network of Banking Outlets and as of March 31, 2023, we had 830 Banking Outlets across 26 States and Union Territories covering 253 districts in India of which 522 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 aims to reduce reliance on a particular region in India and allows us to replicate best practices developed in one region to other regions.

As of March 31, 2023, 62.89% of our total Banking Outlets were located in rural and semi-urban areas. In order to further increase the 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 Unbanked Rural Centres (“URCs”) in 69 districts. As of March 31, 2023, 27.35% 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 558 Banking Outlets as of March 31, 2021 to 686 Banking Outlets as of March 31, 2022 and further to 830 Banking Outlets as of March 31, 2023. Of our 830 Banking Outlets, as of March 31, 2023, we have internally classified 579 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 March 31, 2023, we have arrangements with 13 BCs to grow our asset portfolio and had tie-ups with 321 DSAs to primarily source retail loan against properties across various locations.

Besides our Banking Outlets, our multi-channel delivery includes ATMs, micro-ATMs, mobile and internet banking, corporate internet banking services. As of March 31, 2023, we had a network of 280 on-site and seven off-site ATMs. As of March 31, 2023, we have also set-up 546 micro-ATMs. 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 for such customers. We have also 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, and micro-enterprise loans. Given our large base of microbanking customers, we have initiated opening of savings accounts for these customers as a result of which, as of March 31, 2021, 2022 and 2023, 21.10%, 35.16% and 44.74% of our JLG loan accounts 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 risk management and effective operations

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. 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 an 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 and /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 were 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 control on our portfolio quality indicators. As of March 31, 2021, 2022 and 2023, our percentage of gross NPAs to Gross Advances was 3.75%, 6.10% and 3.23%, respectively, while our percentage of net NPAs to Net Advances was 1.33%, 2.31% and 0.39%, respectively. We had the second highest provision coverage ratio among SFBs with Gross Loan Portfolio of more than ₹ 60 billion in Fiscal 2023. (*Source: CRISIL Report, page 137*) Our provision coverage ratio (including technical write-offs) was 80.42%, 78.14% and 95.78% in Fiscal 2021, 2022 and 2023, respectively.

Stable growth with cost efficient operational performance

Our Gross Loan Portfolio has grown from ₹ 84,156.60 million as of March 31, 2021 to ₹ 106,307.25 million as of March 31, 2022 and further to ₹ 139,571.08 million as of March 31, 2023. We recorded the third fastest Gross

Loan Portfolio growth of 31.0% CAGR between Fiscal 2019 and Fiscal 2023 among SFBs with Gross Loan Portfolio of more than ₹ 60 billion. (*Source: CRISIL Report, page 133*) Our disbursements increased from ₹ 59,140.08 million in Fiscal 2021 to ₹ 90,462.79 million in Fiscal 2022, and was ₹ 124,428.94 million in Fiscal 2023. Our deposits have also grown consistently and were ₹ 75,075.68 million as of March 31, 2021, ₹ 100,741.83 million as of March 31, 2022 and ₹ 137,101.40 million as of March 31, 2023.

We have a comfortable liquidity profile that is backed by shorter tenure microbanking lending and sufficient liquidity buffer and as of March 31, 2023, our Liquidity Coverage Ratio (“LCR”) was 375.82% as against regulatory requirement of maintaining LCR of 90%. We are well above the regulatory capital requirements, having a SLR, CRR and CAR of 31.53%, 5.33% and 20.64%, respectively, as of March 31, 2023. We believe that our capital base positions us well to grow our business. Our policy for provisioning follows more conservative norms than those prescribed by the RBI.

Our interest earned has been consistently growing and grew from ₹ 15,809.87 million in Fiscal 2021 to ₹ 18,488.13 million in Fiscal 2022 and further to ₹ 25,049.80 million in Fiscal 2023. Our Net Interest Income in Fiscal 2021, 2022 and 2023 was ₹ 8,392.46 million, ₹ 10,608.51 million and ₹ 15,290.31 million, respectively. Our Net Interest Margin in Fiscal 2021, 2022 and 2023 was 8.20%, 8.75% and 9.57%, respectively. Our net profit for the year, as restated, for Fiscal 2021, 2022 and 2023 was ₹ 1,118.15 million, ₹ 614.62 million and ₹ 4,045.02 million, respectively. As a result of our performance, our return on total average assets was 1.05%, 0.48% and 2.42%, as of March 31, 2021, 2022 and 2023, respectively, while our return on average equity was 9.99%, 4.14% and 22.84%, respectively.

Our ability to provide our products and services in a cost-efficient manner is among our core strengths and our cost-to-income ratio was the lowest among SFBs with Gross Loan Portfolio of more than ₹ 60 billion in Fiscal 2023 (*Source: CRISIL Report, page 136*). 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 was 56.54% in Fiscal 2021, 58.90% in Fiscal 2022, and 54.15% in Fiscal 2023. Our provision coverage ratio (including technical write off) was 80.42%, 78.14% and 95.78% in Fiscal 2021, 2022 and 2023.

Leadership complementing our strengths

Our Promoter, Utkarsh CoreInvest Limited, has a number of institutional investors including British International Investment PLC (formerly, CDC Group PLC), RBL Bank Limited, International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, Faering Capital India Evolving Fund, Hero Enterprises Partner Ventures, responsAbility Participations Mauritius, Shriram Life Insurance Company Limited, Aavishkaar Bharat Fund, and believe that the diversified shareholding of our Promoter lends credibility to our business operations.

We have a management team comprising of qualified and experienced professionals. Our Managing Director and chief executive officer, 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 to 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 a 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, 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. Retail term deposits raised were 48.39%, 48.02% and 51.40% of total term deposits as of March 31, 2021, 2022 and 2023, respectively. As a result of our continued diversification of deposits across geographies and customer segments, the average cost (interest expense divided by the average of balance for the relevant period) of savings bank deposits was 6.04%, 5.87% and 5.88%, respectively, and the average cost of term deposits was 8.39%, 7.30% and 7.10%, respectively, each as of March 31, 2021, 2022 and 2023. 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, including top 100 cities to grow our deposit base. In order to strengthen our deposit base, increase our CASA ratio and to 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 of current and savings accounts and inculcating savings behavior by promoting our recurring deposits, fixed deposits and other products. We 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 offer international Mastercard debit cards. To facilitate ease of transactions for our customer, we intend to offer a range of products and solutions and including internet payment gateway, UPI payment solutions, e-NACH and public financial management system, some of which we have initiated.

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 such as distribution of mutual funds, life insurance and general insurance products, Atal Pension Yojana, National Pension Scheme, micro-insurance and by introducing newer products and services. We are engaged with various partners in offering these products and intend to continue to develop newer partnerships.

We intend to grow our 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 of processing fees for advances, commission on issuance of letters of credit, bank guarantees, cash management services and other banking transaction 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 propose to focus on bancassurance channels to distribute various types of insurance products to existing customers. As of the date of this Red Herring Prospectus, we have seven 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. The details of our insurance partners and the validity of our insurance are as follows:

S. No.	Name of Insurance Partner	Validity
1	ICICI Prudential Life Insurance Company Limited	Perpetual
2	HDFC Life Insurance Company Limited	Perpetual
3	Bharti AXA Life Insurance Company Limited	Perpetual
4	HDFC Ergo General Insurance Company Limited	3 years from June 15, 2023
5	Kotak Mahindra General Insurance Company Limited	3 years from October 7, 2021
6	Aditya Birla Health Insurance Company Limited	3 years from October 30, 2021
7	Future Generali India Insurance Company Limited	3 years from June 29, 2022

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 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 customer experience and offer them a range of bespoke financial products in accordance with their financial requirements. We shall develop and design such bespoke products with the help of data analytics. We shall continue to collect and analyse data relating to cash flows, credit and demographic behaviour of our customer segments 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. Further, we have enhanced systems for cashless collections through QR code and UPI. In addition, in an effort to adopt paper-less operations and be environmentally conscious, we have implemented e-signature module for JLG loan account opening forms. We have invested significantly to improve our data security infrastructure and cyber security components.

We have a data center and a disaster recovery data centre to ensure uninterrupted availability of our system to end users. In addition, we have implemented near disaster recovery data center for critical applications to ensure maximum data availability. Towards this, we have commenced work on implementing applications and platform for business enablement. These upgrades and deployments are a part 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.

Impact of COVID-19

In order to address the financial implications of the COVID-19 pandemic, the RBI had 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 were 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 was to 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 had 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. 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 20.26*” on page 341.

Our business operations across India were severely affected during the first quarter of Fiscal 2022. The RBI issued directive DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021 with the objective of alleviating potential stress to individual borrowers and small businesses impacted due to resurgence of COVID-19 and permitted restructuring of existing loans as per norms. We implemented a Board approved policy to restructure loans for segments eligible and assist customers in need of additional time to repay loans. We had the second lowest NNPA ratio among SFBs with Gross Loan Portfolio of more than ₹ 60 billion, in Fiscal 2023. (*Source: CRISIL Report, page 137*)

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 ₹ 1.74 million in Fiscal 2021 and reversed provision outstanding as of March 31, 2021 of ₹ (501.32) million, in Fiscal 2022. Our gross NPA as a percentage of gross advances was 3.75% and 6.10%, respectively, as of March 31, 2021 and March 31, 2022, which subsequently improved to 3.23% as of March 31, 2023. Further, as of March 31, 2022, our Bank carried additional contingency provisions of ₹ 650.00 million.

In Fiscal 2023, the impact of disruptions resulting from COVID-19 eased substantially. However, our Bank continues to monitor the developments and ongoing impact resulting from the COVID-19 pandemic, and any action to contain its spread or mitigate its impact. As of March 31, 2023, our Bank carried additional floating provision of ₹ 800 million, and additional contingency provision of ₹ 130 million.

Asset Quality

The table below sets out the Special Mention Accounts (“SMA”) portfolio of our Bank as of March 31, 2023:

Product	Gross Loan Portfolio (₹ million)	SMA 1 (₹ million)	SMA 2 (₹ million)	SMA 1 %	SMA 2 %
Microbanking Loans	92,155.82	522.23	760.79	0.57%	0.83%
Retail Loans	15,340.92	330.36	128.99	2.15%	0.84%
Wholesale Lending	15,468.11	-	-	-	-
Housing Loans	5,192.45	95.83	26.57	1.85%	0.51%
BC	3,728.42	13.40	15.67	0.36%	0.42%
CV and CE	5,603.60	113.68	46.30	2.03%	0.83%
Others*	2,081.76	5.80	1.67	0.28%	0.08%
Total	139,571.08	1,081.29	979.98	0.77%	0.70%

Notes

*Others includes overdrafts, staff loans and gold loans.

Disbursements

There has been a consistent increase in our disbursements in Fiscal 2022 and Fiscal 2023. The growth in disbursements was led by normalization of operating and business environment and increase in our Banking Outlets. Our Bank has opened 144 new Banking Outlets in Fiscal 2023. Our Bank’s Banking Outlets increased from 558 as of March 31, 2021, to 686 as of March 31, 2022, which further increased to 830 as of March 31, 2023.

Liabilities

Deposits

The table below sets forth details of our Bank's deposits across our product segments for the dates indicated:

	As of March 31, 2021		As of March 31, 2022		As of March 31, 2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Demand Deposits	1,597.72	2.13%	3,624.79	3.60%	3,840.03	2.80%
Savings Bank Deposits	11,672.20	15.55%	18,908.06	18.77%	24,797.32	18.09%
Term Deposits	61,805.76	82.32%	78,208.98	77.63%	108,464.05	79.11%
Total Deposits	75,075.68	100.00%	100,741.83	100.00%	137,101.40	100.00%

Our CASA ratio was 17.68%, 22.37% and 20.89% as of March 31, 2021, March 31, 2022 and March 31, 2023, respectively.

Description of Our Business

Overview

Our Promoter, Utkarsh CoreInvest Limited, commenced operations as a NBFC in Fiscal 2010 and was focused on providing microfinance to unserved and/or underserved segments and in particular in the states of Uttar Pradesh and Bihar. On October 7, 2015, Utkarsh CoreInvest Limited 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, Utkarsh CoreInvest Limited 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 and, individual business loans to customers within the joint liability group based on their credit worthiness and past behaviour in relation to repayment of their earlier loans; (ii) retail loans that includes unsecured loans, such as business loans and personal loans, and secured loans, such as LAP; (iii) wholesale lending that includes short term and long-term loan facilities to SMEs, mid and large corporates and institutional clients; (iv) housing loans with a focus on affordable housing; and (v) commercial vehicles and construction equipment loans. 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:

Product / Channel	As of March 31,					
	2021		2022		2023	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Microbanking Loans	68,993.84	81.98%	80,024.07	75.28%	92,155.82	66.03%
Housing Loans	2,195.85	2.61%	3,592.51	3.38%	5,192.45	3.72%
Retail Loans	5,311.36	6.31%	8,400.39	7.90%	15,340.92	10.99%
Wholesale Lending	5,031.09	5.98%	9,261.15	8.71%	15,468.11	11.08%
BC	1,947.11	2.32%	2,244.16	2.11%	3,728.42	2.67%
CE and CV	127.82	0.15%	2,121.59	2.00%	5,603.60	4.01%
Others*	549.53	0.65%	663.38	0.62%	2,081.76	1.50%

Product / Channel	As of March 31,					
	2021		2022		2023	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Gross Loan Portfolio	84,156.60	100.00%	106,307.25	100.00%	139,571.08	100.00%

Notes:

* Others includes staff loans, gold loans and overdrafts against deposits.

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 a tenor of 12 to 48 months. The interest rates on our microbanking loans are fixed and currently the rate of interest is 25% per annum. In the microbanking loan segment, our Bank offers loans through the JLG model and business loans to individuals from the JLG model based on their credit worthiness and past behaviour in relation to repayment of their earlier loans.

In Fiscal 2023, the average ticket size of these loans was ₹ 0.04 million (based on loan outstanding). These loans were disbursed for an average tenure of 24.43 months in Fiscal 2023. The average yield for our microbanking segment was 22.08% in Fiscal 2023. In Fiscal 2021, 2022 and 2023, disbursements under this segment were ₹ 48,161.21 million, ₹ 72,739.52 million and ₹ 92,562.29 million, respectively. As of March 31, 2023, the Gross NPAs for this product segment were ₹ 3,768.38 million, representing 4.09% of our Gross Advances in this product segment.

As of March 31, 2023, microbanking customers were engaged primarily in agriculture and allied activities including animal husbandry, services and trading and other activities.

The number of total customers for our microbanking segment as of the periods indicated:

			As of March 31,		
			2021	2022	2023
Total	Microbanking	Loan	2,510,257	2,435,770	2,600,762
Accounts					

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 March 31, 2023, our Bank was serving JLG customers through a network of six 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,		
	2021	2022	2023
Number of States	11	12	12
Number of micro banking outlets	420	493	579
Total number of centres	164,555	163,809	177,540

Joint Liability Group Loans

We provide group loans built on the peer-guarantee loan model (JLG), 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 March 31, 2023, all of our customers in the JLG loans segment are women. 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 ₹ 300,000 per annum. The repayment methodology includes weekly/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 subsequently 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 as per the new Framework for Microfinance Loans issued on March 24, 2022 by the RBI.

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 and ₹ 30,000. The maximum repayment tenure for such loans is 12/24 months (loans above ₹ 20,000 are for a minimum of 24 months and a maximum of 36 months). As of March 31, 2023, the number of outstanding 'Utkarsh Pragati' loans were 535,487.

Utkarsh Kiran: These loans range between ₹ 35,000 and ₹ 75,000. The repayment tenure for such loans is for a minimum of 24 months and a maximum of 36 months. As of March 31, 2023, the number of outstanding 'Utkarsh Kiran' loans were 2,020,491.

Utkarsh Asha: These loans range between ₹ 80,000 and ₹ 100,000. The repayment tenure for such loans is for a minimum of 24 months and a maximum of 36 months. As of March 31, 2023, the number of outstanding 'Utkarsh Asha' loans were 684.

In addition, we offer the following loans to our existing JLG customers who have completed a certain number of loan cycles:

Microbanking Business Loans (Microfinance): 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 to ₹ 200,000 and subsequent cycle of ₹ 100,000 to ₹ 250,000. The repayment tenure for such loans is 24 months to 48 months. 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.

Microbanking Business Loans (Non-Microfinance): These loans range from ₹ 100,000 to ₹ 200,000 and subsequent cycle of ₹ 100,000 to ₹ 250,000. The repayment tenure for such loans is 24 months to 48 months.

As of March 31, 2023, the number of outstanding individual business loans were 35,949.

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 ₹ 50,000 and the tenor of the loan is 36 months and rate of interest of 15% per annum. As of March 31, 2023, the number of outstanding loans under PM SVANidhi Loan Scheme were 3,853.

Retail Loans

We offer a combination of secured (such as commercial 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 intend 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 ₹ 300,001 and ₹ 250,000,000. In Fiscal 2023, the average ticket size of these loans was ₹ 1.91 million (based on loans outstanding), and they were disbursed for an average tenure of 128.98 months. The average yield for our retail loan segment was 12.26% in Fiscal 2023. In Fiscal 2021, 2022 and 2023, disbursements under this segment were ₹ 3,680.85 million, ₹ 4,565.01 million and ₹ 9,910.80 million, respectively. As of March 31, 2021, 2022 and 2023, the number of outstanding retail loans were 6,725, 7,395 and 8,039, respectively. As of March 31, 2023, the Gross NPAs for this business segment were ₹ 207.87 million, representing 1.36% of our Gross Advances in this product segment. Non-individual entities, such as MSMEs, accounted for, 52.28% of our total retail loans segment in Fiscal 2023.

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 March 31, 2023, we had collaborated with 321 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 that 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

Business Loans: These loans are provided to non-individuals entities and range between ₹ 300,001 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 22% per annum.

Business Loans Plus: These loans are provided to non-individuals entities and range between ₹ 1,000,001 to ₹ 2,000,000. The repayment tenure for such loans is between 12 months to 60 months and are offered at an interest rate between 15% to 22% 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 17% to 22% per annum. The minimum net income criteria is ₹ 20,000 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 15 years 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 and 15 years 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 ₹ 500,000,000 and are secured against the property (residential and/ or commercial) offered as collateral. The repayment tenure for such loans is between 36 months to 15 years 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 ₹ 50,000,000 and are secured against the property offered as collateral. The repayment tenure for such loans is between 3 years to 15 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 ₹ 1,000,001 to ₹ 10,000,000 and are secured against the property offered as collateral. The repayment tenure for such loans is between three years 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 loans 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 and ₹ 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: 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 March 31, 2023, the amount outstanding under this segment was ₹ 5,603.60 million.

Gold Loan

Gold loan is a short-term loan offered against the pledge of gold ornaments with a purity of 18 karat to 22 karat. Gold loans can be used for agricultural, educational, business, medical and other personal needs. We launched gold loans as a pilot on November 8, 2021, from four general Banking Outlets. As on March 31, 2023, out of a total of 82 outlets, 74 are general banking outlets which also offer gold loans and eight are microbanking outlets, in 15 states. As on March 31, 2023, gold loans outstanding were ₹ 70.09 million with portfolio average loan to value (LTV) of 74.66%.

We offer two schemes under our gold loan product:

Utkarsh Navya: The loan amounts range between ₹ 10,000 and ₹ 1,500,000 with repayment tenure of six months. Under this scheme interest is paid along with principal at the end of tenure. The maximum loan to value ratio offered is 69.00%. Loan is offered at fixed interest rates between 12.00% and 24.00% per annum.

Utkarsh Swarna: The loan amounts range between ₹ 10,000 and ₹ 1,500,000 with repayment tenure of twelve months. Under this scheme interest is serviced every month. The maximum loan to value ratio offered is 75.00%. Loan is offered at fixed interest rates between 12.00% and 24.00% per annum.

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 March 31, 2023, our wholesale lending business had 158 customers spread across India.

Our wholesale facilities range between ₹ 10 million and ₹ 500 million and are sanctioned at an interest rate ranging between 8.00% to 14.50% per annum with a tenor of upto seven (7) years. In Fiscal 2023, the average ticket size of these loans was ₹ 66.67 million and they were disbursed for an average tenure of 46.47 months. The average yield for our wholesale lending segment was 10.62% in Fiscal 2023. In Fiscal 2021, 2022 and 2023, disbursements under this segment were ₹ 4,106.50 million, ₹ 8,096.22 million and ₹ 12,057.32 million, respectively. As of March 31, 2021, 2022 and 2023, the number of outstanding wholesale loans were 77, 115 and 232, respectively. As of March 31, 2023, Gross NPA under this product segment was nil.

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 30 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 on providing affordable housing loans to self-employed and salaried 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 2023, the average ticket size of these loans was ₹ 1.68 million (based on loans outstanding) and they were disbursed for an average tenure of 221.51 months. The average yield for our housing loan segment was 10.08% in Fiscal 2023. In Fiscal 2021, 2022 and 2023, disbursements under this segment were ₹ 1,532.28 million, ₹ 1,896.08 million and ₹ 2,363.73 million, respectively. As of March 31, 2021, 2022 and 2023, the number of outstanding housing loans were 1,672, 2,462 and 3,098, respectively. As of March 31, 2023, the Gross NPAs for this product segment were ₹ 264.33 million, representing 5.09% 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 of 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 that 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 from 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 from 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 from 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 from 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 from 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 Prime: Loans range start from ₹ 10,000,001 and goes up to ₹ 50,000,000 with a repayment tenure that ranges from 36 to 360 months. The rate of interest charged typically starting from 9% to 11% 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 from ₹ 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. The loan amount ranges from ₹ 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 after takeover is for an amount ranging from ₹ 300,000 to a maximum of ₹ 10,000,000. The tenure for such loans range from three years to a maximum of 30 years. Interest rate starts from 9% per annum with interest being charged on reducing balance.

The NPA details for the housing loan segments are as follows:

Product Name	As of March 31,					
	2021		2022		2023	
	Gross NPA (₹ million)	Gross NPA %	Gross NPA (₹ million)	Gross NPA %	Gross NPA (₹ million)	Gross NPA %
Home Loan [#]	12.92	2.43%	13.23	3.08%	8.52	2.45%
Home Loan for Repair and Renovation [#]	0.46	3.02%	-	-	-	-
Home Loan Plus	0.51	0.61%	3.89	1.82%	3.37	0.83%
Takeover of loan	1.99	3.48%	1.43	3.29%	1.19	4.41%
Utkarsh Grih Aadhar	-	-	-	-	-	-
Utkarsh Grih Pragati	-	-	102.07	6.58%	174.51	8.20%
Utkarsh Grih Pride	-	-	-	-	-	-
Utkarsh Grih Saral	-	-	3.41	7.06%	0.80	1.86%
Utkarsh Grih Sudhar	-	-	-	-	-	-
Utkarsh Grih Suvidha	-	-	6.46	1.59%	10.20	2.83%
Utkarsh Grih Unnati	-	-	35.28	5.00%	65.74	5.99%
Total	15.88	0.72%	165.77	4.61%	264.33	5.09%

Note:

[#] Disbursements discontinued in Fiscal 2020.

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/ standing 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 collection notices under Section 138 of the Negotiable Instruments Act, 1881; and declare wilful defaulters as stipulated in the RBI guidelines. Alternatively, 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 March 31, 2023, our BCs were responsible for sourcing and/or servicing customers for 2.67% 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 March 31, 2023, our Bank had entered into partnership with 13 BCs in Madhya Pradesh, Chhattisgarh, Punjab, Haryana, Rajasthan, Maharashtra, Telangana, Andhra Pradesh, Karnataka and West Bengal. As of March 31, 2023, the portfolio under the BC segment amounted to ₹ 3,728.42 million.

The details of our BCs as of March 31, 2023 are as follows:

S. No.	Partner	Type	Business	Agreement/ Issue Date	Validity
1.	Origo Finance Private Limited	Business Correspondent Agreement	Source Loan Against Property & MSME Loans	February 4, 2021	February 3, 2024
2.	Janakalyan Financial Services Private Limited	Business Correspondent Agreement	Source Micro Loans	March 15, 2021	March 14, 2024
3.	Ambition Services Private Limited	Business Correspondent Agreement	Source Micro Loans	March 15, 2021	March 14, 2024
4.	New Opportunity Consultancy Private Limited	Business Correspondent Agreement	Source Micro Loans	August 11, 2021	August 10, 2024
5.	Mentor Home Loans India Limited	Business Correspondent Agreement	Source Home Loan and Loan Against Property	November 7, 2022	October 25, 2025
6.	Arth Micro Finance Private Limited	Business Correspondent Agreement	Source Micro Loans	December 24, 2022	December 23, 2025
7.	Kamal Fincap Private Limited	Business Correspondent Agreement	Source Micro Loans	June 13, 2023	June 12, 2026
8.	Saksham Gram Credit Private Limited	Business Correspondent Agreement	Source Micro Loans / Retail Assets	October 9, 2020	October 8, 2023
9.	Pradakshana Fintech Private Limited	Business Correspondent Agreement	Source Loan Against Property and MSME Loans	October 14, 2020	October 13, 2023
10	Finnable Technologies Private Limited	Business Correspondent Agreement	Source Personal Loans	March 25, 2022	March 24, 2025
11	Mintifi Finserve Private Limited	Business Correspondent Agreement	Source Supply Chain Finance OD	April 5, 2022	April 5, 2025
12	Sarvagram Fincare Private Limited	Business Correspondent Agreement	Source Loan Against Property and MSME Loans	November 5, 2022	November 4, 2025
13	Moneyboxx Finance Private Limited	Business Correspondent Agreement	Source Unsecured MSME Loans	December 15, 2022	December 14, 2025

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 March 31, 2023, we had 1,966,985 savings accounts. Interest rate for our domestic savings account presently is ranging from 4.25% upto 7.50% per annum, which are applicable on the incremental amount based on closing balance and are paid on quarterly basis by direct credit in savings account. We offer the following types of interest-bearing savings account to our customers:

Standard Savings Account: Under our standard savings account, variety of services are offered at an average quarterly balance of ₹5,000 in metro/urban Banking Outlet and ₹2,500 in semi-urban/rural banking outlet. Certain unique features include unlimited free ATM transactions on our ATMs and five free transactions per month on other banks' ATMs and free quarterly physical/e-statements. 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 and SMS alerts. 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 ATM transactions on our ATMs and five free transactions per month on other banks' ATMs. 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 ATM transactions on our ATMs and five free transactions per month on other banks' ATMs. 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. A 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 quarterly balance is required to be maintained and there are no charges for non-maintenance of minimum balance. Free Classic Rupay Debit Card with NIL annual maintenance charges for the first year, which allows customers to transact from anywhere in India. We offer unlimited free ATM transactions on our ATMs and five free transactions per month on other banks' ATMs. The interest is calculated on daily product basis and credited quarterly.

Staff Salary - Standard: Standard staff account for employees of our Bank, upto the grade of senior executive. Upon resignation of an employee of our Bank, the staff salary account is converted into a regular savings account in the first week of the subsequent month upon the relevant employee's information being shared with the operations team by the human resources and training teams.

Staff Salary – Premium: Premium account for the staff of our Bank and Utkarsh CoreInvest Limited, from Assistant Manager and above. Upon resignation of an employee of our Bank or Utkarsh CoreInvest Limited, the staff salary account gets converted into a regular savings account in the first week of the subsequent month upon the relevant employee’s information being shared with the operations team by the human resources and training teams.

Naveen Savings Account: This is a full KYC account which provides basic savings banking features with the aim of encouraging customers to start saving, without payment of fees and charges. The account offers small savings deposit, which can be utilized for day to day requirements, and where daily/ monthly savings can be pooled in, while availing the benefits and services of banking products.

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 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 deposits 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. The interest is calculated on daily product basis and credited quarterly.

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 March 31, 2023, we had 48,898 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 at the home Banking Outlet and up to ₹ 100,000 at non-home Banking Outlets. We offer unlimited cash withdrawal at the home Banking Outlet and up to ₹ 200,000 per month at non-home Banking Outlets. In addition, other features, include free NEFT/RTGS/ and cash/cheque pick-up facility to our customers at select locations; unlimited free ATM transactions on our ATMs and five free transactions per month on other banks’ ATMs; and no debit card annual charges on Rupay Classic debit card for the first year.

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, unlimited cash withdrawal at the home Banking Outlet and cash withdrawal of up to ₹ 500,000 at non-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 together with ₹ 200,000 accidental death and permanent disability coverage for the account holder and cash/cheque pick-up facility at select locations.

Institutional Current 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 withdrawals at our Banking Outlets, free 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/ IMPS payments 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, including, unlimited Banking Outlet cash transactions, free demand draft and unlimited free RTGS/ NEFT.

Collection Current Account: This is an account maintained by the customer / borrower with our Bank in which collections, deposits and other payments on or with respect to collateral may be made pursuant to certain terms and conditions, to which only our Bank shall have access to withdraw or otherwise direct the disposition of funds on deposits. This is a zero balance account with no initial funding and services include free RTGS and NEFT facilities. Corporate internet banking facility is available with viewing rights only.

Escrow Bank Account: In this account funds are held before they are transferred to the ultimate beneficiary account. Escrow bank accounts can hold money, securities, funds, and other assets. It provides security against scams and fraud, especially with high asset value and in sectors like real estate. This instrument is used by stakeholders from several sectors to undertake secure transactions.

The party receiving the money cannot make withdrawals/any transactions from an escrow bank account until the set obligations are fulfilled. No initial funding is required to open the escrow bank account. In addition, other services, including, free physical bank account statements, electronic and ad-hoc bank account statement, free SMS alerts and internet banking facilities with viewing rights only.

UPI Easy Account: In this account a virtual address/ UPI ID is created for sending and receiving into merchant's account without detailed information or net banking user id/ password. Further, no average quarterly balance is required to be maintained. In addition, other features, include unlimited credit transaction through the UPI application and unlimited free RTGS/NEFT. Other features include no annual debit card charges on Rupay Classic Debit Card for the first year and one free cheque book free per quarter, with 10 leaves.

Business Plus Account:

Business Plus account is curated for self-employed individuals and proprietors. This product enables customers to earn savings bank interest on their current account balance. Along with a current account, we will open a linked virtual savings account in the name of the individual/ proprietor. Day-end balance above ₹ 50,000 (for metropolitan an urban branches) and above ₹ 25,000 (for semi urban and rural branches) in the current account will be automatically swept into the linked virtual savings account, thereby creating liquidity with higher interest returns on surplus funds, offering high returns to customers. Unlike fixed deposits, this offers clients the ability to earn interest on overnight balances as well.

Term Deposits

We offer the following types of deposits to our customers:

Fixed Deposits:

The minimum amount that can be deposited in fixed deposit is ₹1,000.00 and can be deposited 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, amount and higher interest rates are offered to senior citizens and staffs. Premature closure is permitted.

Fixed Deposits Plus:

The minimum amount that can be deposited in Fixed Deposit is above ₹1.50 million up to maximum of less than ₹ 20.00 million and can be deposited for a minimum period of seven days to a maximum of 10 years. Premature withdrawal is not permitted. Interest payment options are monthly, quarterly and at maturity. The rate of interest paid for fixed deposits varies based on tenure, amount and higher interest rates are offered to senior citizens and staffs. We generally offer slightly higher rate of interest on these deposits than fixed deposits.

Bulk Deposit: Bulk deposit is offered for a minimum amount of ₹ 20 million. 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. Our Bank offers premature and non- premature closure options to our customers.

Recurring Deposits:

The minimum amount that can be placed in Recurring Deposit is ₹100.00 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, amount and higher interest rates are offered to senior citizens and staffs. Premature closure is permitted for these deposits.

Tax Saver Fixed Deposit:

The minimum amount that can be deposited is ₹ 1,000.00 up to a maximum of ₹ 150,000 for a year and are subject to a five-year lock-in. Auto renewal and premature withdrawal is not allowed in Tax Saver Fixed Deposit. Only 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.

This is also available to 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.

Tie-up with ICICI Securities Limited

We have entered into a partnership with ICICI Securities Limited (in Fiscal 2023) for ‘3-in-1’ accounts, comprising demat, online trading and savings account, in order to increase product offerings for retail customers. Existing customers of our Bank will be able to trade through online trading account maintained with ICICI Securities, while the savings account remains with us. We believe this will enable us to increase our number of transacting retail customers, while creating higher customer stickiness.

Other Products and Services

As of March 31, 2023, 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) Bharat bill payment system; (iv) distribution and facilitation of accounts under the certain Government schemes; and (v) NACH transactions, which facilitate high volume, low value debit/credit transactions that are recurring, and comprise NACH credit (involving distribution of subsidies, salaries, pension, dividends among others, at set frequency and periods) and NACH debit (involving regular fixed payments towards insurance premiums, loan repayments, recurring deposits, among others).

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, Kotak Mahindra General Insurance Company and Future Generali India Insurance Company for the distribution of health insurance, motor, accidental and other general insurance policies. Our life insurance partners include HDFC Life Insurance Company Limited, Bharti Axa Life Insurance, ICICI Prudential Life Insurance Company Limited and Aditya Birla Health 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

Under the Powers vested with Reserve Bank of India under Section 10(1) of the Foreign Exchange Management Act, 1999, a bank can act as an agent under money transfer services scheme (“MTSS”). We have approved Ebix Money Transfer Private Limited to undertake MTSS. Our Bank is the sub-agent of Ebix Money Transfer Private Limited for inward remittance.

Money Transfer Services is a quick and easy way of transferring remittances into India. No outward remittances from India is permissible. It is an efficient way of receiving money in India and caters to individuals residing abroad, existing clients and new customers.

Each of the products above are distributed through our Banking Outlet network and business staff to our existing and prospective customers.

Bharat bill payment system

We offer our customers access to an integrated bill payment system through the internet, which is a payment solution for bills across India. It is an interoperable and accessible bill payment service for utility services and 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. March 31, 2023, we operated 830 Banking Outlets that included 227 URCs across 26 States and Union Territories, as well as a network of 13 BCs and had arrangements with 321 DSAs.

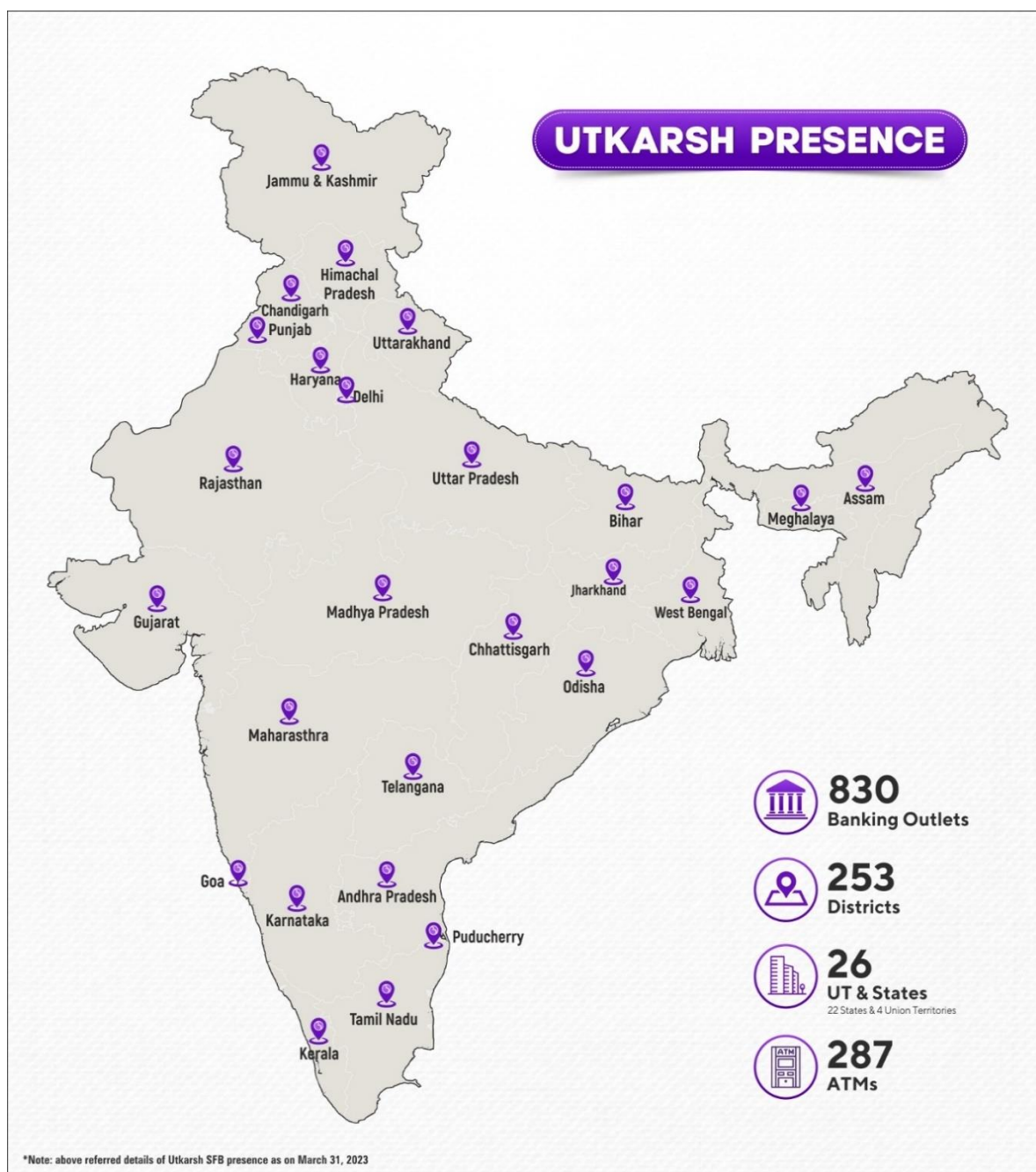
Network of Banking Outlets

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.

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The map below sets out certain information on our operations as of March 31, 2023:



Map not to scale

As of March 31, 2023		
Region	Banking Outlets	Number of States/ Union Territories
North ⁽¹⁾	339	11
West ⁽²⁾	84	3
South ⁽³⁾	28	6
East ⁽⁴⁾	379	6
Total	830	26

Notes:

- (1) Northern region comprises the following Chandigarh, Chhattisgarh, Haryana, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, New Delhi, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand.
- (2) Western region comprises Goa, Gujarat and Maharashtra.
- (3) Southern region comprises Andhra Pradesh, Puducherry, Telangana, Tamil Nadu, Karnataka and Kerala
- (4) Eastern region comprises Assam, Bihar, Jharkhand, Meghalaya, Odisha and West Bengal.

For further information on our state-wise deposit mix and region-wise NPA mix, see “*Selected Statistical Information*” on page 238.

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 280 onsite ATMs and seven offsite ATMs as of March 31, 2023. In Fiscal 2023, we recorded an average of 545 transactions per month per ATM, and an average of 79.25% of such transactions were by customers of other banks. Further, in Fiscal 2021, 2022 and 2023, the average ticket size of debit card transactions at ATM was ₹ 3,391, ₹ 3,524 and ₹ 3,352 and average ticket size for point of sale and e-commerce spend (per transaction) was ₹ 1,186, ₹ 1,366 and ₹ 1,735, respectively.

We currently offer various types of Rupay and Mastercard debit cards, including Rupay Classic, Rupay Platinum, MasterCard Gold, MasterCard Platinum, to all of our 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/e-commerce in India. In Fiscal 2023, 20.75% of the transactions in our Bank ATMs with overall ATM transactions of over 5.63 million times transacting ₹ 18,856.66 million.

In addition, we have partnered with 42 Card Solutions Private Limited to launch its credit card business, pursuant to which we have issued credit cards on a pilot basis in April 2023, and intend to undertake a larger launch to our broader customer base in subsequent months.

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 and Mobile Banking: Digital banking platform includes internet and mobile banking facilities to its customers, which offers advanced application with multiple login methods such as username/password, biometric and MPIN. It is a secure and robust application, which allows customers to fulfil their banking needs on the go. The application provides an array of services such as online deposits, fund transfer, manage cards, bill payments, Form 15 G/H Submission, manage loans, loan EMI and deposit calculator, etc.

Digi On boarding: On boarding is not just limited to the very first interaction with the customer, it is also an opportunity to create impression of our Bank. On-boarding is very critical from customer experience and the longevity of the customer life cycle standpoint. Eventually it helps the organisation develop a robust and cost-effective business model thereby enabling offering of banking products at affordable pricing.

In order to digitize customer acquisition, our Bank had launched tablet based account opening system. This system is used by frontline staff to open savings accounts directly from a customer location i.e., customers need not travel to the branch for account opening. The account opening information get transferred from the tablet to our core banking system and instant account is opened during the process. The tablet based solution also provides option to conduct e-KYC during onboarding. Authenticity of customer is checked and a live photo of the customer along with GPS coordinates of customer location are captured in the application. In the presence of the customer, we enter details in the Digi On-boarding application.

Utkarsh UPI Application: Our Utkarsh UPI application with enhanced security features including two-factor authentication along with SIM and device binding, makes it convenient to transact digital payments. UPI is integrated with our Bank’s CBS, other systems and channels. The customers can safely and instantly pay or collect payments using UPI ID/VPA, account number and QR Code. Our Bank also provides merchant on-boarding to all the merchants through UPI application. The Utkarsh UPI application has a comprehensive mandate management solution, which provides one time mandate and recurring mandate.

Further, we have launched a ‘UPI-Lite’ feature, which allows customers to perform low-value transactions regularly. We are the first small finance bank to launch ‘UPI-lite’ for our customers. (Source: *CRISIL Report, page 150*)

Corporate Internet Banking: It facilitates corporate customer maintaining CASA relationship with our Bank to carry banking activities online. To make CIB more safe and secure, we offer maker checker concept whereby for each transaction there must be two individuals necessary for the completion of the transaction.

Fintech: As part of our Bank's digital first approach, we have partnered with various fintech companies to expand on our digital initiatives. We have partnered with various fintech companies for personal loans, to source retail term deposits, to address capital requirements on a daily basis for the SMEs and for portfolio management of our securitization book. For instance, we have entered into a partnership that will enable our customers to open fixed deposits with us digitally. Online personal loans to retail customers through such partnership offer convenience to both the customers and our Bank since the customers can avail loans without having to go a physical outlet and our Bank gets to offer loans to customers with good credit score. Currently, we have focused our fintech offerings in the metros and the urban areas and we will expand on providing such offerings in the rural areas going forward.

Customer Service

We utilize third parties' services to manage call centres. Call centres agents manage our customers' queries and can assist our customers in eight languages including 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 Management 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 2021, 2022 and 2023, an aggregate amount of ₹ 43.40 million, ₹ 296.57 million and ₹ 584.56 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, among other regulatory requirements), 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 government of India securities, state government securities, treasury bills, corporate bonds, treasury bills, commercial papers, certificate of deposits, mutual funds, debentures and other approved products.

Our Bank is a member of the market infrastructure in reporting and settlement systems, such as, NDS-Call, NDS-OM, TREPS, CBRICS 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. Our treasury department has robust business continuity plans and it typically conducts business from alternate locations as part of the periodic business continuity plans. This has enabled our treasury department to conduct its business and operations in an uninterrupted manner during the COVID-19 pandemic.

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 21.88%, 21.59% and 20.64%, as of March 31, 2021, 2022 and 2023, respectively. Our Tier I capital ratio was 19.98%, 18.08% and 18.25% as of March 31, 2021, 2022 and 2023, respectively. For further information, see “*Selected Statistical Information*” on page 238.

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. As of the date of this Red Herring Prospectus, Mr. Mukesh Singh Verma, 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.

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 and also leads Bank’s corporate actions including equity and tier-II fund raise.

Accounts

Our accounts department is responsible for publishing financial results, substantiation and reconciliations of all accounts, reporting to the RBI and tax compliance. They are also responsible for all regulatory filings with the RBI in relation to the accounts department and both direct and indirect tax compliances. The accounts department also coordinates with various external and internal entities including with our statutory auditors for the audit of our Bank. The department also manages employees and vendor payment process.

Company Secretarial

Our Bank’s secretarial function is to update, monitor, report and comply with the requirements of the applicable laws including the regulations and directions issued by the RBI. The department is also responsible for the conduct

of meetings of the Board and committees and subsequent corporate actions of filing relevant documents with the RBI and other regulatory authorities as applicable to us. It also advises our management on regulatory processes to be followed for various corporate actions.

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

The Bank has an internal audit department since inception which operates independently under the supervision of the Audit Committee of the Board with reporting line to the chairman and is manned by appropriately qualified personnel. The Bank's internal audit function provides an independent view to the Board of Directors and senior management on the quality and efficacy of the internal controls, risk management systems, governance systems and processes in place on an on-going basis. This is provided to primarily ensure that the business and support functions are in compliance with both internal and regulatory guidelines. In line with the RBI's guidelines on Risk Based Internal Audit, our Bank has adopted an internal audit policy. The Risk Based Internal Audit has been designed after factoring regulatory guidelines and also best practices in Industry. The policy has a well-defined architecture for conducting Risk Based Internal Audit across all audit entities. The audit frequencies are in sync with the risk profile of each unit to be audited. Further to augment the internal audit function, concurrent audit and off-site audit have been integrated into the internal audit process in order to make the function more robust. To support audits, the department has got IT application which helps in planning the audit, its execution and reporting. Keeping pace with digitalisation in the Bank, the internal audit function has also adopted technological initiatives i.e. using analytics tool like "IDEA" for providing enhanced efficiency and effectiveness through system driven and analytics-based audits, finding the exceptions and is progressing towards use of more and more computer aided audit tools to bring further efficiency and effectiveness.

The internal audit team has domain knowledge across various products/process in banking industry and conducts various types of audit throughout the year, including risk based audit of branches and centralised functions, concurrent audit of branches and other functions like treasury function/central processing centres/payments and other audits like information system and cyber security, NPA automation, internal/office accounts, outsourced vendors, internal financial controls and storage of payment systems data.

Vigilance

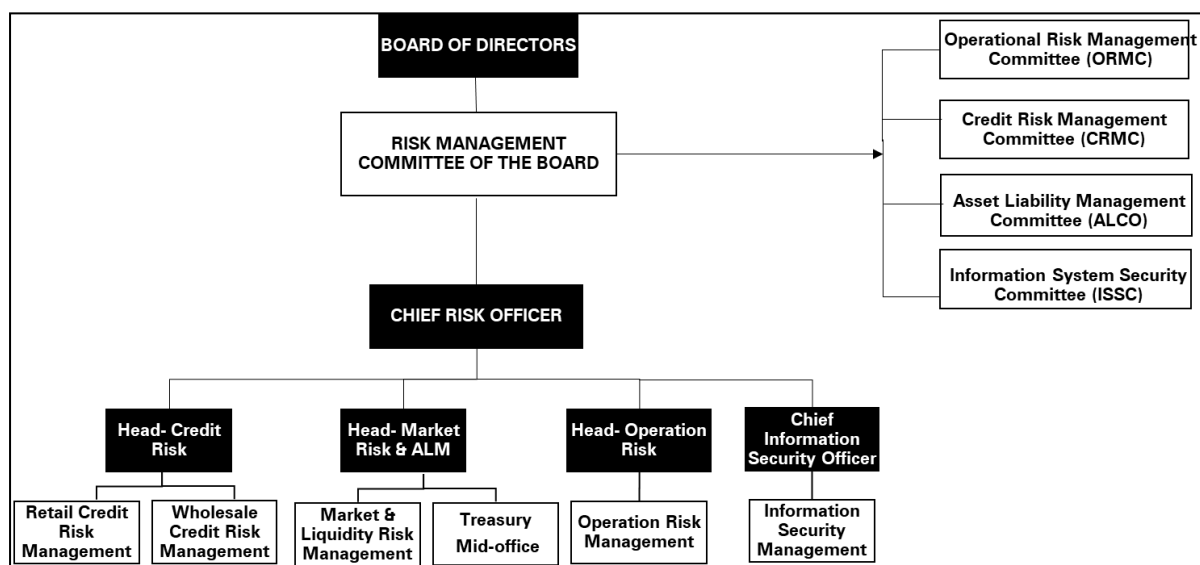
The vigilance and security department undertakes investigation of fraud, corruption cases and addresses grievances, including those under our Bank's whistle-blower policy. The department educates staff on preventive vigilance, punitive actions, surveillance and identification areas. The vigilance and 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. Further, the vigilance department issues various circulars to all of our employees from time to time to create security awareness. It further conducts periodical and surprise visits to our Banking Outlets.

Risk Governance Structure

Our Bank has established a system for identifying, directing, implementing, monitoring, reviewing 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 (including managing and monitoring risk); and (iii) internal audit to provide independent assurance on assessment; implementation and improvement of risk management processes.

Risk department of the Bank is headed by the Chief Risk Officer. 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, Information System Security 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.

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.

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. Based on the pre-evaluation methods and sanction from respective authorities, credit approvals and follow-ups are reported in time to respective authorities.

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 management committee is responsible for the overall formulation of the asset liability management 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 management 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 March 31, 2023, we maintained excess liquidity of ₹ 23,724.65 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 management 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 responded swiftly by implementing various processes to ensure our operations and services to our customers continue seamlessly. 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 continued their daily operations, in accordance with the safety guidelines provided by the Government of India, to ensure timely settlement of all transactions. 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 events such as the recent coronavirus (COVID-19) pandemic impacts our Bank’s business, cash flows, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.” on page 46.

Information Technology

We believe that information technology is one of the key differentiators for improving customer experience and optimize our internal process. 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. Along with our core banking system, we have implemented specialized systems for retail and microfinance and loan management function. Our various technology platforms support major functions, such as our business verticals, branch and centralized operations, customer experience, expense management and human resources, process management, risk management, regulatory reporting, MIS and data intelligence 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 also invested in 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 introduce new products 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.

In 2022, our Bank was awarded by the Indian Bank’s Association for ‘Best IT Risk and Cybersecurity Initiatives’ at the Indian Banks’ Association Banking Technology Awards 2021. Further, our Bank has received ISO 27001:2013 certification for its information security system.

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 following intellectual property:

Class	Registration no.	Logo/ Extract	Remarks
36	4878564	Website Domain registration	Registered
36	4913608	Utkarsh Mobile App Logo/Icon registration	Registered
36	4913612	Utkarsh Mobile App Logo/Icon registration	Registered
36	4913618	Utkarsh Mobile App Logo/Icon registration	Registered

Class	Registration no.	Logo/ Extract	Remarks
36	5073972	UTKARSH UPI Logo/Icon registration	Registered
36	5172008	Utkarsh Mitra	Registered
9	5172009	 Utkarsh Mitra	Registered
36	5172011	 Utkarsh Mitra	Registered
9	5172012	 Utkarsh Mitra	Registered
36	5172014	 Utkarsh Mitra	Registered

Further, we have applied for registration of the following trademarks, among others, under different classes for our marketing activities which are pending as on the date of this Red Herring Prospectus:

Tagline
Ek Naya Nazariya, Naye Nazarein
Ek Naya Nazariya Badalte Nazarein
Naya Nazariya Badalte Nazarein
एक नया नज़रिया नये नज़ारे
एक नया नज़रिया बदलते नज़ारे
नया नज़रिया बदलते नज़ारे
UTKARSH MITRA
 Utkarsh Mitra
 Utkarsh Mitra

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.*” and “*Government and Other Approvals*” on pages 59 and 391, respectively.

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 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, Ujjivan Small Finance Bank, Jana SFB, ESAF SFB, Fincare Small Finance Bank, and Suryoday Small Finance Bank (*Source: CRISIL Report, page 133*). 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 54.

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 34.

Human Resources

As of March 31, 2023, we had 15,424 employees, as set forth below:

S. No.	Function/ Department	Number of Employees
1.	Administrative	38
2.	Branding and Marketing	15
3.	Branch Operations and Support	211
4.	Collection, risk containment unit and data analytics	232
5.	Compliance	32
6.	Corporate Communication and Strategy	5
7.	Credit	396
8.	Finance /Accounts/ Company Secretarial	65
9.	HR and Training	127
10.	Internal Audit	176
11.	Internal Ombudsman	2
12.	IT	144
13.	JLG / Micro Banking	9,439
14.	Liabilities / Government and Institutional Business / Branch Control Unit	3,227
15.	MD and MD Office	11
16.	Operations/CPC	401
17.	Project/Corporate Support and Services	27

S. No.	Function/ Department	Number of Employees
18.	Retail Loans (MSME)	401
19.	Retail Loans (HL)	203
20.	Retail Loans (Wheels)	71
21.	Risk Management	40
22.	Treasury	5
23.	Vigilance and Security	15
24.	Wholesale Lending / Business Correspondence	64
25.	Cross sell	12
26.	Others	65
Total		15,424

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. Our 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 responsibility 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 through the Utkarsh Welfare Foundation, contribute to our overall strategy of engaging with our target customers.

Properties

Our Registered and Corporate Office situated at Utkarsh Tower, NH -31 (Airport Road), Sehmalpur, Kazi Sarai, Harhua, Varanasi 221 105, Uttar Pradesh is owned by us.

As of March 31, 2023, our operations were spread across 26 States and Union Territories, and through 830 Banking Outlets, all of which are located on leased premises. For further information, see “*Risk Factors – All our Banking Outlets 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.*” on page 39.

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. 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 Guidelines on Acquisition and Holding of Shares or Voting Rights, any person who intends to acquire shares or voting rights in a banking company beyond the limit for which approval was obtained from the RBI, is required to apply to the RBI for prior approval to increase their aggregate holding. Further, persons with ‘major shareholding’, that is, aggregate holding of five per cent or more of the paid-up share capital or voting rights in a banking company, 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. However, pursuant to the Master Direction on Acquisition and Holding and the Guidelines on Acquisition and Holding, a promoter is required to reduce its shareholding in a banking company to 26% on or prior to 15 years from the date of commencement of business of the banking company. 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 Banks 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 Direction – RBI (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 dated January 16, 2023

The Master Direction on Acquisition and Holding of Shares or Voting Rights have been issued with the intent of ensuring that the ultimate ownership and control of banking companies are well diversified and the major shareholders of banking companies are 'fit and proper' on a continuing basis. Any person who intends to make an acquisition, which is likely to result in major shareholding in a banking company, is required to seek previous approval of the RBI. 'Major shareholding' shall mean aggregate holding of 5% or more of the paid-up share capital or voting rights in a banking company. Further, if at any point in time the aggregate holding of the major shareholder falls below 5%, the person will be required to seek fresh approval from the RBI if the person intends to again raise the aggregate holding to 5% or more of the paid-up share capital or total voting rights of the banking company and such approval is required to be sought, in the prescribed form, within 30 days of the proposed acquisition. Additionally, persons from Financial Action Task Force (FATF) non-compliant jurisdictions are not be permitted to acquire major shareholding in a banking company.

Banking companies are required put in place a board-approved 'fit and proper' criteria for major shareholders which shall contain criteria including integrity, reputation or track record in financial/ non-financial matters and compliance with tax laws in order for the RBI to assess the 'fit and proper' status of the major shareholders. Banking companies are required to continuously monitor the 'fit and proper' status of: (i) major shareholders who have completed the approved acquisition, (ii) those applicants for whom comments have been provided by the concerned banking company to the RBI for approval to have major shareholding, and (iii) those applicants who have been approved by the RBI to have major shareholding but are yet to complete the approved acquisition. Further, banking companies are required to establish a monitoring mechanism to continuously monitor that major shareholders have obtained prior approval of the RBI for the shareholding/voting rights.

Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies dated January 16, 2023 issued by the RBI

Under the Guidelines on Acquisition and Holding of Shares or Voting Rights, any person who intends to acquire

shares or voting rights in a banking company beyond the limit for which approval was obtained from the RBI, is required to apply to the RBI for prior approval to increase their aggregate holding in the banking company. Major shareholders (as defined under the Master Direction on Acquisition and Holding) who have completed the approved acquisition or applicants who have obtained the approval to have major shareholding or applicants who have submitted the application for obtaining the prior approval are required to inform the banking company of any change in the information provided in Form A of these guidelines or any other development which may have a bearing on the 'fit and proper' status.

Permission of the RBI to acquire shares or voting rights shall be subject to the following limits for non-promoters: (i) in the case of natural persons, non-financial entities and financial institutions that are owned to the extent of 50% or more or controlled by individuals (including, the relatives and persons acting in concert), the limit shall be 10% of the paid-up capital or voting rights of the banking company, and (ii) in the case of financial institutions excluding those mentioned in (i), supranational institutions, public sector undertaking and central/state government, the limit shall be at 15% of the paid-up capital or voting rights of the banking company. For promoters of a banking company, the limit shall be 26% of the paid-up share capital or voting rights after the completion of 15 years from commencement of business of the banking company. During the period prior to the completion of the 15 years, the promoters of banking companies may be allowed to hold a higher percentage of shareholding as part of the licensing conditions or as part of the shareholding dilution plan submitted by the banking company at the time of grant of license and approved by the RBI.

The Master Direction on Acquisition and Holding and the Guidelines on Acquisition and Holding, are required to be read together.

Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021 issued by the RBI ("Statutory Auditor Guidelines")

Pursuant to the Statutory Auditor Guidelines for Financial Year 2022 and onwards, among others, statutory audit firms can be appointed for banks for a continuous period of three years subject to the firm satisfying the eligibility norms each year and prior approval from the RBI on an annual basis. Further, an audit firm is not eligible for reappointment as an auditor for the same entity for a period of six years after completion of full or part of one term of the audit tenure. The Statutory Auditor Guidelines also lays down the eligibility criteria for appointment based on the asset size of the entity being audited, as on March 31 of the previous year.

Master Directions – Priority Sector Lending – Targets and Classification dated September 4, 2020 ("Priority Sector Lending Guidelines")

The Priority Sector Lending Guidelines 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 Guidelines, 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. The Priority Sector Lending Guidelines 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. For agriculture sector, micro enterprises and advance to weaker sections, the targets are 18% (out of which a target of 10% is prescribed for small and marginal farmers), 7.5% and 12% of the adjusted net bank credit or credit equivalent of off-balance sheet exposures, whichever is higher, respectively. The targets for lending to small and marginal farmer and weaker sections target are to be implemented in a phased manner during the period 2020-24 in accordance with the Priority Sector Lending Guidelines.

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. In accordance with a clarification to the RBI Compensation Guidelines dated August 30, 2021, it was clarified that the fair value of the share-linked instruments issued by banks shall be recognised as expense beginning with the accounting period for which the approval has been granted.

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.

Corporate Governance in Banks – Appointment of Directors and Constitution of Committees of the Board issued by the RBI on April 26, 2021 ("Corporate Governance Circular")

The RBI issued the Corporate Governance Circular prescribing certain requirements for the meetings of the board of directors, constitution and meetings of committees including audit committee, risk management committee, nomination and remuneration committee, age and tenure of non-executive directors and their remuneration.

Master Direction on Regulatory Framework for Microfinance Loans dated March 14, 2022 ("Microfinance Loans Master Direction")

Pursuant to the Microfinance Loans Master Direction, regulated entities are required to adopt a board-level policy for assessment of household income of potential borrowers and pricing of microfinance loans and a board-approved fair practices code which is required to be displayed in all offices of regulated entities and on their websites. Further, regulated entities are required to have a limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of monthly household income, subject to a maximum limit of 50% of monthly household income. The level of indebtedness of the borrowers shall be ascertained using data available with credit information companies, declarations from borrowers, their bank account statements and local enquiries. Regulated entities shall put in place a mechanism for identification of borrowers facing repayment related difficulties, engagement with such borrowers, providing them necessary guidance about the recourse available and redressal of recovery related grievances. They are also required to have a due diligence process in place for engagement of recovery agents whose details shall be provided to the borrowers while initiating the process of recovery. The Microfinance Loans Master Direction is required to be implemented by all regulated entities not later than October 1, 2022.

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.

Guidelines on Digital Lending dated September 2, 2022 ("Digital Lending Guidelines")

Pursuant to the Digital Lending Guidelines issued by RBI, outsourcing arrangements entered into by a regulated entity, shall not diminish its obligations and it shall continue to conform to the extant guidelines on outsourcing. A regulated entity is required to ensure that activities including loan servicing, repayment, etc., shall be executed by the borrower directly in the regulated entity's bank account without any pass-through account/ pool account of a third party. Further, a regulated entity is required to ensure that any fees or charges payable to the lending service provider (for carrying out functions like customer acquisition, underwriting support, pricing support, servicing monitoring, recovery of specific loan or loan portfolio on behalf of a regulated entity) shall be paid directly by the regulated entity and not charged to the borrower. A regulated entity shall provide a key fact statement to the borrower before the execution of the contract in a standardized format for all digital lending products. Additionally, any fees, charges, etc., which are not mentioned in the key fact statement cannot be charged by a regulated entity to the borrower at any stage during the term of the loan. A regulated entity shall also ensure that lending service providers and digital lending apps/ platforms do not store personal information of borrowers except some basic minimal data that may be required to carry out their operation.

Master Directions - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016 ("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 Direction – Credit Card and Debit Card – Issuance and Conduct Directions, 2022

The Master Direction – Credit Card and Debit Card – Issuance and Conduct Directions, 2022 regulates, among other things, issuance of credit and debit cards including co-branded cards, eligibility for issuance of credit cards, general conditions, contents of most important terms and conditions, redressal of grievances and customer conduct. Each card-issuer is required to have a well-documented, board-approved policy for the issuance and conduct of credit cards and shall put in place a mechanism for review of credit card operations on half-yearly basis by the audit committee, including customer service, frauds, complaints and grievance redressal and usage analysis including cards not used for long durations and the inherent risks therein. Card-issuers shall provide a one-page key fact statement along with the credit card application. In case of rejection of the credit card application, the card-issuer shall convey in writing the specific reasons which led to the rejection of the application. Card-issuers shall provide the cardholders a term sheet containing the most important terms and conditions ("MITC") such as joining fees, annual membership fees, service charges, overdue interest charges, credit limit, cash withdrawal limits, billing statements, method of payment, available insurance cover. The MITC shall be provided to the customer at the time of onboarding and each time a condition is modified with notice to the customer. The card issuers shall ensure that there is no delay in dispatching/ e-mailing/ sending bills/ statements and may consider providing these through internet/mobile banking with explicit consent from the cardholders. Card-issuers shall put in place a grievance redressal mechanism and widely publicise it through electronic and print media.

Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated April 1 2022 ("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. Banks shall establish appropriate internal systems (including technology enabled processes) for proper and timely identification of NPAs and shall not take into account the availability of security or net worth of the borrower/guarantor for the purpose of treating an advance as an NPA or otherwise, except in the cases laid down in the Prudential Norms.

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; (ii) dated April 17, 2020 titled "COVID19 Regulatory Package - Asset Classification and Provisioning"; and (iii) dated May 23, 2020 ("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%).

Circular on Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package dated April 7, 2021 issued by the RBI ("April 2021 Circular")

The RBI, pursuant to the decision of the Supreme Court of India in *Small Scale Industrial Manufacturers Association v. Union of India*, dated March 23, 2021, has issued the April 2021 Circular. This stipulates that all lending institutions are required to implement a board-approved policy to refund/adjust the "interest on interest" charged to the borrowers during the moratorium period, *i.e.*, March 1, 2020 to August 31, 2020 in conformity with the above judgement. In order to ensure that the above judgement is implemented uniformly in letter and spirit by all lending institutions, the methodology for calculation of the amount to be refunded/adjusted for different facilities is required to be finalised by the Indian Banks Association in consultation with other industry participants/bodies, which shall be adopted by all lending institutions. The above reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed, in terms of the circulars issued by the RBI dated March 27, 2020 and May 23, 2020.

Further, in relation to asset classification, the April 2021 Circular stipulates that, (i) in respect of accounts which were not granted any moratorium in terms of the COVID-19 regulatory relief provided, asset classification is to be undertaken in terms of the criteria laid out in the Prudential Norms or other relevant instructions as applicable to the specific categories of lending institutions; and (ii) in respect of accounts in relation to which a moratorium was granted in terms of the COVID-19 regulatory relief, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the COVID Package Circulars. For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable income recognition and asset classification norms.

Circulars on Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) (as updated on June 4, 2021) and Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses (as updated on June 4, 2021) (together, the “Resolution Framework Circulars”)

The Resolution Framework Circulars permit the classification of advances to individuals, and small businesses and MSMEs, respectively, pursuant to restructuring or implementation of resolution plans, as applicable, subject to certain conditions under such circulars, including the resolution framework being available only to those borrowers that are facing COVID-19 related stress.

Master Direction –Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 (“Investment Portfolio Directions”)

The Investment Portfolio Directions requires banks to frame a comprehensive investment policy and obtain the approval from their board of directors. The investment policy may be suitably framed/ amended to include primary dealer activities. The investment policy should strictly observe the detailed instructions from the RBI regarding Separate Trading of Registered Interest and Principal Securities (STRIPS), short sale in Central Government dated securities, government securities on ‘when issued’ basis, value free transfer of government securities, transaction through subsidiary general ledger account, repo in government securities, retailing of government securities, settlement of transactions in government securities, internal control systems, engagement of 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 and banks shall have the freedom to shift investments among categories with the approval for their board of directors, once a year.

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.

Reserve Bank – Integrated Ombudsman Scheme, 2021

The Reserve Bank – Integrated Ombudsman Scheme, 2021, 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

Utkarsh CoreInvest Limited, 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 210 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

Except as disclosed below, there has been no change in the address of the registered office of our Bank since the date of its incorporation.

Effective date of change	Details of change	Reason for change
March 4, 2022	The registered office of our Bank was changed from S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi, 221 002, Uttar Pradesh, India to Utkarsh Tower, NH – 31 (Airport Road), Sehmalpur, Kazi Sarai, Harhua, Varanasi, 221 105, Uttar Pradesh, India.	Shifting from leased premises to premises owned by our Bank and for ease of operations

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

Date of shareholders' resolution/ Effective date	Details of amendment
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
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	<ul style="list-style-type: none"> Commenced our banking operations Launched our mobile banking and internet banking facilities
2018	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Launched cashless disbursements for microfinance loans Conversion of microfinance branches to Banking Outlets
2020	<ul style="list-style-type: none"> Our deposit base crossed ₹50,000 million We crossed 500 banking outlets Launched micro-banking business and two-wheeler loans Our customer base crossed 2.50 million
2021	<ul style="list-style-type: none"> Launched digital on-boarding of accounts Launched non-fund based facility and working capital loans
2022	<ul style="list-style-type: none"> Opened branches in Andhra Pradesh, Tamil Nadu, Karnataka and Kerala Launch of green PIN initiative at Micro ATMs as replacement for physical PIN mailers Launch of white label payment gateway Launch of collection current account and escrow bank account products Launch of Utkarsh UPI application We reached 686 banking outlets Crossed one million debit card issuances Appointed as corporate agent by Bharti AXA Life Insurance Company Limited, Kotak Mahindra General Insurance Company Limited and Aditya Birla Health Insurance Company Limited for soliciting insurance policies Launched brown label ATM services On-boarded Finnable Technologies Private Limited as a business correspondent Launched Atal Pension Yojana at our Bank Our deposit base crossed ₹100,000 million Shifting of registered office to Utkarsh Tower, NH – 31 (Airport Road), Sehmalpur, Kazi Sarai, Harhua, Varanasi, 221 105, Uttar Pradesh, India, a property owned by our Bank
2023	<ul style="list-style-type: none"> Crossed 800,000 customers on-boarded through digital onboarding Launch of 'Utkarsh Gold Loan', a secured gold loan product Launch of UPI-LITE – on-device wallet functionality for UPI users On-boarded Moneyboxx Finance Limited as a business correspondent Appointed as corporate agent by Future Generali India Insurance Company Limited Launch of facility for cashless disbursement of JLG loan to clients

Fiscal Year	Events and Milestones
	<ul style="list-style-type: none"> • Launch of facility for cashless collection of JLG loan instalments • Partnership with ICICI Securities Limited for 3-in-1 accounts comprising demat, online trading and savings account • Empanelment by Government of Chhattisgarh for deposit of government amounts in commercial banks • Empanelment by Government of Maharashtra for disbursement of salary and allowances to government employees and for providing pension to pensioners

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	Winner in the category of “Descriptions of Social Impact Initiatives” at the 5 th Eastern India Microfinance Summit 2019 Excellence award at the MiNE India 2019: Microfinance & NBFCs Exhibition cum Conference
2021	Recognition as the ‘Best Brand 2021’ by The Economic Times Ranked 3 rd in the AmbitionBox Best Places to Work in India 2021 in the Medium Banking Companies Category Recognition as ‘Best Bank’ in the small finance bank category for Fiscal 2020 by the 25 th BT-KPMG annual survey
2022	Recognition as “Paragon of Branding Excellence” and award for “Brand of the Year 2022” by Marksmen Daily Award for “Best IT Risk and Cyber Security Initiatives” at the Indian Banks’ Association Banking Technology Awards 2021 Recognition by Fortune India as “Next 500 Companies 2022” Recognition as one of the ‘Promising Brands 2022’ by Economic Times Ranked 3 rd in Best Financiers in India – under the Small Finance Banks category, ranked 3 rd by Fortune India for Fiscal 2021 and nine months ended December 31, 2021 Special award in the payments and small finance banks category for Best IT Risk Management at the 18 th Indian Banking Association Annual Banking Technology Conference and Awards 2021-22 Exemplary award of par excellence from the PFRDA for ‘Beat the Best & Be the Best’ (May 9 – June 30, 2022) Awarded the ‘Exemplary Performance Award’ for integrated water management under GRIHA rating by GRIHA Council Recognition as ‘2 nd Best Bank’ in the small finance bank category for Fiscal 2022 by the 27 th BT- KPMG survey of India’s best banks and fintech companies

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 210.

Holding company

Utkarsh CoreInvest Limited is our holding company. For details of Utkarsh CoreInvest Limited, see “*Our Promoter and Promoter Group*” beginning on page 231.

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 160.

Shareholders’ agreements

Key terms of subsisting shareholders’ agreements

Except as set out below, there are no other agreements entered into by the Bank and clauses/ covenants which are material to the Bank. Further, there are no other clauses/ covenants which are adverse or prejudicial to the interest of the public shareholders of the Bank.

Second restated and amended shareholders agreement dated March 1, 2021 as amended by the first amendment to the second restated and amended shareholders agreement dated February 21, 2023 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 Goodwell India Microfinance Development Company II Limited, Aavishkaar Venture Management Services Private Limited, British International Investment PLC (formerly 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 Company 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 Triodos SICAV II - Triodos Microfinance Fund (formerly 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 Promoter SHA, at any time within seven years (being January 22, 2024) from the date of commencement of business of our Bank (being, January 23, 2017), Mr. Govind Singh or RAAG Family Private Trust is entitled to receive securities in our Promoter (or its equivalent, as may be applicable) up to 3% of the paid-up share capital of our Promoter (on a fully diluted basis as on September 27, 2016), at a price to be determined in accordance with the provisions of the Promoter SHA.

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 Utkarsh CoreInvest Limited with our Bank within three months from the date on which Utkarsh CoreInvest Limited 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.

Investment Agreement dated February 10, 2021 entered into between 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”) (“Investment Agreement”) with our Bank

Pursuant to the Investment Agreement, the Incoming Investors have subscribed 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 for the purposes of augmenting the tier-1 capital base and strengthening the overall capital adequacy of our Bank. For details of the allotment, see “*Capital Structure - Notes to Capital Structure - 1. Share Capital History of our Bank - (a) Equity share capital*” on page 85.

Further, each shareholder of the Bank (including the Incoming Investors) that holds, along with its affiliates, at least 1% of the equity shares of the Bank has been granted certain rights in our Bank, such as (i) right to receive information related to operations, human resource matters and environmental, social performance management and financial information, and (ii) pre-emption rights in the event of further issuance by our Bank (excluding in the case of an IPO). Additionally, certain decisions such as alteration of capital structure, creation of new subsidiary or divestment, buyback of outstanding Equity Shares, changes to the terms of any existing employee stock option scheme or plan of our Bank have been made subject to a super-majority consent and are required to be approved by shareholders holding at least 60% of the Equity Shares of our Bank at the general meeting of our Bank.

The rights mentioned above have been incorporated in Part B of the AoA and are available to our respective Shareholders, as set forth in Part B of the AoA, as on the date of this Red Herring Prospectus. Further, as disclosed in the section “*Description of Equity Shares and Terms of Articles of Association*” on page 438, Part B of the AoA, including the rights mentioned above, 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 Issue.

Further, until the listing of the Equity Shares, the Incoming Investors have certain additional information rights pursuant to which the Bank is required to furnish on an annual basis, upon request from them, information such as the list of significant beneficial owners of the Bank, details of members of the Board, details of the executive management of the Bank.

Key terms of other material agreements

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 aggregating to ₹ 6,352.54 million and statutory liabilities aggregating to ₹ 449.03 million, 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. Our Promoter retained a total of 20 employees of whom four were holding positions in the nature of managing director and chief executive officer, chief financial officer, company secretary and deputy-manager, human resources, and the remaining employees were on the rolls of Utkarsh CoreInvest Limited on account of certain human resource engagements and processes which were required after the employees resigned, completed their notice period, or were terminated on the grounds of being absent for long without any authorisation.

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).

Since the technical write-off in Fiscal 2017 was a one-time write-off, no policy was formulated by our Promoter for undertaking the same, however, the board of directors of our Promoter at its meeting held on May 31, 2017, approved the write-off of ₹608 million. A total of 35,629 customer accounts, which were either in the nature of JLG or micro-enterprise loans, were written off on account of them becoming NPAs. As at March 31, 2023, a majority of the loan accounts continue to be unsettled.

Agreements with Key Managerial Personnel, Senior Management, Director, Promoter or any other employee

There are no agreements entered into by a Key Managerial Personnel or Senior Management 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 Red Herring Prospectus, our Board comprises eight Directors including one executive Director, two non-executive Directors including one nominee director of SIDBI and five Independent Directors. One of our Independent Directors is a woman Director.

Our Board

The following table sets forth details regarding our Board as on the date of this Red Herring Prospectus:

Name, date of birth, designation, address, occupation, period and term of directorship and DIN	Age (years)	Other Directorships
<p>Mr. Parveen Kumar Gupta</p> <p><i>Date of birth:</i> March 13, 1960</p> <p><i>Designation:</i> Part time non – executive chairman and Independent Director</p> <p><i>Address:</i> Flat no 702, C Wing, Amaltas CHS, Juhu Versova Link Road, Andheri West, Mumbai 400 053, Maharashtra, India</p> <p><i>Occupation:</i> Service</p> <p><i>Period and term:</i> For a period of five years with effect from September 1, 2021, <i>i.e.</i>, until August 31, 2026 as an Independent Director and as a part time non – executive chairman for a period of three years with effect from October 12, 2021</p> <p><i>DIN:</i>02895343</p>	63	<p><i>Indian Companies</i></p> <ol style="list-style-type: none"> 1. Bank of India Investment Managers Private Limited; 2. Midland Microfin Limited; 3. Protium Finance Limited; 4. Future Generali Insurance Company Limited; 5. National Securities Depository Limited; and 6. India Shelter Finance Corporation Limited
<p>Mr. Govind Singh</p> <p><i>Date of birth:</i> May 15, 1965</p> <p><i>Designation:</i> Managing Director and chief executive officer</p> <p><i>Address:</i> Progressive Highness, Flat No 503, 504, Plot No 5, 6, Sector 16A, Navi Mumbai, Thane 400 705, Maharashtra, India</p> <p><i>Occupation:</i> Service</p> <p><i>Period and term:</i> Director since September 21, 2018; Re-appointed for a period of three years with effect from September 21, 2021, <i>i.e.</i>, until September 20, 2024</p> <p><i>DIN:</i> 02470880</p>	58	<p>Utkarsh Welfare Foundation</p>
<p>Mr. Kajal Ghose</p> <p><i>Date of birth:</i> October 25, 1956</p> <p><i>Designation:</i> Independent Director</p> <p><i>Address:</i> B – 1303, Crystal Court CHS, Plot 18, 27, Sector 7, Kharghar, Panvel, Raigarh 410 210, Maharashtra, India</p> <p><i>Occupation:</i> Advisory Services</p> <p><i>Period and term:</i> Director since January 16, 2017; Re-</p>	66	<p><i>Foreign Company</i></p> <p>Afghan United Bank</p>

Name, date of birth, designation, address, occupation, period and term of directorship and DIN	Age (years)	Other Directorships
<p>appointed for a period of three years with effect from January 16, 2022, <i>i.e.</i>, until January 15, 2025</p> <p><i>DIN:</i> 07702190</p>		
<p>Mr. Chandra Shekhar Thanvi</p> <p><i>Date of birth:</i> July 20, 1964</p> <p><i>Designation:</i> Nominee Director⁽¹⁾</p> <p><i>Address:</i> Flat No. 401, SIDBI Officers' Apartments, 16, Madan Mohan Malviya Marg, Lucknow 226 001, Uttar Pradesh, India</p> <p><i>Occupation:</i> Government service</p> <p><i>Period and term:</i> With effect from September 30, 2021 and liable to retire by rotation</p> <p><i>DIN:</i> 00563531</p>	58	<p><i>Indian Company</i></p> <ol style="list-style-type: none"> SIDBI Swavalamban Foundation; and India SME Asset Reconstruction Company Limited
<p>Ms. Kalpana Prakash Pandey</p> <p><i>Date of birth:</i> July 30, 1968</p> <p><i>Designation:</i> Independent Director</p> <p><i>Address:</i> 1025/26, Kohinoor City, Wing A, Building No.10, Kirol Road, Off LBS Marg, Kurla West, Mumbai 400 070, Maharashtra, India</p> <p><i>Occupation:</i> Professional</p> <p><i>Period and term:</i> Five years with effect from April 29, 2020, <i>i.e.</i>, until April 28, 2025</p> <p><i>DIN:</i> 06715713</p>	54	Nil
<p>Mr. Nagesh Dinkar Pinge</p> <p><i>Date of birth:</i> October 1, 1958</p> <p><i>Designation:</i> Independent Director</p> <p><i>Address:</i> B-403, Rajkamal CHS, Subhash Road, Near Vile Parle Mahila Sangh School, Vile Parle East, Mumbai 400 057, Maharashtra, India</p> <p><i>Occupation:</i> Professional</p> <p><i>Period and term:</i> Five years with effect from July 20, 2020, <i>i.e.</i>, until July 19, 2025</p> <p><i>DIN:</i> 00062900</p>	64	<p><i>Indian Companies</i></p> <ol style="list-style-type: none"> Goa Carbon Limited; Arvind Fashions Limited; Inventia Healthcare Limited; Hero Housing Finance Limited; Multi Commodity Exchange Clearing Corporation Limited; Automobile Corporation of Goa Limited; Whiteoak Capital Trustee Limited; Aditya Birla Sun Life Insurance Company Limited; and Aditya Birla Finance Limited.
<p>Mr. Muralidharan Rajamani</p> <p><i>Date of birth:</i> May 31, 1961</p> <p><i>Designation:</i> Non - executive Director</p> <p><i>Address:</i> A- 101, Sabari Aashiana TISS Complex Annexe, Deonar Farm Road, Deonar, Mumbai 400 088, Maharashtra, India</p>	62	<p><i>Indian Company</i></p> <p>PGIM India Asset Management Private Limited</p>

Name, date of birth, designation, address, occupation, period and term of directorship and DIN	Age (years)	Other Directorships
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Occupation: Service

Period and term: Appointed with effect from March 2, 2021 and liable to retire by rotation

DIN: 01690363

Mr. Ajay Kumar Kapur

63

Indian Company

Date of birth: October 25, 1959

1. IFCI Venture Capital Funds Limited; and
2. NABFINS Limited.

Designation: Independent Director

Address: Flat No. 104, Pacific Apartments, Plot No. 39, Sector 10, Dwarka, South West Delhi 110 075, Delhi, India

Occupation: Retired executive

Period and term: Five years with effect from March 2, 2021, i.e., until March 2, 2026

DIN: 00108420

⁽¹⁾ *Nominee of our lender, SIDBI.*

Brief Profiles of our Directors

Mr. Parveen Kumar Gupta is the part time non – executive chairman and Independent Director of our Bank. He holds a bachelor's degree of commerce from Guru Nanak Dev University. He has been an associate member of The Institute of Company Secretaries of India since 1986. He is also a certified associate of the Indian Institute of Bankers. Prior to joining our Bank, he was associated with State Bank of India as their managing director (retail & digital banking) till his retirement on superannuation and Bank of Baroda as its senior advisor.

Mr. Govind Singh is the Managing Director and chief executive officer of 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 has received an award of excellence for Apy Big Believers (ABB) 4.0 by Pension Fund Regulatory and Development Authority in Fiscal 2022. 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. 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, a master's degree in technology (computer science and technology) and 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 was also associated with IDBI Principal Asset Management Company, State Bank of India and HDFC Bank Limited.

Mr. Chandra Shekhar Thanvi is the nominee Director of our Bank, being a nominee of our lender SIDBI on our Board. He holds a bachelor's degree of technology in mining engineering from Banaras Hindu University. He is a certified associate of the Indian Institute of Bankers Prior to joining our Bank, he was associated with Hindustan Zinc Limited as their senior engineer (mining). He has been associated with SIDBI since 1994 and is currently their chief general manager (CGM).

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. He is currently engaged as an advisor to the United Nations Industrial Development Organization.

Relationship between Directors, Key Managerial Personnel and Senior Management

None of our Directors, Key Managerial Personnel and Senior Management are related to each other.

Terms of Appointment of our Directors

Remuneration paid to executive Director

During Fiscal 2023, Mr. Govind Singh was paid a total remuneration of ₹25.38 million (which includes an annual cash bonus of (a) ₹2.07 million for Fiscal 2021; (b) ₹2 million for Fiscal 2022, and fixed pay of ₹4.19 million for Fiscal 2021 (which was paid as deferred fixed pay for Fiscal 2021).

The details of remuneration governing his appointment, subject to the approval of the RBI, as approved by our Board through resolution dated July 6, 2021 and by our Shareholders through resolution dated July 30, 2021 read along with the appointment letter dated September 2, 2021 are stated below:

Particulars	Remuneration
Gross Salary	₹17.28 million per annum (including basic salary, house rent allowance, conveyance allowance, leave travel allowance and other allowance, etc.)
Variable	Variable pay as an when approved by our Board and the RBI subject to a maximum limit of 300% of his fixed pay in line with extant RBI guidelines and Bank’s compensation policy on the existing terms of appointment and interests and as may be permissible by law.
Perquisites	Including free use of Bank’s car up to ₹0.22 million per annum, provident fund aggregating to ₹1.15 million per annum, travelling and halting allowance, medical benefits, provident fund/gratuity/pension, reimbursement of entertainment expenditure of ₹0.12 million per annum and
Total (Gross Salary + Perquisites excluding Variable Pay)	Aggregating to ₹19.09 million per annum

Further, Mr. Govind Singh was granted 918,874 employee stock options under the ESOP Plan 2020. As on the date of the Red Herring Prospectus, Mr. Govind Singh has been allotted 187,960 Equity Shares upon exercise of employee stock options under the ESOP Plan 2020. For further details on the allotment and employee stock options see “*Capital Structure*” beginning on page 85.

Additionally, our Bank *vide* its letter dated February 20, 2023 has sought the following approvals from the RBI:

- i. Hike of 20% in the remuneration payable to Mr. Govind Singh, revising the total remuneration to ₹ 34.90 million including variable pay and fixed pay for Fiscal 2023; and
- ii. Revision of the fixed pay payable to Mr. Govind Singh to ₹ 21.30 million for Fiscal 2023.

In addition to the above, for the variable pay, our Bank stated that the total amount payable to Mr. Govind Singh would be ₹ 13.60 million for Fiscal 2023, however, the actual amount payable for Fiscal 2023 would be arrived at, post publication of the audited financial results of our Bank for Fiscal 2023 and completion of the annual

appraisal of Mr. Govind Singh by the Board, post which, our Bank will approach RBI for its approval for the final variable pay amount payable to Mr. Govind Singh.

In the interim, our Bank has requested the RBI to grant it prior approval for release of payment of fixed pay of ₹21.30 million for Fiscal 2023 to Mr. Govind Singh.

Further, RBI *vide* its letter dated May 26, 2023 approved the fixed pay component of the remuneration payable to Mr. Govind Singh amounting to ₹21.30 million for Fiscal 2023.

The RBI further advised our Bank to align the target variable pay of Mr. Govind Singh in accordance with the RBI Compensation Guidelines dated November 4, 2019 and submit a proposal to the RBI for the actual variable pay for Fiscal 2023 after undertaking the performance assessment of Mr. Govind Singh.

Subsequently, our Bank *vide* its letter dated June 20, 2023 has sought approval from the RBI to pay ₹ 13.60 million as the total variable compensation to Mr. Govind Singh for Fiscal 2023 in the following manner:

- i. Cash variable compensation – 40% of total variable compensation, i.e. ₹ 5.40 million of which ₹ 2.50 million would be paid upfront and the balance ₹ 2.90 million would be deferred for the next 3 years to be paid in equal instalments; and
- ii. Non-cash variable compensation - 60% of total variable compensation which would be paid in non-cash instruments in the form of employee stock options, i.e. ₹ 8.20 million worth of employee stock options. The employee stock options granted would be deferred in 3 equal instalments.

Compensation paid to our non-executive Directors

Pursuant to the Board resolution dated June 9, 2021, our Directors (excluding nominee Director and Managing Director) are entitled to receive sitting fees of ₹100,000 per meeting for attending meetings of our Board, sitting fees of ₹80,000 per meeting for attending meetings of the Audit Committee of our Board and sitting fees of ₹60,000 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) during Fiscal 2023 are as follows:

Sr. No.	Name of Director	Sitting fees paid (in ₹ million)	Remuneration (in ₹ million)
1.	Mr. Parveen Kumar Gupta	3.42	1.20
2.	Mr. Kajal Ghose	3.86	-
3.	Ms. Kalpana Prakash Pandey	3.14	-
4.	Mr. Nagesh Dinkar Pinge	3.26	-
5.	Mr. Muralidharan Rajamani	2.54	-
6.	Mr. Ajay Kumar Kapur	3.38	-
	Total	19.60	1.20

Further, as approved by our Board and Shareholders' by way of their resolution dated August 21, 2021 and August 23, 2021, respectively, read along with the approval granted by the RBI *vide* its letter dated October 12, 2021, Mr. Parveen Kumar Gupta, our part time non-executive chairman and Independent Director, is also entitled to receive a remuneration of ₹1,200,000 per annum for a period of three years (from October 12, 2021), in addition to sitting fees payable to him, for attending meetings of our Board and committees and reimbursement of expenses incidental thereto.

The nominee Director on our Board, Mr. Chandra Shekhar Thanvi, is not entitled to receive any remuneration or sitting fees from our Bank. Accordingly, in Fiscal 2023, he did not receive any remuneration or sitting fees from our Bank.

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

There is no contingent or deferred compensation payable to our Directors in Fiscal 2023, which does not form part of their remuneration.

Service contracts with Directors

Other than statutory benefits payable upon termination of employment of our Managing Director, our Bank has not entered into any service contracts with our Directors which provide for benefits upon the termination of their employment.

Arrangement or understanding with major shareholders, customers, suppliers or others

Except for Mr. Chandra Shekhar Thanvi, who has been appointed by SIDBI as a nominee Director on our Board, pursuant to the letter from SIDBI dated September 28, 2021 (read along with letters dated February 12, 2021 and September 17, 2021 from SIDBI), 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, Key Managerial Personnel and Senior Management*” on page 93, none of our Directors hold any Equity Shares. Our Articles of Association does not require our Directors to hold any qualification 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 and non-executive 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, directors, members or trustees 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 Issue or stock options granted under the 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.

Mr. Govind Singh may also be deemed to be interested to the extent of the remuneration paid/ payable to his brother in his capacity as a consultant to our Bank. Further, Mr. Govind Singh is also interested in our Bank, to the extent of the right available to him under the Promoter SHA, to receive securities in our Promoter (or its equivalent, as may be applicable) of up to 3% of the paid-up share capital of our Promoter on a fully diluted basis, as on September 27, 2016.

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 or proposed to be acquired by our Bank or of 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.

Interest in any transaction in acquisition of land, construction of building, supply of machinery, etc.

None of our Directors have any interest in any transaction by our Bank in acquisition of land, construction of building or supply of machinery, etc.

Confirmations

None of our Directors are, or for the five years prior to the date of this 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.

Further, our Directors have neither been identified as Wilful Defaulters nor have they been identified as Fraudulent Borrowers.

Changes in our Board during the last three years

The changes in our Board during the three years immediately preceding the date of this Red Herring Prospectus are set forth below.

Name of Director	Date of Change	Reasons
Ms. Anita Ramachandran	March 23, 2022	Cessation as a nominee Director
Mr. Kajal Ghose	January 16, 2022	Re-appointed as an Independent Director***
Mr. Chandra Shekhar Thanvi	September 30, 2021	Appointed as a nominee Director***
Mr. Govindasamy Sampath Kumar	September 28, 2021	Cessation as a nominee Director
Mr. Govind Singh	September 21, 2021	Re-appointed as the Managing Director and chief executive officer
Mr. Parveen Kumar Gupta	September 1, 2021	Appointed as an Independent Director**
Mr. Puranam Hayagreeva Ravikumar	July 20, 2021	Cessation due to retirement
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 and Independent Director
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*

*Regularized pursuant to a resolution passed by our Shareholders on March 3, 2021

**Regularized pursuant to a resolution passed by our Shareholders on August 23, 2021

***Regularized pursuant to a resolution passed by our Shareholders on March 4, 2022

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 (as applicable to an equity listed company) 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 provisions, applicable upon listing of equity shares, 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 this Red Herring Prospectus:

- a) Approved the re- appointment of Mr. Govind Singh as the Managing Director and chief executive officer of our Bank for a period of three years from September 21, 2021 *vide* its letter dated June 29, 2021.

- b) Approved the appointment of Mr. Parveen Kumar Gupta as the part time non – executive chairman of our Bank for a period of 3 years from the date of the RBI approval *vide* its letter dated October 12, 2021.

Further, our Bank has intimated RBI in relation to the appointment of (a) Mr. Nagesh Dinkar Pinge *vide* its letter dated July 29, 2020; (b) Mr. Muralidharan Rajamani and Mr. Ajay Kumar Kapur *vide* its letter dated March 3, 2021; (c) Ms. Kalpana Prakash Pandey *vide* its e-mail dated May 19, 2020; (d) Mr. Chandra Shekhar Thanvi *vide* its letter dated October 1, 2021; and (e) Mr. Kajal Ghose *vide* its letter dated January 31, 2022

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 November 1, 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) Mr. Ajay Kumar Kapur (*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, reappointment, removal, 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. Scrutiny of inter-corporate loans and investments.
- v. Valuation of undertakings or assets of the Bank, wherever it is necessary.
- vi. Evaluation of internal financial controls and risk management systems.
- vii. Monitoring the end use of funds raised through public offers and related matters.
- viii. Providing direction and to oversee the operation of the audit function.
- ix. Review of the internal audit system with special emphasis on its quality and effectiveness.
- x. 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.
- xi. Discussion on the matters related to frauds.
- xii. Discussion and follow up for the audit observations relating to long form audit report.
- xiii. Discussion and follow up for the observations relating to inspection report / risk assessment report of the RBI.
- xiv. Review the system of appointment of concurrent auditors and external auditors.
- xv. 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.
- xvi. Approval of payments to statutory auditors for other services rendered by them.

- xvii. 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:
 - a. 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;
 - b. changes, if any, in accounting policies and practices and reasons for the same.
 - c. Review of major accounting entries involving estimates based on the exercise of judgment by the management.
 - d. Review of significant adjustments made in the financial statements arising out of audit findings.
 - e. Review of compliance with statutory and legal requirements relating to financial statements.
 - f. Review of disclosure of any related party transactions.
 - g. Review and discuss qualifications in the draft audit report.
- xviii. Review, with the management, the quarterly financial statements before submission to our Board for approval along with auditors review report.
- xix. 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 or preferential issue or qualified institutions placement, and making appropriate recommendations to our Board for taking steps in the matter.
- xx. Review with the management, performance and independence of statutory and internal auditors, adequacy of the internal control systems and effectiveness of audit process.
- xxi. Obtain and review quarterly / half yearly reports of the Compliance Officer.
- xxii. 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.
- xxiii. Discuss with internal auditors any significant audit findings and follow up thereon.
- xxiv. 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.
- xxv. 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.
- xxvi. 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.
- xxvii. Review of the functioning of the whistle blower-cum-vigil mechanism.
- xxviii. 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.
- xxix. Approval or any subsequent modification of transactions of the company with related parties provided that the Audit Committee make omnibus approval for related party transactions proposed to be entered into by the Bank subject to such conditions as may be prescribed.
- xxx. Discussion and follow up for audit observations relating to Information System audit and cyber security Audit.

- xxxi. 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.
- xxxii. 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.
- xxxiii. 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.
- xxxiv. To consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.
- xxxv. 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.

The powers of the Audit Committee shall include the following:

- i. To investigate any activity within its terms of reference;
- ii. To seek information from any employee;
- iii. To obtain outside legal or other professional advice; and
- iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

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 March 22, 2022. 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. Parveen Kumar Gupta (*member*); and
- (c) Mr. Muralidharan Rajamani (*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. 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.
- v. 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.
- vi. 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.
- vii. Recommend to our Board the compensation payable to the chairman of our Bank.
- viii. 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.
- ix. 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.
- x. Review and recommend to our Board for approval:
 - a. the creation of new positions one level below Managing Director and chief executive officer; and to approve job descriptions & key responsibility area's; and
 - b. appointments, promotions and exits of senior managers one level below the Managing Director and chief executive officer.
- xi. 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.
- xii. Review the performance of the Managing Director and chief executive officer and other whole time Directors at the end of each year.
- xiii. 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.

- xiv. 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.
- xv. Formulating of criteria for evaluation of the performance of the Independent Directors and our Board.
- xvi. Devising a policy on Board diversity.
- xvii. 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.
- xviii. 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.
- xix. Performing such functions as are required to be performed by the committee under the SEBI SBEB Regulations.
- xx. 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.
- xxi. Recommend to our board, all remuneration, in whatever form, payable to senior management.
- xxii. Performing such other functions as may be required for the performance of any of the above duties.
- xxiii. For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
 - a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c. consider the time commitments of the candidates.
- xxiv. To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with criteria laid down, recommend to Board their appointment and removal and to specify the manner for effective evaluation of performance of the Board, its committees and individual Directors.

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 November 1, 2021. 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) Mr. Muralidharan Rajamani (*chairperson*);
- (b) Ms. Kalpana Prakash Pandey (*member*);
- (c) Mr. Ajay Kumar Kapur (*member*); and
- (d) Mr. Govind Singh (*member*).

Scope and terms of reference: The terms of reference of our Stakeholders' Relationship Committee shall include the following:

- i. Resolving the grievances of the security holders of our Bank, including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, etc.

- ii. Allotment of Equity Shares, approval of transfer or transmission of Equity Shares, debentures or any other securities.
- iii. Issue of duplicate certificates and new certificates on split/consolidation/renewal etc.
- iv. Overseeing requests for dematerialization and rematerialization of securities.
- v. Spreading awareness amongst security holders for protection of their rights and interest(s).
- vi. Investigating complaints relating to allotment of shares, approval of transfer or transmission of shares, debentures or any other securities.
- vii. Review of measures taken for effective exercise of voting rights by shareholders.
- viii. 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.
- ix. 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.
- x. Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time.
- xi. Carrying out other functions as provided for in the Companies Act, 2013, the Listing Regulations and such other roles and responsibilities as assigned by the Board of Directors related with security holders of the Bank, from time to time.

Risk Management Committee

Our Risk Management 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 November 1, 2021. Our Risk Management Committee is in compliance with Section 177 of the Companies Act 2013 and Regulation 21 of the Listing Regulations. Our Risk Management Committee currently consists of:

- (a) Mr. Ajay Kumar Kapur (chairperson);
- (b) Ms. Kalpana Prakash Pandey (member);
- (c) Mr. Muralidharan Rajamani (member);
- (d) Mr. Parveen Kumar Gupta (member); and
- (e) Mr. Govind Singh (member).

Scope and terms of reference: The terms of reference of our Risk Management Committee shall include the following:

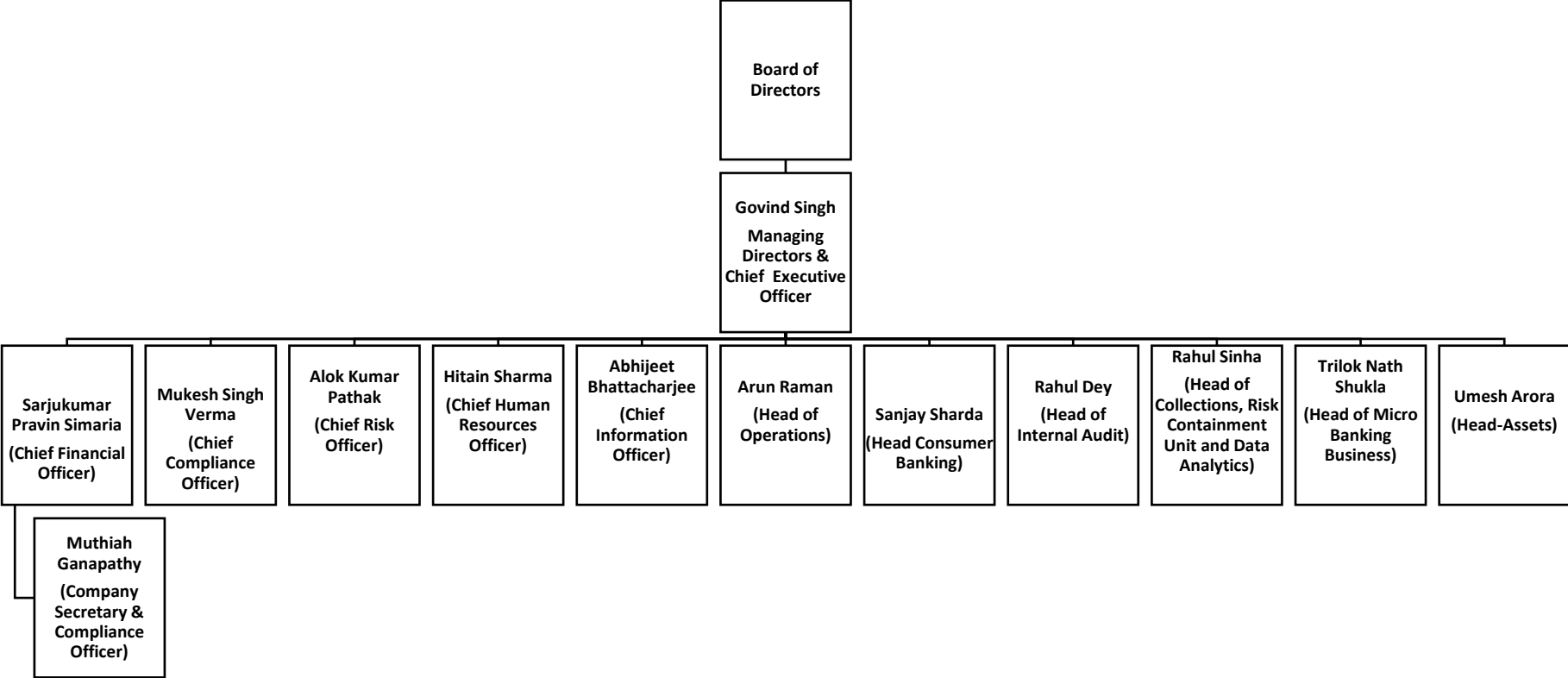
- i. To perform the role of risk management in pursuance of the risk management guidelines issued periodically by the RBI and our Board.
- ii. To oversee and advise to our Board on:
 - a. Defining risk appetite, tolerance thereof and review the same, as appropriate;
 - b. The systems of risk management framework, internal control and compliance to identify, measure, aggregate, control and report key risks; and
 - c. the maintenance and development of a supportive culture, in relation to the management of risk, appropriately embedded through procedures, training and leadership actions so that all employees are alert to the wider impact on the whole organization of their actions and decisions.
- iii. To advise our Board on all high level risk matters;

- iv. To require regular risk management reports from management which enable the Risk Management Committee to assess the risks involved in our Bank's business and how they are controlled and monitored by management; and give clear focus to current and forward-looking aspects of risk exposure;
- v. To review the effectiveness of our Bank's internal control and risk management framework, in relation to its core strategic objectives, and to seek such assurance as may be appropriate;
- vi. To review the asset liability management (ALM) of our Bank on a regular basis;
- vii. To provide to our Board with such additional assurance as it may require regarding the quality of risk information submitted to it;
- viii. To decide the policy and strategy for integrated risk management containing various risk exposures of our Bank including the credit, market, liquidity, operational risk including IT risk, cyber risk and reputation risk;
- ix. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of our Bank;
- x. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- xi. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- xii. To keep our Board informed about the nature and content of its discussions, recommendations and actions to be taken;
- xiii. The appointment, removal and terms of remuneration of the chief risk officer (if any) shall be subject to review by the Risk Management Committee;
- xiv. To formulate a detailed risk management policy which shall include:
 - a. A framework for identification of internal and external risks specifically faced by our Bank, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Risk Management Committee;
 - b. Measures for risk mitigation including systems and processes for internal control of identified risks; and
 - c. Business continuity plan.
- xv. The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by our Board;
- xvi. Approve various risk management policies; and
- xvii. To formulate and approve and revise various risk management policies at such intervals as may be considered necessary.

Other Committees of our Bank

In addition to the committees mentioned above, our Bank has constituted various other committees at our Board level, namely, Corporate Social Responsibility Committee, Capital Structuring and Fund Raise Committee, IT Strategy Committee, Review Committee for Identification of Wilful Defaulters, Customer Service Committee, Special Committee to monitor Large Value Frauds, Credit Approval Committee, Committee of Directors for New Initiatives 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 214, the details of the Key Managerial Personnel of our Bank are as follows:

Mr. Muthiah Ganapathy is the Company Secretary and Compliance Officer of our Bank. He joined our Bank with effect from March 22, 2022. He is responsible for managing the secretarial affairs of our Bank. He has been an associate member of The Institute of Company Secretaries of India since 2001 and became a fellow in the year 2008. He holds a bachelor’s degree in law from the University of Bombay. He has experience in the field of secretarial affairs and has previously worked at Aditya Birla Housing Finance Limited, Fortune Financial Services (India) Limited, S. Anantha & Co., Suresh Surana & Associates and Sky Industries Limited. During Fiscal 2023, he received a remuneration of ₹ 4.70 million from our Bank.

Mr. Sarjukumar Pravin Simaria is the Chief Financial Officer of our Bank with effect from October 31, 2022. He is responsible for the financial affairs of our Bank. He holds a bachelor's degree in commerce from the University of Bombay and is an associate of the ICAI. He received the ‘CA CFO- for Large Corporates-BFSI Award’ from the Committee for Members in Industry of Business (CMI&B), ICAI in the year 2022 and ‘CFO Lifetime Achievement Award’ at the CFO Vision & Innovation Summit & Awards in the year 2022. He has experience in the field of financial management and has previously worked at SUN F&C Asset Management (I) Pvt. Ltd., Edelweiss Tokio Life Insurance Company Limited, Fino Payments Bank Limited, ECL Finance Limited and Edelweiss Financial Services Limited as their chief financial officer and at Canbank Investment Management Services Ltd., HDFC Asset Management Company Limited, AIG Global Asset Management Company (India) Private Limited and American International Group, Inc. During Fiscal 2023, he received a remuneration of ₹ 7.28 million from our Bank.

Senior Management

In addition to Mr. Sarjukumar Pravin Simaria, our Chief Financial Officer and Mr. Muthiah Ganapathy, our Company Secretary and Compliance Officer, who are also our Key Managerial Personnel and whose details have been disclosed above, the details of the Senior Management as on the date of this Red Herring Prospectus are set forth below:

Mr. Abhijeet Bhattacharjee is the chief information officer of our Bank and joined our Bank with effect from April 1, 2022. He is responsible for implementation of IT applications and projects in our Bank. He holds a bachelor’s degree in science from University of Calcutta and a master’s degree in information management from University of Mumbai, Maharashtra. He has experience in the field of information technology. He has previously worked at RBL Bank Limited as its head of digital channels, UTI Bank Limited as its deputy manager and Royal Bank of Scotland N.V. as its vice president. During Fiscal 2023, he received a remuneration of ₹ 9.38 million from our Bank.

Mr. Alok Pathak is the chief risk officer of our Bank. He is responsible for leading the risk-based supervision team within 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 2023, he received a remuneration of ₹ 11.36 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 is responsible for maintaining operational efficiency at our Bank. 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. During Fiscal 2023, he received a remuneration of ₹ 9.89 million from 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 is responsible for handling human resources operations of our Bank. 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 2023, he received a remuneration of ₹ 10.17 million from our Bank.

Mr. Mukesh Singh Verma is the chief compliance officer of our Bank and joined our Bank with effect from April 13, 2023. He is responsible for maintaining compliance standards at our Bank. He has completed his bachelor's in commerce honor's (accounting & finance) and bachelor's of law (Honours) from Himalayan University, Arunachal Pradesh. He is a fellow member of the ICSI. He has completed the online courses from Coursera Inc. on regulatory compliance comprising courses on- what is compliance?; effective compliance programs; privacy law and data protection and what is corruption: anti-corruption and compliance, from the University of Pennsylvania, USA and fintech risk management, from the Hong Kong University of Science and Technology, Hong Kong. He has experience in providing regulatory compliance services covering RBI regulations. He has previously worked at North East Small Finance Bank, Au Small Finance Bank Limited, Himachal Fibres Limited and Religare Finvest Limited. Since he joined our Bank in Fiscal 2024, he was not paid any remuneration in Fiscal 2023 by our Bank.

Mr. Rahul Dey is the head – internal audit of our Bank. He is responsible for preparing internal audit plans/budgets/processes for 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 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 2023, he received a remuneration of ₹ 5.88 million from our Bank.

Mr. Rahul Sinha is the head –collections, risk containment unit and data analytics of our Bank and he joined our Bank with effect from April 12, 2017. He is responsible for collections, risk containment unit and analytics at our Bank. 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 2023, he received a remuneration of ₹ 8.84 million from our Bank.

Mr. Sanjay Sharda is the head – consumer banking of our Bank and joined our Bank with effect from February 1, 2023. He is responsible for enhancing the digital banking system for the customers and ensuring customer retention at our Bank. He has completed his bachelor's in commerce (Honours) from Deshbandhu College, University of Delhi and a master's degree in business administration from Clarion University of Pennsylvania, USA. He has experience in the banking sector and previously worked at HDFC Bank Limited, Kotak Mahindra Bank Limited, BNP Paribas India, IndusInd Bank Limited and Citibank N.A. During Fiscal 2023, he received a remuneration of ₹ 2.00 million from our Bank.

Mr. Trilok Nath Shukla is the head – micro banking business of our Bank. He is responsible for the 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 2023, he received a remuneration of ₹ 10.18 million from our Bank.

Mr. Umesh Arora is the head – assets of our Bank and joined our Bank with effect from March 20, 2023. He is responsible for ensuring quality of asset portfolio and monitoring the business vertical targets of our Bank. He has completed his bachelor's in commerce (Honours) from University of Delhi and a master's degree in business administration from Indira Gandhi National Open University, New Delhi. He has experience in the banking sector

and has previously worked at UTI Bank Limited as its assistant vice president and Axis Bank Limited. During Fiscal 2023, he received a remuneration of ₹ 0.38 million from our Bank.

Status of Key Managerial Personnel and Senior Management

All our Key Managerial Personnel and Senior Management are permanent employees of our Bank.

Relationship among Key Managerial Personnel and Senior Management

None of our Key Managerial Personnel and Senior Management are related to each another.

Bonus or profit sharing plan for the Key Managerial Personnel and Senior Management

There is no bonus or profit sharing plan for our Key Managerial Personnel and our Senior Management, however, our Key Managerial Personnel and our Senior Management are entitled to annually receive performance linked bonus.

Shareholding of Key Managerial Personnel and Senior Management

Other than as provided under “*Capital Structure – Shareholding of our Directors and Key Managerial Personnel and Senior Management*”, none of our Key Managerial Personnel and our Senior Management hold Equity Shares.

Service Contracts with Key Managerial Personnel and Senior Management

In addition to Mr. Govind Singh, our Managing Director and chief executive officer, details with respect to whom are provided under “– *Service contracts with Directors*” above on page 217 and other than statutory benefits payable upon termination of employment of our Key Managerial Personnel and our Senior Management, our Bank has not entered into any service contracts with them which provide for benefits upon the termination of their employment and their employment is governed by the terms of their appointment letters with our Bank.

Interest of Key Managerial Personnel and Senior Management

Our Key Managerial Personnel and our Senior Management 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 or their relatives employed by our Bank under the schemes formulated under the ESOP Plan 2020 (including the ESOP Scheme 1) and Equity Shares allotted to them or their relatives pursuant to exercise of such options, and any dividend and other distributions payable in respect of such Equity Shares. For further details on the employee stock options see “*Capital Structure–Employee Stock Option Plans*” on page 94.

Further, our Key Managerial Personnel and our Senior Management (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 Utkarsh CoreInvest Limited (pursuant to exercise of options) and any dividend and other distributions payable in respect of such equity shares by Utkarsh CoreInvest Limited.

Our Senior Management personnel, Mr. Rahul Dey, is interested in our Bank to the extent of the remuneration paid/payable to his wife in her capacity as the chief manager- compliance in the compliance department of our Bank.

For details of interest of Mr. Govind Singh, please see “– *Interest of Directors*” on page 217.

Arrangements and understanding with major shareholders, customers, suppliers or others

None of our Key Managerial Personnel or Senior Management have been selected pursuant to any arrangement or understanding with our major Shareholders, customers, suppliers or any other person.

Changes in Key Managerial Personnel and Senior Management during the last three years

The changes in our Key Managerial Personnel and our Senior Management during the three years immediately preceding the date of this Red Herring Prospectus are set forth below.

Name	Date	Reason
Mr. Mukesh Singh Verma	April 22, 2023	Appointed as chief compliance officer

Name	Date	Reason
Mr. Sachin Patange	April 21, 2023	Resigned as chief compliance officer
Mr. Umesh Arora	March 20, 2023	Appointed as head – assets
Mr. Sanjay Sharda	February 1, 2023	Appointed as head – consumer banking
Mr. Sarjukumar Pravin Simaria	October 31, 2022	Appointed as chief financial officer
Mr. Mukund Barsagade	September 22, 2022	Resigned as chief financial officer
Mr. Abhijeet Bhattacharjee	April 1, 2022	Appointed as chief information officer
Mr. N.V.Shiv Kumar	March 31, 2022	Resigned as head – assets
Mr. Muthiah Ganapathy	March 22, 2022	Appointed as Company Secretary and Compliance Officer
Ms. Nutan Rane	March 14, 2022	Resigned as the company secretary and compliance officer
Mr. Govind Singh	September 21, 2021	Re- appointed as the Managing Director and chief executive officer
Mr. Nitin Chauhan	July 6, 2021	Resigned as chief information officer
Mr. Rahul Sinha	May 31, 2021	Appointed as head – collections, risk containment unit and data analytics
Mr. Nitin Chauhan	December 19, 2020	Appointed as chief information officer

Contingent and deferred compensation payable to Key Managerial Personnel and Senior Management

There is no contingent or deferred compensation payable to our Key Managerial Personnel and our Senior Management in Fiscal 2023, which does not form a part of their remuneration.

Payment or Benefit to Key Managerial Personnel and Senior Management of our Bank

Except as disclosed above under “- *Interest of Key Managerial Personnel and Senior Management*” on page 229, 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 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 –Employee Stock Option Plans*” on page 94.

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 Red Herring Prospectus, our Promoter, along with its nominees, holds an aggregate of 759,272,222 Equity Shares, comprising 84.75% of the pre-Issue 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 85.

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, vehicles and statutory liabilities to our Bank. As per the terms of the RBI In-Principle Approval, our Promoter was converted into an NBFC-CIC-NDSI 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. Atul
- (c) Mr. Aditya Deepak Parekh
- (d) Mr. Thirunellayi Kesavan Ramesh Ramanathan
- (e) Mr. Ashwani Kumar

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 ₹984,421,790 divided into 98,442,179 equity shares of face value ₹10 each.

As on the date of this RHP, the shareholding of our Promoter is as follows:

Sr. No.	Name of Shareholder	Number of shares held	Percentage of equity shareholding
1.	British International Investment PLC (formerly, CDC Group PLC)	13,726,978	13.94%
2.	RBL Bank Limited	9,702,950	9.86%
3.	Other shareholders	8,350,067	8.48%
4.	NMI Frontier Fund KS	7,702,602	7.82%
5.	Faering Capital India Evolving FUND II	7,660,082	7.78%
6.	Hero Enterprise Partner Ventures	4,845,496	4.92%
7.	responsAbility Participations Mauritius	4,845,495	4.92%
8.	Shriram Life Insurance Company Limited	4,825,531	4.90%
9.	Small Industries Development Bank of India (SIDBI)	4,252,134	4.32%
10.	ICICI Prudential Life Insurance Company Limited	4,150,995	4.22%
11.	Aavishkaar Goodwill India Microfinance Development Company II Limited	4,007,723	4.07%
12.	Jhelum Investment FUND I	3,200,531	3.25%
13.	HDFC Life Insurance Company Limited	3,113,246	3.16%
14.	Sarva Capital LLC	2,967,865	3.01%
15.	RAAG Family Private Trust	2,884,998	2.93%
16.	International Finance Corporation	2,786,969	2.83%
17.	Triodos SICAV II - Triodos Microfinance Fund (formerly, Sustainability – Finance – Real Economies SICAV – SIF)	2,198,828	2.23%
18.	Faering Capital India Evolving FUND III	2,042,868	2.08%
19.	Lok Capital Growth Fund	1,877,511	1.91%
20.	Aavishkaar Bharat Fund	1,576,923	1.60%
21.	HDFC Ergo General Insurance Company Limited	1,469,337	1.49%
22.	Utkarsh ESOP Welfare Trust	245,074	0.25%
23.	Aavishkaar Venture Management Services Private Limited	7,476	0.01%
24.	Mr. Govind Singh	500	Negligible
Total		98,442,179	100.00%

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 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 have been submitted to the Stock Exchanges at the time of filing the 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; and (ii) 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, minimum Promoter’s Contribution and lock-in requirements*” on page 88.

Further, a director of our Promoter, Mr. Ashwani Kumar, holds one Equity Share in the capacity of a nominee of our Promoter.

A memorandum of understanding dated October 19, 2019, an addendum to the memorandum of understanding dated December 17, 2019, the first renewal agreement dated December 9, 2020, the second renewal agreement dated October 22, 2021 and the third renewal agreement dated September 16, 2022, have been entered into between our Bank and our Promoter, whereby our Promoter has agreed to reimburse the cost of monthly rent of ₹74,088 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 third renewal agreement is valid for a period of 11 months from September 17, 2022 till August 16, 2023.

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 262.

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 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, “*Issue Document Summary - Summary of Related Party Transactions*” and “*Financial Statements*” on pages 17 and 262 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 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

Except for the following, our Promoter has not disassociated itself from any other company or firm in the three years preceding the date of this Red Herring Prospectus:

Sr. No.	Name of the entity from which our Promoter has disassociated	Date of disassociation	Reason for disassociation
1.	Utkarsh Welfare Foundation	February 25, 2022	Divestment of shareholding in UWF by our Promoter

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, there are no persons or entities that form a part of our Promoter Group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations.

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 June 1, 2023, 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 April 1, 2023 (after the period in respect of which Restated Financial Statements are included in the Issue Documents until the date of filing of the Issue Documents).

Accordingly, our Board has identified Utkarsh Welfare Foundation as the group company of our Bank.

Utkarsh Welfare Foundation (“UWF”)

Registered Office

The registered office of UWF 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.

Financial Performance

The financial information of UWF based on the audited financial statements for Fiscals 2023, 2022 and 2021, is available on the website of our Group Company at <https://utkarshwelfarefoundation.com/index.php/Archive/Financials>.

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 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 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.

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 “*Issue Document Summary - Summary of Related Party Transactions*” and “*Financial Statements- 20.19: Related Party Transactions*” on pages 17 and 333, 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.

Our Group Company has entered into a corporate social responsibility activities agreement dated March 22, 2022 with our Bank, pursuant to which UWF acts as the implementing agency to undertake our Bank's CSR activities under Section 135 of the Companies Act ("**CSR Agreement**"). UWF shall implement the CSR projects of our Bank in accordance with the annual action plan formulated by the Corporate Social Responsibility Committee, for which it shall be granted an amount as per the budget approved by the Corporate Social Responsibility Committee. The CSR Agreement shall be valid for a period of three financial years from April 1, 2022 to March 31, 2025 or unless terminated by either party providing a written notice of 30 days.

Further, except as disclosed in "*Issue Document Summary - Summary of Related Party Transactions*" and "*Financial Statements- 20.19: Related Party Transactions*" on pages 17 and 333, respectively, our Group Company does not have or propose to have any business interest in our Bank.

Litigation

Our Group Company is not involved in any outstanding litigation which has a 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, rights issue or composite issue (as defined under the SEBI ICDR Regulations) 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, and was amended by our Board *vide* its resolution dated July 28, 2022.

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, our 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 2021, 2022 and 2023. Further, our Bank has not paid any dividend from April 1, 2023 till the date of this 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. For details, see "*Risk Factor - 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*" on page 35.

SELECTED STATISTICAL INFORMATION

The selected statistical information contained in this section is based on or derived from our Restated Financial Statements for Fiscal 2021, 2022 and 2023. 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 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 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 Statements included in this 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.

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 Statements:

	Year ended March 31,								
	2021			2022			2023		
	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	67,151.70	13,857.44	20.64%	84,112.38	16,461.26	19.57%	114,603.92	22,781.21	19.88%
ii. Investments	21,445.05	1,486.92	6.93%	24,257.02	1,549.25	6.39%	23,950.14	1,505.35	6.29%
iii. Others ⁽²⁾	13,693.88	465.51	3.40%	12,919.74	477.62	3.70%	21,273.12	763.24	3.59%
iv. Sub-Total	102,290.63	15,809.87	15.46%	121,289.14	18,488.13	15.24%	159,827.18	25,049.80	15.67%
Non-Interest Earning Assets:									
v. Fixed assets	1,366.58	-	-	2,201.39	-	-	2,888.78	-	-
vi. Other assets	3,242.88	-	-	3,541.95	-	-	4,447.70	-	-
vii. Sub-Total	4,609.46	-	-	5,743.34	-	-	7,336.48	-	-
viii. Total (iv+vii)	106,900.09	15,809.87	14.79%	127,032.48	18,488.13	14.55%	167,163.66	25,049.80	14.99%

	Year ended March 31,								
	2021			2022			2023		
	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 ⁽⁵⁾	1,372.25	-	-	1,362.75	-	-	2,565.30	-	-

	Year ended March 31,								
	2021			2022			2023		
	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)								
ii. Saving Banks Deposit	8,090.18	488.47	6.04%	15,262.22	896.64	5.87%	22,720.79	1,335.47	5.88%
iii. Term Deposits	51,324.18	4,306.99	8.39%	66,546.15	4,860.03	7.30%	91,647.03	6,508.16	7.10%
iv. Total Deposits⁽⁶⁾ (ii+iii)	60,786.61	4,795.46	7.89%	83,171.12	5,756.67	6.92%	116,933.12	7,843.63	6.71%
v. Borrowings	28,941.99	2,621.95	9.06%	22,295.61	2,122.95	9.52%	23,294.13	1,915.86	8.22%
vi. Sub-Total	89,728.60	7,417.41	8.27%	1,05,466.73	7,879.62	7.47%	140,227.25	9,759.49	6.96%
Non-Interest Bearing Liabilities:									
vii. Capital	7,704.05	-	-	8,778.17	-	-	8,956.19	-	-
viii. Reserves & Surplus	3,490.02	-	-	6,076.18	-	-	8,751.88	-	-
ix. Shareholders' equity (vii+viii)	11,194.07	-	-	14,854.35	-	-	17,708.07	-	-
x. Other liabilities & Provision	5,977.42	-	-	6,711.40	-	-	9,228.34	-	-
xi. Sub-Total	17,171.49	-	-	21,565.75	-	-	26,936.41	-	-
xii. Total (vi+xi)	106,900.09	7,417.41	6.94%	127,032.48	7,879.62	6.20%	167,163.66	9,759.49	5.84%

Notes:

- (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.
- (4) Interest Expended includes interest on deposits and borrowings and finance lease.
- (5) Demand deposits are non-interest bearing deposits.
- (6) Total deposit includes saving deposits, current deposits and term deposits. Saving deposits are demand deposits for customers that accrue interest, current deposits are demand deposits for customers that do not accrue interest.

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 2022 vs. Fiscal 2023		
	Increase (Decrease) Due to		
	Net Change in Interest ⁽¹⁾	Change in Average Volume ⁽²⁾	Change in Average Rate ⁽³⁾
	(₹ million)		
Interest Income			
Advances	6,319.95	5,967.36	352.59
Investments	(43.90)	(19.60)	(24.30)
Others	285.62	308.81	(23.19)
Total interest-earning assets	6,561.67	6,256.57	305.10
Interest Expense			
Total deposits [#]	2,086.96	2,336.83	(249.87)
Borrowings	(207.09)	95.08	(302.17)
Total interest-bearing liabilities	1,879.87	2,431.91	(552.04)
Net Interest Income	4,681.80	3,824.66	857.14

Notes:

- (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 2022.
- (3) Change in average rate represents the average balance for Fiscal 2023 multiplied by change in rates during the respective periods during the relevant period.

Total deposit includes saving deposits, current deposits and term deposits. Saving deposits are demand deposits for customers that accrue interest, current deposits are demand deposits for customers that do not accrue interest.

	Fiscal 2021 vs. Fiscal 2022		
	Increase (Decrease) Due to		
	Net Change in Interest ⁽¹⁾	Change in Average Volume ⁽²⁾	Change in Average Rate ⁽³⁾
	(₹ million)		
Interest Income			

	Fiscal 2021 vs. Fiscal 2022		
	Increase (Decrease) Due to		
	Net Change in Interest ⁽¹⁾	Change in Average Volume ⁽²⁾	Change in Average Rate ⁽³⁾
	(₹ million)		
Advances	2,603.82	3,500.01	(896.19)
Investments	62.33	194.97	(132.64)
Others	12.11	(26.32)	38.43
Total interest-earning assets	2,678.26	3,668.66	(990.40)
Interest Expense			
Total deposits [#]	961.21	1,765.92	(804.71)
Borrowings	(499.00)	(602.12)	103.12
Total interest-bearing liabilities	462.21	1,163.80	(701.59)
Net Interest Income	2,216.05	2,504.86	(288.81)

Notes:

- (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 2021.
- (3) Change in average rate represents the average balance for Fiscal 2022 multiplied by change in rates during the respective periods during the relevant period.
- # Total deposit includes saving deposits, current deposits and term deposits. Saving deposits are demand deposits for customers that accrue interest, current deposits are demand deposits for customers that do not accrue interest.

Yields, Spreads and Margins

The following table sets forth, for Fiscal 2021, 2022 and 2023, the yields, spreads and interest margins on the Bank's interest-earning assets.

	Year ended March 31,		
	2021	2022	2023
	(₹ million, except percentages)		
i. Interest on advances	13,857.44	16,461.26	22,781.21
ii. Interest earned	15,809.87	18,488.13	25,049.80
iii. Interest expense on interest bearing liabilities	7,417.41	7,879.62	9,759.49
iv. Total Average Interest Earning Assets ⁽¹⁾	102,290.63	121,289.14	159,827.18
v. Average Balance of Advances	67,151.70	84,112.38	114,603.92
vi. Total Average Interest Bearing Liabilities ⁽²⁾	89,728.60	105,466.73	140,227.25
vii. Total Average Assets ⁽³⁾	106,900.09	127,032.48	167,163.66
viii. Net Interest Income ⁽⁴⁾	8,392.46	10,608.51	15,290.31
ix. Average Balance of Advances as a percentage of Total Average Assets (v/vii)	62.82%	66.21%	68.56%
x. Total Average Interest Bearing Liabilities as a percentage of Total Average Assets (vi/vii)	83.94%	83.02%	83.89%
xi. Average Balance of Advances as a percentage of Total Average Interest-Bearing Liabilities (v/vi)	74.84%	79.75%	81.73%
xii. Yield ⁽⁵⁾	15.46%	15.24%	15.67%
xiii. Yield on Advances ⁽⁶⁾	20.64%	19.57%	19.88%
xiv. Cost of Funds ⁽⁷⁾	8.27%	7.47%	6.96%
xv. Spread ⁽⁸⁾	12.37%	12.10%	12.92%
xvi. Net Interest Margin ⁽⁹⁾	8.20%	8.75%	9.57%
xvii. Other income to Total income Ratio ⁽¹⁰⁾	7.32%	9.09%	10.67%
xviii. Credit Cost ⁽¹¹⁾	2,668.46	4,226.92	2,987.87
xix. Credit Cost Ratio ⁽¹²⁾	3.97%	5.03%	2.61%
xx. Cost of Borrowings ⁽¹³⁾	9.06%	9.52%	8.22%

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, floating provision, specific provisions, NPAs and technical/ prudential write off and provision for restructured advances and contingency/ additional provisions for COVID-19.
- (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 2021, 2022 and 2023, for the Bank.

	As of and for the year ended March 31,		
	2021	2022	2023
Net profit as a percentage of Average Shareholders' Equity ⁽¹⁾	9.99%	4.14%	22.84%
Return on Total Average Assets ⁽²⁾	1.05%	0.48%	2.42%
Dividend Payout Ratio ⁽³⁾	-	-	-
Operating Expenses to Total Average Assets	5.10%	5.78%	5.92%
Average Shareholders' Equity to Total Average Assets ⁽⁴⁾	10.47%	11.69%	10.59%
Credit to Deposit ratio ⁽⁵⁾	109.45%	101.53%	95.32%
Retail Term Deposit to Total Term Deposit Ratio	48.39%	48.02%	51.40%
CASA Ratio ⁽⁶⁾	17.68%	22.37%	20.89%
Cost to Income Ratio ⁽⁷⁾	56.54%	58.90%	54.15%

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 2021, 2022 and 2023:

	Fiscal		
	2021	2022	2023
	(₹ million, except percentages)		
i. Net profit for the year	1,118.15	614.62	4,045.02
ii. Average Shareholders' Equity ⁽¹⁾	11,194.07	14,854.35	17,708.07
iii. Total Average Assets	106,900.09	127,032.48	167,163.66
iv. Net profit as a percentage of Total Average Assets (i/iii)	1.05%	0.48%	2.42%
v. Net profit as a percentage of Average Shareholders' Equity (i/ii)	9.99%	4.14%	22.84%
vi. Average shareholders' equity as a percentage of Total Average Assets (ii/iii)	10.47%	11.69%	10.59%
vii. Gross Loan Portfolio ⁽²⁾	84,156.60	106,307.25	139,571.08
viii. Advances	82,168.58	102,281.47	130,687.66
ix. Net profit as a percentage of Gross Loan Portfolio	1.33%	0.58%	2.90%
x. Net profit as a percentage of advances	1.36%	0.60%	3.10%

Notes:

- (1) Average Shareholders' Equity represents the sum of quarterly average of capital and reserves and surplus
- (2) Gross Loan Portfolio is including IBPC sold by the Bank of Nil for March 31, 2021, Nil for March 31, 2022, and ₹ 6,000.00 million for March 31, 2023.

Funding

Deposits

Our Bank's funding operations are designed to ensure stability and effective liquidity management. Our Bank's primary sources of funds are deposits from retail customers. Retail term deposits raised were 48.39%, 48.02% and 51.40% of total term deposits as of March 31, 2021, 2022 and 2023, respectively.

	Year ended March 31,		
	2021	2022	2023
	(₹ million, except percentages)		
i. Deposits	75,075.68	100,741.83	137,101.40
ii. Average Balance of Deposits ⁽¹⁾	60,786.61	83,171.12	116,933.12
iii. Interest on Deposits	4,795.46	5,756.67	7,843.63
iv. Average interest rate ⁽²⁾ (iii/ii)	7.89%	6.92%	6.71%

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, 2021, 2022 and 2023, the average cost (interest expense divided by the average of balance for the relevant period) of savings bank deposits was 6.04%, 5.87% and 5.88%, respectively, and the average cost of term deposits was 8.39%, 7.30% and 7.10%, respectively.

The following tables set forth, for the periods indicated, the Bank's deposits and the percentage composition by each category of deposits.

	Year ended March 31,					
	2021		2022		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Demand Deposits ⁽¹⁾	1,597.72	2.13%	3,624.79	3.60%	3,840.03	2.80%
Savings Bank Deposits	11,672.20	15.55%	18,908.06	18.77%	24,797.32	18.09%
Term Deposits	61,805.76	82.32%	78,208.98	77.63%	108,464.05	79.11%
Total Deposits	75,075.68	100.00%	100,741.83	100.00%	137,101.40	100.00%

Note:

(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 Fiscal 2021, 2022 and 2023, are as set forth below:

	Year ended March 31,					
	2021		2022		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Term Deposits						
Retail Deposits	29,905.18	48.39%	37,553.56	48.02%	55,751.33	51.40%
Bulk Deposits	31,900.58	51.61%	40,655.42	51.98%	52,712.72	48.60%
Total Term Deposits	61,805.76	100.00%	78,208.98	100.00%	108,464.05	100.00%

Note:

(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 our Bank's average ticket size of deposits as of March 31, 2021, 2022 and 2023:

	As of March 31,		
	2021	2022	2023
	(₹)		
Demand Deposits	92,354	143,204	78,531
Savings Bank Deposits	13,620	13,797	12,607
Term Deposits	323,901	358,344	546,834

Category of Deposits Based on Location of Branches

	As of March 31,		
	2021	2022	2023
	(₹)		
Metropolitan	47,138.59	58,879.18	75,374.25
Urban	24,300.66	37,457.85	53,852.36
Semi-Urban	2,498.45	2,911.77	4,190.27
Rural	1,137.98	1,493.03	3,684.52
Total	75,075.68	100,741.83	137,101.40

Balance to Maturity for Deposits Exceeding ₹ 20 million

As of March 31, 2023, 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, 2023				
	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	8,597.55	14,421.75	18,078.85	4,764.90	45,863.05

Concentration of Deposits

The following table presents an analysis of our deposits by region as of the dates indicated:

States	As of March 31,		
	2021	2022	2023
	(₹ million)		
Andhra Pradesh	-	474.84	108.58
Assam	513.55	966.09	1,517.50
Bihar	5,036.49	6,602.35	8,814.50
Chandigarh	379.00	820.02	2,442.97
Chhattisgarh	655.50	854.30	1,121.63
Goa	-	-	3.90
Gujarat	2,045.37	4,136.81	5,809.87
Haryana	11,142.99	10,758.49	11,220.20
Himachal Pradesh	5.00	6.88	2,016.84
Jammu and Kashmir	-	-	24.56
Jharkhand	3,513.26	4,252.09	6,323.71
Karnataka	-	1,131.84	1,999.38
Kerala	-	346.42	628.51
Madhya Pradesh	2,587.60	2,450.21	3,258.17
Maharashtra	17,102.16	16,910.27	19,699.28
Meghalaya	-	-	1.33
NCT of Delhi	10,805.90	15,076.50	20,186.71
Odisha	505.34	963.54	3,405.99
Puducherry	-	-	156.21
Punjab	758.95	4,703.30	5,982.84
Rajasthan	574.21	1,909.50	3,566.86
Tamil Nadu	-	2,230.67	3,485.94
Telangana	869.41	559.89	812.54
Uttar Pradesh	10,782.56	14,890.95	22,318.17
Uttarakhand	6,404.96	8,707.91	8,420.38
West Bengal	1,393.43	1,988.96	3,774.83
Total	75,075.68	100,741.83	137,101.40

Borrowings

The following tables set forth, for Fiscal 2021, 2022 and 2023, information related to the Bank's borrowings.

	Year ended March 31,		
	2021	2022	2023
	(₹ million, except percentages)		
i. Borrowings	26,078.25	25,719.35	23,494.75
ii. Average Balance of Borrowings	28,941.99	22,295.61	23,294.13
iii. Interest on RBI/Inter-bank borrowings and Other interest	2,621.95	2,122.95	1,915.86
iv. Cost of Borrowings ⁽¹⁾ (iii/ii)	9.06%	9.52%	8.22%
v. Average cost of subordinated debt (including perpetual debt) ⁽²⁾	11.45%	12.11%	13.04%
vi. Cost of average refinance borrowings ⁽³⁾	8.48%	8.47%	7.81%

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.

	As of March 31,					
	2021		2022		2023	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
	(₹ million, except percentages)					
[A] Deposits						
Demand Deposits	1,597.72	1.58%	3,624.79	2.87%	3,840.03	2.39%
Savings Bank Deposits	11,672.20	11.54%	18,908.06	14.95%	24,797.32	15.44%
Term Deposits	61,805.76	61.10%	78,208.98	61.84%	108,464.05	67.54%
Total [A]	75,075.68	74.22%	100,741.83	79.66%	137,101.40	85.37%
[B] Borrowings						
Reserve Bank of India	870.00	0.86%	2,370.00	1.87%	1,500.00	0.93%
Other banks	100.00	0.09%	-	0.00%	-	0.00%
Other institutions and agencies	21,258.25	21.02%	19,499.35	15.43%	19,644.75	12.24%
Tier II Capital (Non-convertible debentures)*	3,850.00	3.81%	3,850.00	3.04%	2,350.00	1.46%
Bonds and Debentures (excluding subordinated debt)	-	0.00%	-	0.00%	-	0.00%
Total [B]	26,078.25	25.78%	25,719.35	20.34%	23,494.75	14.63%
Total [A + B]	101,153.93	100.00%	126,461.18	100.00%	160,596.15	100.00%

*On June 20, 2020, our Bank issued "12.50% Non Convertible Debentures (NCDs)" to IDFC First Bank Limited aggregating ₹1,950 million. Necessary RBI reporting was done on June 29, 2020. Subsequently, the Department of Regulation, RBI Central Office, pursuant to its letter dated January 13, 2021 advised us that the offer document of the NCDs were not being in compliant with relevant RBI instructions, and these instruments do not qualify for inclusion in Tier II capital. Our Bank, based on the legal opinion obtained in the matter and having reviewed the relevant documentation, is of the view that the said issue of NCDs is in compliance with RBI guidelines. Our Bank, has pursuant to its letter dated March 10, 2021 has made a detailed submission together with supporting documents, to the RBI requesting it to consider the NCDs as eligible Tier II capital instrument. Pending approval/response from RBI, our Bank has not considered the NCD in the Fiscal 2021 for Tier II capital. As per RBI confirmation received on July 1, 2021, the NCD has been considered in Tier II capital as on March 31, 2022. Had our Bank considered the above NCD as part of Tier II capital as on March 31, 2021, the ratio would have been 24.98%.

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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*	March 31, 2023	6,103.45	6,011.49	5,888.79	17,281.76	30,924.28	43,258.01	6,501.67	14,718.21	130,687.66
	March 31, 2022	5,745.61	4,703.73	4,748.22	14,215.62	26,028.58	34,813.57	5,157.91	6,868.23	102,281.47
	March 31, 2021	5,645.28	4,228.05	4,371.80	12,572.34	21,713.12	29,654.03	2,834.78	1,149.18	82,168.58
Investments	March 31, 2023	5,753.60	927.73	1,017.61	3,847.04	4,522.46	11,779.62	639.65	106.51	28,594.22
	March 31, 2022	4,502.41	1,479.65	806.92	2,635.47	4,928.37	8,641.69	127.15	357.58	23,479.24
	March 31, 2021	8831.41	844.52	498.39	2215.65	2946.35	7056.05	428.01	318.97	23,139.35
Deposits	March 31, 2023	12,683.16	4,054.20	4,666.09	22,270.68	25,358.25	65,537.39	1,983.91	547.72	137,101.40
	March 31, 2022	13,953.14	5,023.83	4,054.13	16,052.17	22,532.39	38,056.47	487.60	582.10	100,741.83
	March 31, 2021	8,546.49	2,370.82	3,619.30	11,908.86	13,133.30	34,490.50	536.67	469.74	75,075.68
Borrowings**	March 31, 2023	170.11	440.52	433.84	3,166.91	4,534.05	12,349.09	2,243.98	156.25	23,494.75
	March 31, 2022	3.40	170.00	1,670.00	2,643.50	6,257.30	12,606.15	414.40	1,954.60	25,719.35
	March 31, 2021	3,003.04	203.12	169.75	3,031.76	2,457.93	12,539.92	2,717.33	1,955.40	26,078.25
Foreign Currency Assets	March 31, 2023	-	-	-	-	-	-	-	-	-
	March 31, 2022	-	-	-	-	-	-	-	-	-
	March 31, 2021	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	March 31, 2023	-	-	-	-	-	-	-	-	-
	March 31, 2022	-	-	-	-	-	-	-	-	-
	March 31, 2021	-	-	-	45.70	45.70	-	-	-	91.40

Notes:

* Amounts disclosed are net off provision for non-performing assets and floating provision.

** Includes foreign currency liabilities of ₹ 91.40 million for the year ended March 31, 2021, Nil for the year ended March 31, 2022, and nil for the year ended March 31, 2023.

Classification of Investments

	Year ended March 31,		
	2021	2022	2023
	(₹ million)		
Held to Maturity ⁽¹⁾	13,879.40	19,633.51	25,603.57
Available for Sale ⁽²⁾	9,259.95	3,845.73	2,990.65
Held for Trading ⁽³⁾	-	-	-
Total	23,139.35	23,479.24	28,594.22

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 March 31, 2023, the Bank's Gross Loan Portfolio was ₹ 139,571.08 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, 2021, 2022 and 2023:

Product / Channel	As of March 31,					
	2021		2022		2023	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Microbanking Loans	68,993.84	81.98%	80,024.07	75.28%	92,155.82	66.03%
Housing Loans	2,195.85	2.61%	3,592.51	3.38%	5,192.45	3.72%
Retail Assets (MSME)	5,311.36	6.31%	8,400.39	7.90%	15,340.92	10.99%
Wholesale Lending	5,031.09	5.98%	9,261.15	8.71%	15,468.11	11.08%
BC	1,947.11	2.32%	2,244.16	2.11%	3,728.42	2.67%
CE and CV	127.82	0.15%	2,121.59	2.00%	5,603.60	4.01%
Others*	549.53	0.65%	663.38	0.62%	2,081.76	1.50%
Gross Loan Portfolio	84,156.60	100.00%	106,307.25	100.00%	139,571.08	100.00%

Note:

* Others includes staff loans, gold 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,					
	2021		2022		2023	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
1	8,692.01	12.68%	3,541.63	4.50%	8,239.47	9.28%
2	25,355.56	37.00%	21,546.54	27.38%	13,038.23	14.68%
3	17,153.38	25.03%	25,211.63	32.04%	22,511.34	25.35%
4	10,170.65	14.84%	15,054.09	19.13%	19,906.57	22.42%
>4	7,165.53	10.45%	13,346.29	16.95%	25,104.19	28.27%
Total	68,537.13	100.00%	78,700.18	100.00%	88,799.80	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,		
	2021	2022	2023
	(₹ million)		
Weekly	-	-	-
Fortnightly	63,050.38	72,797.14	82,403.03
Monthly	5,486.75	5,903.04	6,396.77

Cycle	As of March 31,		
	2021	2022	2023
	(₹ million)		
Total	68,537.13	78,700.18	88,799.80

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,					
	2021		2022		2023	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Agriculture and Allied Activity	48,744.61	57.92%	57,637.95	54.22%	60,545.28	45.33%
Advances to Industry Sector	1,850.11	2.20%	8,360.80	7.86%	4,865.71	3.64%
Advances to Services Sector	30,709.83	36.49%	35,135.30	33.05%	11,956.39	8.95%
Personal Loan and Others	2,852.05	3.39%	5,173.20	4.87%	56,203.70	42.08%
Total	84,156.60	100.00%	106,307.25	100.00%	133,571.08	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, 2021, 2022 and 2023:

Product / Channel	As of March 31,					
	2021		2022		2023	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Microbanking Loans	48,161.21	81.45%	72,739.52	80.41%	92,562.29	74.39%
Housing Loans	1,532.28	2.59%	1,896.08	2.10%	2,363.73	1.90%
Retail Loans	3,680.85	6.22%	4,565.01	5.05%	9,910.80	7.97%
Wholesale Lending	4,106.50	6.94%	8,096.22	8.95%	12,057.32	9.69%
BC	1,522.79	2.57%	1,844.74	2.04%	3,176.79	2.55%
CE and CV	129.56	0.22%	1,295.40	1.43%	4,256.31	3.42%
Others*	6.89	0.01%	25.82	0.02%	101.70	0.08%
Total Disbursements	59,140.08	100.00%	90,462.79	100.00%	124,428.94	100.00%

Note:

* Others includes staff loans and gold loans; excluding portfolio acquisition by the Bank under Direct Assignment Transaction as well as disbursements against OD/ working capital limits.

The tables below set forth the number of loans advanced (outstanding) by the Bank by product/ channel for Fiscal 2021, 2022 and 2023:

Product / Channel	Year Ended March 31,		
	2021	2022	2023
Microbanking Loans	2,510,275	24,35,770	2,600,762
Housing Loans	1,672	2,462	3,098
Retail Loans	6,725	7,395	8,039
Wholesale Lending	77	115	232
BC	85,807	93,305	101,865
CE and CV	40	1,031	2,222
Others*	1,581	1,460	1,777
Total	2,606,177	2,541,538	2,717,995

Note:

* Others includes staff loans, gold 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, 2021, 2022 and 2023:

Product / Channel	As of March 31,		
	2021	2022	2023
	(₹ million)		
Microbanking Loans	0.03	0.03	0.04
Housing Loans	1.31	1.46	1.68
Retail Loans	0.79	1.14	1.91
Wholesale Lending	65.34	80.53	66.67

Product / Channel	As of March 31,		
	2021	2022	2023
	(₹ million)		
BC	0.02	0.02	0.04
CE and CV	3.20	2.06	2.52
Others*	0.35	0.45	1.17

Note:

* Others includes staff loans, gold 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, 2021, 2022 and 2023:

Product / Channel	As of March 31,		
	2021	2022	2023
	(months)		
Microbanking Loans	23.19	22.71	24.43
Housing Loans	206.80	205.05	221.51
Retail Loans	91.19	95.57	128.98
Wholesale Lending	36.87	58.17	46.47
BC	23.36	36.58	32.00
CE and CV	48.01	53.08	49.84
Others*	23.19	24.94	10.95

Note:

* Others includes staff loans and gold loans; excluding portfolio acquisition by the Bank under Direct Assignment Transaction.

The tables below set forth the Bank's yields on Gross Loan Portfolio by product/ channel for Fiscal 2021, 2022 and 2023:

Product / Channel	Year Ended March 31,		
	2021	2022	2023
Microbanking Loans	20.78%	20.53%	22.08%
Retail Loans	15.02%	13.42%	12.26%
Housing Loans	10.21%	10.16%	10.08%
Wholesale Lending	10.74%	9.74%	10.62%
BC	22.35%	24.34%	22.22%
CE and CV	11.45%	9.42%	10.45%
Others**	8.48%	8.14%	6.89%
Total	20.64 %	19.57%	19.88%

Note:

** Others includes staff loans, gold 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 March 31, 2023

	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	-	-	-	-	6,980.57	6,980.57
Balances with other banks	1,100.08	4.19	32.73	-	610.55	1,747.55
Advances	28,856.96	55,414.76	42,066.85	2,917.47	-	129,256.04
Investments	7,693.58	8,370.93	12,423.20	106.51	-	28,594.22
Fixed Assets	-	-	-	-	3,033.24	3,033.24
Rev Repos	14,935.52	-	1,500.00	-	-	16,435.52
Other Assets	-	-	-	-	3,696.67	3,696.67
Forex Swaps	-	-	-	-	-	-
NPAs (Advances and Investments)	-	-	1,431.61	-	-	1,431.61
Total Assets	52,586.14	63,789.88	57,454.39	3,023.98	14,321.03	191,175.42
Off-balance Sheet Items						
Total Rate Sensitive Assets/	52,586.14	63,789.88	57,454.39	3,023.98	14,321.03	191,175.42

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Assets						
Liabilities						
Capital and Reserve	-	-	-	-	20,003.21	20,003.21
Deposits	21,403.45	47,628.93	67,521.30	547.72	-	137,101.40
Borrowings	1,044.47	7,700.96	13,093.07	156.25	-	21,994.75
Other Liabilities	-	-	-	-	10,576.06	10,576.06
Repos	-	-	1,500.00	-	-	1,500.00
Forex Swaps	-	-	-	-	-	-
Total Liabilities	22,447.92	55,329.89	82,114.37	703.97	30,579.27	191,175.42
Off-balance Sheet Items	-	-	-	-	-	-
Total Rate Sensitive Liabilities / Liabilities	22,447.92	55,329.89	82,114.37	703.97	30,579.27	191,175.42

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,					
	2021		2022		2023	
	(₹ 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	48,730.70	67.21%	57,563.70	65.20%	60,545.28	57.83%
Advances to Industry Sector	1,809.41	2.50%	6,935.30	7.86%	4,865.71	4.65%
Advances to Services Sector	20,232.51	27.91%	20,623.00	23.36%	11,956.39	11.42%
Personal Loan and Others	1,724.88	2.38%	3,160.20	3.58%	27,331.27	26.10%
Total Gross Loan Portfolio to Priority Sector	72,497.50	100.00%	88,282.20	100.00%	104,698.65	100.00%

Capital Adequacy

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of March 31, 2023, 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,		
	2021	2022	2023
	(₹ million, except percentages)		
Common Equity Tier I Capital	12,565.15	14,207.60	18,448.22
Tier I Capital	12,565.15	14,207.60	18,448.22
Tier II Capital	1,192.53	2,757.01	2,412.29
Total Capital	13,757.68	16,964.61	20,860.51
Total Credit Risk Weighted Assets	62,877.17	78,570.51	101,058.93
Capital Adequacy Ratio			
Common Equity Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	19.98%	18.08%	18.25%
Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	19.98%	18.08%	18.25%
Tier II Capital Ratio (as a percentage of Credit Risk Weighted Assets)	1.90%	3.51%	2.39%
Total Capital Ratio* (CRAR) (%)	21.88%	21.59%	20.64%

Note:

*Total Capital to Risk Weighted Asset Ratio (as a percentage of Credit Risk Weighted Assets)

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,					
	2021		2022		2023	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Metropolitan	11,154.50	13.25%	20,680.93	19.45%	34,811.23	24.95%
Urban	15,380.97	18.28%	18,412.94	17.32%	26,008.82	18.63%
Semi-Urban	32,836.72	39.02%	37,703.87	35.47%	43,020.10	30.82%
Rural	24,784.41	29.45%	29,509.51	27.76%	35,730.93	25.60%
Gross Loan Portfolio	84,156.60	100.00%	106,307.25	100.00%	139,571.08	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 March 31, 2023	As of March 31,		
		2021	2022	2023
		(₹ million)		
Andhra Pradesh	3	-	1.15	0.62
Assam	2	-	26.62	468.94
Maharashtra	68	6,054.91	10,099.34	17,024.87
Chandigarh	2	6.72	7.15	62.18
West Bengal	15	679.91	802.45	1,244.12
Bihar	206	33,089.42	36,435.81	43,093.10
Gujarat	15	685.60	1,235.26	1,906.88
Kerala	4	-	8.52	182.77
Karnataka	8	-	559.80	632.04
Uttarakhand	21	1,396.07	1,597.95	2,160.86
Madhya Pradesh	35	3,406.12	4,029.18	4,876.61
Chhattisgarh	18	1,034.17	1,276.00	1,456.35
Uttar Pradesh	168	22,392.81	28,202.43	36,265.42
NCT of Delhi	28	1,787.08	2,805.11	4,917.61
Tamil Nadu	9	-	293.99	171.59
Telangana	3	439.47	1,363.13	2,549.88
Odisha	80	1,446.50	2,918.27	3,962.80
Haryana	32	5,153.20	5,671.99	7,618.53
Himachal Pradesh	2	92.10	94.55	97.72
Jharkhand	75	5,992.16	7,550.05	8,728.16
Rajasthan	25	458.05	1,063.18	1,442.85

States	No. of Banking Outlets as on March 31, 2023	As of March 31,		
		2021	2022	2023
		(₹ million)		
Punjab	7	42.31	265.32	707.18
Puducherry	1	-	-	-
Jammu and Kashmir	1	-	-	-
Goa	1	-	-	-
Meghalaya	1	-	-	-
Total	830	84,156.60	106,307.25	139,571.08

The following tables set forth the Bank's deposits by region as of the dates indicated:

States	As of March 31,		
	2021	2022	2023
(₹ million)			
Andhra Pradesh	-	474.84	108.58
Assam	513.55	966.09	1,517.50
Bihar	5,036.49	6,602.35	8,814.50
Chandigarh	379.00	820.02	2,442.97
Chhattisgarh	655.50	854.30	1,121.63
Goa	-	-	3.90
Gujarat	2,045.37	4,136.81	5,809.87
Haryana	11,142.99	10,758.49	11,220.20
Himachal Pradesh	5.00	6.88	2,016.84
Jammu and Kashmir	-	-	24.56
Jharkhand	3,513.26	4,252.09	6,323.71
Karnataka	-	1,131.84	1,999.38
Kerala	-	346.42	628.51
Madhya Pradesh	2,587.60	2,450.21	3,258.17
Maharashtra	17,102.16	16,910.27	19,699.28
Meghalaya	-	-	1.33
NCT of Delhi	10,805.90	15,076.50	20,186.71
Odisha	505.34	963.54	3,405.99
Puducherry	-	-	156.21
Punjab	758.95	4,703.30	5,982.84
Rajasthan	574.21	1,909.50	3,566.86
Tamil Nadu	-	2,230.67	3,485.94
Telangana	869.41	559.89	812.54
Uttar Pradesh	10,782.56	14,890.95	22,318.17
Uttarakhand	6,404.96	8,707.91	8,420.38
West Bengal	1,393.43	1,988.96	3,774.83
Total	75,075.68	100,741.83	137,101.40

The following tables set forth the Bank's Banking Outlets by region as of the dates indicated:

States	As of March 31,		
	2021	2022	2023
(No. of Banking Outlets)			
Andhra Pradesh	-	1	3
Assam	1	2	2
Maharashtra	49	60	68
Chandigarh	2	2	2
West Bengal	4	11	15
Bihar	128	153	206
Goa	-	-	1
Gujarat	4	8	15
Uttarakhand	20	21	21
Madhya Pradesh	35	35	35
Meghalaya	-	-	1
Puducherry	-	-	1
Karnataka	-	5	8
Kerala	-	2	4
Chhattisgarh	18	18	18
Uttar Pradesh	138	152	168

States	As of March 31,		
	2021	2022	2023
	(No. of Banking Outlets)		
Delhi	18	23	28
Tamil Nadu	-	6	9
Telangana	1	3	3
Odisha	53	71	80
Haryana	30	30	32
Himachal Pradesh	1	2	2
Jammu and Kashmir	-	-	1
Jharkhand	49	61	75
Rajasthan	3	14	25
Punjab	4	6	7
Total	558	686	830

The following tables set forth the Bank's Banking Outlets by geographical regions as of the dates indicated:

	As of March 31,		
	2021	2022	2023
Metropolitan	76	107	134
Urban	116	145	174
Semi-Urban	220	253	297
Rural	146	181	225
Total Banking Outlets	558	686	830

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

	<p>accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category.</p> <p>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.</p>
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In Fiscal 2023, 121 of our housing loan accounts, respectively, were classified as fraud cases and have been considered as one fraud for the purpose of reporting, in line with Fraud Monitoring Return requirements. For further information see “*Restated Financial Statements – Note 20.4.8 Details of provisioning pertaining to fraud accounts*” on page 302.

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,		
	2021	2022	2023
	(₹ million)		
Standard assets	81,003.71	99,825.68	129,256.04
Sub-standard assets	3,110.49	6,157.99	3,526.71
Doubtful assets	42.40	323.58	788.33
Loss assets	-	-	-
Total gross advances	84,156.60	106,307.25	133,571.08

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,		
	2021	2022	2023
	(₹ million)		
Total of Provision for NPA and Floating provision (i)	2,064.71	4,123.61	3,809.92
Gross Advances (ii)	84,156.60	106,307.25	133,571.08
Gross NPA	3,152.89	6,481.57	4,315.04
Provision held as percentage of Gross Advances (i/ii)	2.45%	3.88%	2.85%
Provision coverage ratio (excluding technical write-offs) ⁽¹⁾	65.49%	63.62%	88.29%
Provision coverage ratio ⁽²⁾	80.42%	78.14%	95.78%

Notes:

(1) Provision held as a percentage of Gross Advances.

(2) Including technical write-offs.

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.

The Bank’s percentage of Gross NPAs to Gross Advances increased from 3.75% as of March 31, 2021 to 6.10% as of March 31, 2022 but decreased subsequently to 3.23% as of March 31, 2023. The Bank’s net NPA to net Advances (%) increased from 1.33% as of March 31, 2021 to 2.31% as of March 31, 2022 but reduced to 0.39% as of March 31, 2023.

The following tables set forth, for the periods indicated, information about the Bank’s NPA portfolio.

	As of March 31,		
	2021	2022	2023
	(₹ million, except percentages)		
(i) Gross NPAs as at the year end	3,152.89	6,481.57	4,315.04
(ii) Closing balance of provision for NPAs (excluding floating provision)	1,988.02	4,025.77	2,883.42
(iii) Closing balance of floating provisions	76.69	97.84	926.50
(iv) Net NPAs (i-ii-iii)	1,088.14	2,357.92	505.12
(vi) Advances	82,168.58	102,281.47	130,687.66
(vii) Gross Advances	84,156.60	106,307.25	133,571.08
(viii) Gross NPAs/ Gross Advances (%) (i/vii)	3.75%	6.10%	3.23%
(x) Net NPAs/ Advances (%) (iv/vi)	1.33%	2.31%	0.39%
(xi) Provision for NPAs as a percentage of Gross NPAs (ii+iii/i)	65.49%	63.62%	88.29%
(xii) Provision coverage ratio (including technical write-offs)	80.42%	78.14%	95.78%

The table below sets forth the Bank's Gross NPAs by product/ channel as of March 31, 2021, 2022 and 2023:

Product / Channel	As of March 31,					
	2021		2022		2023	
	(₹ 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	2,848.18	4.13%	6027.49	7.53%	3,768.38	4.09%
Retail Loans	170.80	3.22%	155.72	1.85%	207.87	1.36%
Housing Loans	15.87	0.72%	165.79	4.61%	264.33	5.09%
Wholesale Lending	-	0.00%	-	0.00%	-	0.00%
BC	116.04	5.96%	128.51	5.73%	44.75	1.20%
CE and CV	-	-	4.00	0.19%	17.39	0.31%
Others	2.00	0.36%	0.06	0.01%	12.32	0.59%
Gross NPA	3,152.89	3.75%	6,481.57	6.10%	4,315.04	3.23%

The Bank's provision coverage ratio (including technical write-offs) as of March 31, 2021, 2022 and 2023, computed as per RBI guidelines, was 80.42%, 78.14% and 95.78%, 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,								
	2021			2022			2023		
	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
Mining and Quarrying	-	-	-	-	-	-	-	-	-
Food Processing	21.80	13.40	5.33%	48.71	30.00	16.06%	-	-	-
Beverages (excluding Tea & Coffee) and Tobacco	0.14	0.11	2.63%	49.24	18.63	18.42%	-	-	-
Textiles	2.22	1.40	1.61%	16.73	10.10	3.58%	-	-	-
Leather and Leather product	2.96	1.89	6.11%	8.28	5.43	4.66%	-	-	-
Wood and Wood Products	10.86	7.26	2.16%	37.68	22.40	6.80%	-	-	-
Paper and Paper Products	0.14	0.08	2.94%	0.60	0.38	8.67%	-	-	-
Chemicals and Chemical Products (Dyes, Paints, etc.)	0.12	0.07	2.19%	0.34	0.23	0.73%	-	-	-

Industry / Economic Activity	As of March 31,								
	2021			2022			2023		
	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
Rubber, Plastic and their Products	0.25	0.15	3.46%	1.11	0.69	4.92%	-	-	-
Glass & Glassware	0.81	0.53	3.15%	3.55	2.12	23.20%	-	-	-
Cement and Cement Products	1.95	1.27	1.86%	9.62	5.61	5.04%	-	-	-
Basic Metal and Metal Products	0.78	0.51	1.68%	3.16	2.00	8.72%	-	-	-
All Engineering	10.62	6.70	2.97%	32.58	19.63	11.80%	-	-	-
Vehicles, Vehicle Parts and Transport Equipments	0.02	0.01	0.81%	0.04	0.03	58.32%	3.55	0.88	0.25%
Gems and Jewellery	2.08	1.30	2.10%	7.86	4.77	3.16%	-	-	-
Other Industries	2.15	1.35	2.32%	7.14	4.11	0.18%	15.98	4.40	0.44%
Residuary other advances (to tally with gross advances)	3,095.99	1,951.99	3.76%	6,254.93	3,899.64	6.05%	4,295.51	2,878.14	3.35%
Total	3,152.89	1,988.02		6,481.57	4,025.77		4,315.04	2,883.42	

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	<p>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 cash escrow accounts available in respect of infrastructure lending, infrastructure loan accounts which are classified as sub-standard will attract a provisioning of 20% instead of the aforesaid prescription of 25%</p> <p>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.</p>	
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:	
	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.	

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	Provisioning Percentage (Unsecured Assets)	Provisioning Percentage (Secured Assets)
Loans classified NPA for the first time in last quarter (Last 90 days)	Substandard	40%	25%
NPA for more than 90 days and less than or equal to 182 days	Substandard	55%	25%
NPA for more than 182 days and less than or equal to 273 days	Substandard	70%	25%
NPA for more than 273 days and less than or equal to 365 days	Substandard	85%	25%
NPA for more than 365 days and less than or equal to 730 days	Doubtful	100%	50%
NPA for more than 730 days	Doubtful	100%	100%

During Fiscal 2021, our Bank increased the provision requirement for substandard assets to 55-100% compared to earlier policy of 40-85% based on number of days in NPA. For secured loans also, during Fiscal 2021, our Bank followed similar provisioning norms for substandard assets compared to RBI requirement of 15%. However, in Fiscal 2022, our Bank reversed its provision requirement for sub-standard assets to 40-85% and reduced provisioning percentage for secured loans to 25% compared to the RBI requirement of 15%. This led to a decline in our provision coverage ratio (including technical write-offs) from 80.42% as of March 31, 2021 to 78.14% as of March 31, 2022. Our provision coverage ratio (including technical write-offs) was 95.78% as of March 31, 2023. Our Bank's provisioning is more stringent than the norms prescribed by the RBI. Our standard asset provisioning is also stringent at 0.50% of JLG advances compared with the regulatory requirement of 0.40%.

The following table sets forth the details of the movement in NPAs for the periods indicated:

Gross NPA Movement	As of March 31,		
	2021	2022	2023
	(₹ million)		
Opening GNPA	446.55	3,152.89	6,481.57
Add: Additions during the year	3,095.79	6,564.16	5,210.77
Sub Total – (A)	3,542.34	9,717.05	11,692.34
Less:			
i. Upgradations	29.77	511.08	2,601.09
ii. Recoveries (excluding recoveries made from upgraded accounts)	6.43	504.62	948.50
iii. Technical or Prudential write-offs	353.25	2,193.83	3,695.87
iv. Write-offs other than those under (iii) above	-	25.95	131.95
Sub Total –(B)	389.45	3,235.48	7,377.40
Closing GNPA Balance	3,152.89	6,481.57	4,315.04

The following table sets forth the details of the movement in provisions for the periods indicated:

Provision Movement	As of March 31,		
	2021	2022	2023
	(₹ million)		
Opening Balance	335.62	2,064.71	4,123.61
Add: Provisions created during the year	2,103.70	4,744.28	5,572.28
Sub Total – (A)	2,439.32	6,808.99	9,695.89
Less:			
i. Write-off / (write back) of excess provisions during the year/ period	374.61	2,685.38	5,885.97
Sub Total –(B)	374.61	2,685.38	5,885.97
Closing Balance	2,064.71	4,123.61	3,809.92

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

All accounts were restructured under resolution plan implemented under the Resolution Framework for COVID-19 related stress as per RBI circular dated August 6, 2020 (Resolution Framework 1.0) and RBI's Resolution Framework 2.0 dated May 5, 2021. The table below sets out the details of our standard restructured advances outstanding across our products, as of March 31, 2023.

Product	Customers	Amount (₹ million)
Microbanking Loans	9,944	163.59
Housing Loans	15	20.68
Retail Loans	104	115.52
CE and CV	2	2.71
Total	10,065	302.50

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 due to stress in cashflow 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 or as part of covenant or due to improvement in its fundamental 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 but an account that would be *prima facie* revived and stand on normal footing upon the restructuring including concessions. 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'.

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. However if any asset classification benefit is given by RBI under specific schemes, same shall be followed.

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.

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.

Productivity and Other Ratios

The following tables sets forth certain information relating to our productivity and other ratios:

	As of March 31,		
	2021	2022	2023
Banking Outlets	558	686	830
Business Correspondents	9	10	13
ATMs	210	215	287
Total number of employees	10,361	12,617	15,424
Gross Loan Portfolio per employee (₹ million)	8.12	8.43	9.05
Gross Loan Portfolio per Banking Outlet (₹ million)	150.82	154.97	168.16
Total Accounts	3.67	4.16	4.95
- Borrower Accounts (in million)	2.61	2.54	2.73
- Deposit Accounts (in million)	1.07	1.61	2.21
Current Accounts	0.02	0.03	0.05
Savings Accounts	0.86	1.37	1.97
Term Deposits	0.19	0.22	0.20
Disbursements per Banking Outlet (₹ million)	105.99	131.87	149.91
Disbursements per employee (₹ million)	5.71	7.17	8.07
Deposits per employee (₹ million)	7.25	7.98	8.89
Deposits per Banking Outlet (₹ million)	134.54	146.85	165.18

The following tables sets forth information relating to our customer base:

	As of March 31,		
	2021	2022	2023
Only Borrowers	2,020,686	1,644,360	1,549,717
Only Depositors	376,652	645,000	857,399
Both Borrowers and Depositors	504,904	851,836	1,184,662
Of Only Depositors:			
CASA Customers	362,040	525,847	818,811
Term Deposit Customers	44,311	88,643	134,498

The following tables set forth information relating to our digital banking channels:

	As of and for the year ended March 31,		
	2021	2022	2023
Total Debit Cards Issued	824,699.00	1,322,048	1,572,438
No. of Active Debit Cards	221,138.00	409,898	604,058
- As a percentage of total debit cards issued	26.81%	31.00%	38.42%
Number of Debit Card Transactions	2,163,229	3,574,269	6,250,753
- As a percentage of total alternate banking transactions	82.42%	86.22%	89.44%
Value of Debit Card Transactions (₹ million)	6,065.52	11,230.23	19,941.22
Number of Internet Banking Transactions	258,786	48,697	100,089
- As a percentage of total alternate banking transactions	9.86%	1.18%	1.43%
Value of Internet Banking Transactions (₹ million)	4,777.52	3,308.21	7,987.79
Number of Mobile Banking Transactions	202,504	522,401	637,930
- As a percentage of total alternate banking transactions	7.72%	12.60%	9.13%
Value of Mobile Banking Transactions (₹ million)	3,030.30	9,348.82	16,997.05

Reconciliation of non-GAAP measures

Reconciliation for certain non-GAAP measures included in this Red Herring Prospectus – Credit to Deposit Ratio, cost of funds, credit cost, net worth, Net Interest Income, Net Interest Margin, Cost to Income Ratio, Other Income to Total Income ratio, CASA ratio, EBITDA, among others, are given below:

Reconciliation of Credit to Deposit Ratio

Credit to Deposit Ratio is computed by dividing Advances by Deposits.

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Advances	82,168.58	102,281.47	130,687.66
ii. Deposits	75,075.68	100,741.83	137,101.40
iii. Credit to Deposit ratio (i/ii) (%)	109.45%	101.53%	95.32%

Reconciliation of Cost of Funds

Cost of Funds is Interest Expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Interest expended	7,417.41	7,879.62	9,759.49
ii. Total Average Interest Bearing Liabilities	89,728.60	1,05,466.73	140,227.25
iii. Cost of Funds (i/ii) (%)	8.27%	7.47%	6.96%

Reconciliation of Net Interest Income

Net Interest Income is difference of Interest Earned and Interest Expended.

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Interest earned	15,809.87	18,488.13	25,049.80
ii. Interest expense on interest bearing liabilities	7,417.41	7,879.62	9,759.49
iii. Net Interest Income (i-ii)	8,392.46	10,608.51	15,290.31

Reconciliation of Cost to Income Ratio

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).

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Operating Expenses	5,450.57	7,337.49	9,900.13
ii. Net interest income	8,392.46	10,608.51	15,290.31
iii. Other Income	1,248.49	1,848.33	2,993.06
iv Cost to Income Ratio (i)/(ii+iii) (%)	56.54%	58.90%	54.15%

Reconciliation of Other Income to Total Income Ratio

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).

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Other Income	1,248.49	1,848.33	2,993.06
ii. Interest Earned	15,809.87	18,488.13	25,049.80
iii. Total Income (i+ii)	17,058.36	20,336.46	28,042.86
iv. Other Income to Total Income Ratio (i)/(iii) (%)	7.32%	9.09%	10.67%

Reconciliation of CASA Ratio

CASA is the sum of Demand Deposits and Savings Bank Deposits. CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits.

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Demand Deposits	1,597.72	3,624.79	3,840.03
ii. Saving Deposits	11,672.20	18,908.06	24,797.32
iii. CASA (i+ii)	13,269.92	22,532.85	28,637.35
iv. Total Deposits	75,075.68	100,741.83	137,101.40
v. CASA Ratio (iii)/(iv)	17.68%	22.37%	20.89%

Reconciliation of Provision Coverage Ratio (including technical write-offs)

Provision Coverage Ratio including technical write-offs is the sum of total of provision for NPA and floating provision and closing balance of technical write-offs, divided by sum of closing balance of technical write-off and Gross NPA.

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Closing balance of provision for NPAs (excluding floating provision)	1,988.02	4,025.77	2,883.42
ii. Closing balance of floating provisions	76.69	97.84	926.50
iii. Total of Provision for NPA and floating provision (i+ii)	2,064.71	4,123.61	3,809.92
iv. Closing balance of Technical Write-offs	2405.38	4304.59	7,645.35
v. Gross NPA	3,152.89	6,481.57	4,315.04
vi. Provision Coverage Ratio (including technical write-offs) (iii+iv)/(iv+v)	80.42%	78.14%	95.78%

Reconciliation of Debt Equity Ratio

Debt Equity Ratio is calculated as 'deposits plus borrowings' divided by 'capital plus reserves'

(₹ million, except ratios)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Total deposits	75,075.68	100,741.83	137,101.40
ii. Total borrowings	26,078.25	25,719.35	23,494.75
iii. Capital	8,483.34	8,955.22	8,959.05
iv. Reserves and surplus	5,200.19	6,767.75	11,044.16
v. Debt Equity Ratio (i+ii)/(iii+iv)	7.39	8.04	8.03

Reconciliation of credit cost

Credit cost is calculated as the sum of provision made for standard assets, floating provision, specific provisions, NPAs and technical/ prudential write off and provision for restructured advances and contingency/ additional provisions for COVID-19.

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Provisions made towards NPA advances	1,714.53	2,024.25	(1,128.85)
ii. Provisions made towards technical write-off	352.37	2,219.79	3,827.80
iii. Provision for standard assets	72.79	105.75	143.27
iv. Provision on restructured assets	526.48	(292.70)	(163.01)
v. Floating provision	14.56	21.15	828.65
vi. Provision on COVID-19	1.74	(501.32)	-
vii. Provision on SMA due to COVID-19	(14.01)	-	-
viii. Contingency provision	-	650.00	(520.00)
ix. Credit cost (i+ii+iii+iv+v+vi+vii+viii)	2,668.46	4,226.92	2,987.87

Reconciliation of Net Interest Margin

Net Interest Margin is the difference of interest earned and interest expended, divided by the total average interest earning assets, calculated based on quarterly average.

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Net Interest Income	8,392.46	10,608.51	15,290.31
ii. Total Average Interest Earning Assets	102,290.63	121,289.14	159,827.18
iii. Net Interest Margin (i/ii) (%)	8.20%	8.75%	9.57%

Reconciliation of EBTDA to profit:

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2021	2022	2023
i. Net Profit	1,118.15	614.62	4,045.02
ii. Depreciation (On Bank's property)	295.77	408.84	586.55
iii. Current tax (included in Provision and Contingencies)	600.78	529.43	1,257.45
iv. Deferred tax (included in Provision and Contingencies)	(204.57)	(346.92)	55.68
v. EBTDA (i+ii+iii+iv)	1,810.13	1,205.97	5,944.70

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' EXAMINATION REPORT ON RESTATED FINANCIAL INFORMATION

To the Board of Directors

Utkarsh Small Finance Bank Limited

Dear Sirs,

1. We have jointly examined, as appropriate (refer paragraph 5 below), the attached Restated Financial Information of Utkarsh Small Finance Bank Limited (the "Bank" or the "Issuer"), comprising the Restated Statement of Assets and Liabilities as at 31 March 2023, 2022 and 2021, the Restated Profit and Loss Account, the Restated Statement of Cash Flow for the year ended 31 March 2023, 2022 and 2021, 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 28 April 2023 for the purpose of inclusion in the Red Herring Prospectus and the Prospectus (collectively referred to as the "Offer Documents") prepared by the Bank in connection with its proposed Initial Public Offer of equity shares ("IPO") prepared in terms of the requirements of:
 - a) Section 26 of Part I of Chapter III of the Companies Act, 2013, as amended (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 (the "Guidance Note").
2. The Bank's Board of Directors is responsible for the preparation of the Restated Financial Information for the purpose of inclusion in the Offer Documents to be filed with Securities and Exchange Board of India, BSE Limited, National Stock Exchange of India Limited and Registrar of Companies, Uttar Pradesh 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 Note 19.2 to the Restated Financial Information. The Board of Directors of the Bank's responsibility includes 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.
3. We have jointly examined such Restated Financial Information taking into consideration:
 - a) The terms of reference and terms of our engagement agreed upon with you in accordance with our engagement letter dated October 27, 2022 and addendum to engagement letter dated 06 January 2023 and 20 February 2023 in connection with the proposed IPO of equity shares of the Issuer;
 - b) The Guidance Note. The Guidance Note 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.
4. These Restated Financial Information have been compiled by the management from the audited financial statements as at and for the years ended 31 March 2023, 2022 and 2021, prepared by the Bank in accordance with the requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by RBI from time to time and Accounting Standards prescribed under Section 133 of

the Companies Act, 2013, read with the Companies (Accounts) Rules, 2021 or Companies (Accounts) Rules, 2014, as applicable and other relevant provisions of the Act and current practices prevailing within the Banking industry in India (the “Financial Statements”), which have been approved by the Board of Directors at their meetings held on April 28, 2023, April 25, 2022 and April 25, 2021 respectively.

5. For the purpose of our joint examination, we have relied on:

- a) Auditors’ report jointly issued by us dated 28 April 2023 on the Financial Statements of the Bank at and for the year ended 31 March 2023 as referred in Paragraph above.
- b) Auditors’ report issued by the Previous Auditor dated April 25, 2022, on the financial statements of the Bank as at and for the year ended 31 March 2022 as referred in Paragraph 4 above.

The auditors’ report on the Financial Statements of the Bank as at and for the year ended 31 March 2022 includes the following Emphasis of Matter paragraph:

“We draw attention to Note 18.27 of Schedule 18 to the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank’s operations and financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.”

- c) Auditors’ Report issued by the Previous Auditor (the “Previous Auditors”) dated April 25, 2021 on the financial statements of the Bank as at and for the year ended 31 March 2021, as referred in Paragraph 4 above.

The auditors’ report on the Financial Statements of the Bank as at and for the year ended 31 March 2021 includes the following Emphasis of Matter paragraph:

“We draw attention to Note 18.47 of Schedule 18 to the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank’s operations and financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.”

The audit for the financial years ended 31 March 2022 and 31 March 2021 were conducted by the Bank’s Previous Auditors, and accordingly reliance has been placed on the restated statement of assets and liabilities as at 31 March 2022 and 31 March 2021 and the restated profit and loss account and cash flow statements for the years ended 31 March 2022 and 31 March 2021, the Summary Statement of Significant Accounting Policies, and other explanatory information and (the “Previous Restated Financial Information”) examined by them for the said year. The examination report included for the said year is based solely on the reports submitted by the Previous Auditors. They have also confirmed that the Previous Restated Financial Information:

- i. 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 2022 and 31 March 2021 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the year ended 31 March 2023;
- ii. there are no qualifications in the auditors’ report on the financial statements as at and for the years ended 31 March 2022 and 31 March 2021 which require any adjustments to the Previous Restated Financial Information. There are items relating to emphasis of matter (refer paragraph 5(b) and 5(c) above), which do not require any adjustment to the Restated Financial Information; and
- iii. have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

6. Based on our joint examination and according to the information and explanations given to us and also as per the reliance placed on the examination report submitted by the Previous Auditors for the respective

year as per paragraph 5(b) and 5(c) above, we report that the Restated 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 2022, and 2021 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the year ended 31 March 2023;
 - 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 (refer paragraph 5(b) and 5(c) above), 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.
7. Each of the joint auditors on its behalf confirms that they 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.
 8. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on the audited financial statements mentioned in paragraph 5 above respectively.
 9. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by us or the Previous Auditors, 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 the report.
 11. Our report is intended solely for use of the Board of Directors for inclusion in the Offer Documents to be filed with Securities and Exchange Board of India, BSE Limited, National Stock Exchange of India Limited and Registrar of Companies, Uttar Pradesh in connection with the proposed IPO. 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 **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 117365W)

G. K. Subramaniam
Partner
Membership No. 109839
UDIN: 23109839BGXPXJ5386
Place: Mumbai
Date: April 28, 2023

For **Kirtane & Pandit LLP**
Chartered Accountants
(Firm Registration No. 105215W/W100057)

Sandeep Welling
Partner
Membership No. 044576
UDIN: 23109839BGXPXJ5386
Place: Mumbai
Date: April 28, 2023

Utkarsh Small Finance Bank Limited
Restated Statement of Assets and Liabilities

(₹ in millions)

Particulars	Notes	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
CAPITAL AND LIABILITIES				
Capital	3	8,959.05	8,955.22	8,483.34
Reserves and Surplus	4	11,044.16	6,767.75	5,200.19
Deposits	5	137,101.40	100,741.83	75,075.68
Borrowings	6	23,494.75	25,719.35	26,078.25
Other Liabilities and Provisions	7	10,576.06	8,453.55	6,541.66
Total		191,175.42	150,637.70	121,379.12
ASSETS				
Cash and balances with Reserve Bank of India	8	11,920.57	17,978.97	11,049.38
Balances with banks and money at call and short notice	9	13,243.06	737.52	648.78
Investments	10	28,594.22	23,479.24	23,139.35
Advances	11	130,687.66	102,281.47	82,168.58
Fixed Assets	12	3,033.24	2,865.34	1,811.71
Other Assets	13	3,696.67	3,295.16	2,561.32
Total		191,175.42	150,637.70	121,379.12
Contingent Liabilities	14	3,416.05	564.19	620.73
Bills for Collection		-	-	-
Significant accounting policies	19			
Notes to Restated Financial Information	20			

The accompanying Notes are an integral part of this Restated financial information.

As per our report of even date attached

for **M/s Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No. 117365W

for **M/s Kirtane & Pandit LLP**
Chartered Accountants
ICAI Firm Registration No. 105215W/W100057

For and on behalf of Board of Directors
Utkarsh Small Finance Bank Limited
CIN:U65992UP2016PLC082804

G.K. Subramaniam
Partner
Membership No. 109839

Sandeep D Welling
Partner
Membership No. 044576

Parveen Kumar Gupta
Chairman
DIN : 02895343

Nagesh Pinge
Director
DIN: 00062900

Govind Singh
Managing Director & CEO
DIN: 02470880

Sarju Simaria
Chief Financial Officer
FCA : 046998

Muthiah Ganapathy
Company Secretary
FCS 5674

Place: Mumbai
Date : 28 April 2023

Place: Mumbai
Date : 28 April 2023

Utkarsh Small Finance Bank Limited
Restated Statement of Profit and Loss

(₹ in millions)

Particulars		Notes	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
I	INCOME				
	Interest Earned	15	25,049.80	18,488.13	15,809.87
	Other Income	16	2,993.06	1,848.33	1,248.49
	Total		28,042.86	20,336.46	17,058.36
II	EXPENDITURE				
	Interest Expended	17	9,759.49	7,879.62	7,417.41
	Operating Expenses	18	9,900.13	7,337.49	5,450.57
	Provisions and Contingencies	20.14.5	4,338.22	4,504.73	3,072.23
	Total		23,997.84	19,721.84	15,940.21
III	PROFIT				
	Net Profit for the year		4,045.02	614.62	1,118.15
	Balance in Profit and Loss account brought forward from previous year		2,537.24	2,072.48	1,454.83
	Total		6,582.26	2,687.10	2,572.98
IV	APPROPRIATIONS				
	Transfer to Statutory Reserve		1,011.25	153.65	279.54
	Transfer to Investment Fluctuation Reserve		17.99	111.27	136.66
	Transferred to Capital Reserve		-	2.32	84.30
	Other adjustments	20.4.8 d	105.16	105.16	-
	Balance carried over to Balance Sheet		5,694.16	2,537.24	2,072.48
V	EARNINGS PER EQUITY SHARE	20.15			
	Basic EPS (₹)		4.52	0.70	1.46
	Diluted EPS (₹)		4.51	0.70	1.46
	Face Value per share (₹)		10.00	10.00	10.00
	Significant accounting policies	19			
	Notes to Restated Financial Information	20			

The accompanying Notes are an integral part of this Restated financial information.

As per our report of even date attached

for **M/s Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No. 117365W

for **M/s Kirtane & Pandit LLP**
Chartered Accountants
ICAI Firm Registration No. 105215W/W100057

for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

G.K. Subramaniam
Partner
Membership No. 109839

Sandeep D Welling
Partner
Membership No. 044576

Parveen Kumar Gupta
Chairman
DIN : 02895343

Nagesh Pinge
Director
DIN: 00062900

Govind Singh
Managing Director & CEO
DIN: 02470880

Sarju Simaria
Chief Financial Officer
FCA : 046998

Muthiah Ganapathy
Company Secretary
FCS 5674

Place: Mumbai
Date : 28 April 2023

Place: Mumbai
Date : 28 April 2023

Utkarsh Small Finance Bank Limited
Restated Statement of Cash Flows

(₹ in millions)

S.No	Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
I	Cash flow from operating activities			
	Profit before taxes	5,358.14	797.13	1,514.36
	Adjustments for:-			
	Depreciation on fixed assets	586.55	408.84	295.77
	(Reversal of depreciation) / Depreciation on investments, net	(44.22)	(149.41)	193.01
	Amortization of premium on Held to Maturity Investment	207.02	174.92	105.63
	Profit on sale & Redemption of HTM portfolio	-	(4.14)	(150.26)
	Unrealised loss/gain on external commercial borrowings	-	(6.04)	(18.48)
	Write-off of non performing advances	3,827.81	2,193.84	352.37
	Provision for standard advances and other contingencies (including floating provision)	288.92	(17.12)	601.56
	Provision for non performing advances (net of reversal)	(1,128.85)	2,024.26	1,714.53
	(Profit) / Loss on sale of fixed assets (net)	-	(0.63)	0.21
	Other provisions and write off	170.53	171.96	24.08
		9,265.91	5,593.61	4,632.78
	Adjustments for:-			
	Decrease / (Increase) in investments (other than HTM investment)	899.29	5,563.63	(6,832.88)
	(Increase) in advances	(31,091.65)	(24,344.48)	(21,419.51)
	Decrease / (increase) in other assets	(1,043.86)	(389.26)	430.79
	(increase) / Decrease in deposits	36,359.58	25,666.14	22,723.56
	Increase in other liabilities and provisions	1,907.83	1,745.69	593.65
		7,031.19	8,241.72	(4,504.39)
	Payment of direct taxes	(707.10)	(543.77)	(963.02)
	Net cash flow generated from / (used in) operating activities (A)	15,590.00	13,291.56	(834.63)
II	Cash flow from/(used in) investing activities			
	Purchase of fixed assets including capital work in progress	(758.47)	(1,466.73)	(793.68)
	Proceeds from sale of fixed assets	4.02	4.90	0.17
	Purchase of held to maturity (HTM) securities (net of sales)	(6,177.08)	(5,924.89)	(4,530.97)
	Net cash flow (used in) investing activities (B)	(6,931.53)	(7,386.72)	(5,324.48)
III	Cash flow from/(used in) Financing Activities			
	Proceeds from issue of share capital (net of share issue expenses)	13.27	1,466.35	2,370.38
	Net (repayments) from borrowings	(2,224.60)	(352.86)	(653.64)
	Net cash flow generated (used in) / from financing activities (C)	(2,211.33)	1,113.49	1,716.74
IV	Net increase/ (decrease) in cash and cash equivalents (A) + (B) + (C)	6,447.14	7,018.33	(4,442.37)
V	Cash and cash equivalents at the beginning of the year	18,716.49	11,698.16	16,140.53
VI	Cash and cash equivalents at the end of the year	25,163.63	18,716.49	11,698.16
	Notes to the Cash Flow Statement:			
	Cash and cash equivalents includes the following:			
(i)	Cash and Balances with Reserve Bank of India (Refer Note 8)	11,920.57	17978.97	11049.38
(ii)	Balance with banks and money at call and short notice (Refer Note 9)	13,243.06	737.52	648.78
	Cash and cash equivalents at the end of the year	25,163.63	18,716.49	11,698.16

The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3 - Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014.

As per our report of even date attached

for M/s Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration No. 117365W

for M/s Kirtane & Pandit LLP
Chartered Accountants
ICAI Firm Registration No. 105215W/W100057

for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

G.K. Subramaniam
Partner
Membership No. 109839

Sandeep D Welling
Partner
Membership No. 044576

Parveen Kumar Gupta
Chairman
DIN : 02895343

Nagesh Pinge
Director
DIN: 00062900

Govind Singh
Managing Director & CEO
DIN: 02470880

Sarju Simaria
Chief Financial Officer
FCA : 046998

Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 28 April 2023

Place : Mumbai
Date : 28 April 2023

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

Note 3 - Capital

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Authorised Capital			
1,300,000,000 Equity shares of ₹10/- each (31 March 2022: 1,300,000,000 Equity shares of ₹10/- each, 31 March 2021: 1,300,000,000 Equity shares of ₹10/- each)	13,000.00	13,000.00	13,000.00
200,000,000 Preference shares of ₹10/- each (31 March 2022: 200,000,000 Preference shares of ₹10/- each, 31 March 2021: 200,000,000 Preference shares of ₹10/- each)	2,000.00	2,000.00	2,000.00
Issued, subscribed and fully paid-up capital			
895,904,663 Equity shares of ₹10/- each (31 March 2022: 895,521,522 Equity shares of ₹10/- each , 31 March 2021: 848,333,869 Equity shares of ₹10/- each)	8,959.05	8,955.22	8,483.34
TOTAL	8,959.05	8,955.22	8,483.34

Note 4 - Reserves and Surplus

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1. Statutory Reserve (created pursuant to Sec 17(2) of Banking Regulation Act, 1949)			
Opening balance	1,146.85	993.20	713.66
Addition during the year	1,011.25	153.65	279.54
Deduction during the year	-	-	-
Closing Balance	2,158.10	1,146.85	993.20
2. Investment Fluctuation Reserve			
Opening balance	77.80	189.07	52.41
Addition during the year	(17.99)	(111.27)	136.66
Deduction during the year	-	-	-
Closing Balance	59.81	77.80	189.07
3. Balance in Profit and Loss Account	5,694.16	2,537.24	2,072.48
Opening Balance	2,537.24	2,072.48	1,454.83
Add: Profit for the year	4,045.02	614.62	1,118.15
Add: Charge to P&L on fraud cases	105.16	-	-
Less: Balance provision of Fraud cases	-	105.16	-
Less : Amount transferred to statutory reserve	1,011.25	153.65	279.54
Less : Amount transferred to / from investment fluctuation reserve	(17.99)	(111.27)	136.66
Less : Amount transferred to capital reserve	-	2.32	84.30
Closing Balance	5,694.16	2,537.24	2,072.48
4. Share Premium			
Opening balance	2,852.03	1,857.55	377.78
Addition during the year	9.44	1,028.37	1,514.05
Deduction during the year	-	33.89	34.28
Closing Balance	2,861.47	2,852.03	1,857.55
5. Capital Reserve #			
Opening balance	90.21	87.89	3.59
Addition during the year	-	2.32	84.30
Closing Balance	90.21	90.21	87.89
6. ESOP Outstanding			
At the commencement of the year	63.62	-	-
Add: Addition during the year	121.93	63.87	-
Less: Deduction during the year	5.13	0.25	-
Closing Balance	180.42	63.62	-
TOTAL (1 to 6)	11,044.17	6,767.75	5,200.19

Amount transferred to capital reserve represents gain on sale of HTM investments

Note 5 - Deposits

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
A. 1. Demand Deposits			
i) From banks	874.88	380.01	60.16
ii) From others	2,965.15	3,244.78	1,537.56
Total	3,840.03	3,624.79	1,597.72
2. Savings Bank Deposits	24,797.32	18,908.06	11,672.20
3. Term Deposits			
i) From banks	36,660.15	28,229.16	22,261.62
ii) From others	71,803.89	49,979.82	39,544.14
Total	108,464.04	78,208.98	61,805.76
TOTAL (1 to 3)	137,101.39	100,741.83	75,075.68
B. i. Deposits of branches in India	137,101.40	100,741.83	75,075.68
ii. Deposits of branches outside India	-	-	-
TOTAL	137,101.40	100,741.83	75,075.68

Note 6 - Borrowings

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1. Borrowings in India			
i) Reserve Bank of India	1,500.00	2,370.00	870.00
ii) Other banks	-	-	100.00
iii) Other institutions and agencies *			
a) Government of India	-	-	-
b) Financial institutions	19,549.90	19,383.10	21,019.90
iv) Borrowing in the form of bonds and debentures (excluding subordinated debt)	-	-	-
v) Capital instruments			
a) Hybrid debt capital instruments issued as debentures (not qualifying as Tier 2 capital)	-	-	-
b) Borrowing in the form of bonds and debentures (subordinated debt qualifying as Tier 2 capital)	2,350.00	2,350.00	2,350.00
vi) Other borrowings**	94.85	116.25	146.96
Total borrowings in India	23,494.75	24,219.35	24,486.86
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
ii) Debentures	-	-	-
iii) Other borrowings	-	-	91.39
Total borrowings outside India	-	1,500.00	1,591.39
TOTAL (1 + 2)	23,494.75	25,719.35	26,078.25
Secured borrowings included in 1 and 2 above	1,500.00	2,370.00	981.39

Refinance borrowings of ₹19,549.90 millions (31 March 2022: ₹19,383.10 millions and 31 March 2021: ₹21,111.29 millions)

* Borrowing from other institutions and agencies include subordinated debt of Nil (31 March 2022: Nil , 31 March 2021: Nil) in the nature of term loan

** Represents payable under lease obligation.

Borrowing from outside India include subordinated debt of NIL (31 March 2022: ₹1,500 millions, 31 March 2021: ₹1,500 millions) in the nature of Non Convertible Debenture.

Note 7 –Other Liabilities and Provisions

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1. Bills payable	1,472.28	436.45	387.40
2. Interest accrued	4,081.13	3,822.47	2,881.99
3. Others (including provisions)	5,022.64	4,194.63	3,272.27
TOTAL (1 to 3)	10,576.05	8,453.55	6,541.66

Note 8 – Cash and balances with Reserve Bank of India

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1. Cash in hand (including cash at ATM)	1,473.31	832.69	627.42
2. Balances with Reserve Bank of India			
i) In current account	5,507.26	4,506.28	2,121.96
ii) In other accounts	4,940.00	12,640.00	8,300.00
TOTAL (1 + 2)	11,920.57	17,978.97	11,049.38

Note 9 – Balance with banks and money at call and short notice

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1. In India			
i) Balances with banks			
a) In current accounts	610.54	702.88	620.21
b) In other deposit accounts	37.00	34.64	28.57
ii) Money at call and short notice			
a) With banks	500.00	-	-
b) With other institutions	12,095.52	-	-
Total (i+ii)	13,243.06	737.52	648.78
2. Outside India			
In current accounts	-	-	-
In other deposits accounts	-	-	-
Money at call and short notice	-	-	-
Total	-	-	-
TOTAL (1 + 2)	13,243.06	737.52	648.78

Note 10 – Investments

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1. Investments in India (net of provisions)			
i) Government securities *	25,603.57	20,484.53	21,487.34
ii) Debentures and bonds	-	-	1,168.30
iii) Others (certificate of deposits and mutual funds)	2,990.65	2,994.71	483.71
Total	28,594.22	23,479.24	23,139.35
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)	28,594.22	23,479.24	23,139.35
3. Value of Investments			
i) Gross value of investments			
a) In India	28,594.22	23,523.46	23,332.98
b) Outside India	-	-	-
	28,594.22	23,523.46	23,332.98
ii) Provision for depreciation			
a) In India	-	44.22	193.63
b) Outside India	-	-	-
	-	44.22	193.63
iii) Net value of investments			
a) In India	28,594.22	23,479.24	23,139.35
b) Outside India	-	-	-
	28,594.22	23,479.24	23,139.35

* Include securities of ₹1150.79 millions (31 March 2022: ₹1528.70 millions, 31 March 2021: ₹6478.60 millions) pledged for clearing facilities and margin requirement.

Note 11 – Advances (net of provisions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
A.			
i) Bills purchased and discounted	-	-	-
ii) Cash credits, overdrafts and loans repayable on demand	4,112.67	1,123.30	668.32
iii) Term loans	126,574.99	101,158.17	81,500.26
Total	130,687.66	102,281.47	82,168.58
B.			
i) Secured by tangible assets (includes advances against fixed deposits and book debts)	43,227.99	22,490.42	11,355.94
ii) Covered by Bank/Government guarantees	0.55	1.17	1.51
iii) Unsecured	87,459.11	79,789.88	70,811.13
Total	130,687.65	102,281.47	82,168.58
C.1 Advances in India			
i) Priority sector*	113,253.39	84,393.07	70,592.07
ii) Public sector	-	-	-
iii) Banks	569.90	75.00	-
iv) Others	16,864.36	17,813.40	11,576.51
Total	130,687.65	102,281.47	82,168.58
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)	130,687.65	102,281.47	82,168.58

*Refer Note 20.4.2

Note 12 – Fixed Assets

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1. Premises			
i) At cost at 31st March of the preceding year	1,122.50	121.20	121.20
ii) Additions during the year	-	1,001.30	-
iii) Deductions during the year	-	-	-
iv) Accumulated depreciation to date	17.47	0.78	-
Total	1,105.03	1,121.72	121.20
2. Other Fixed Assets (including furniture and fixtures)			
i) At cost at 31st March of the preceding year	2,768.30	1,776.73	1,337.17
ii) Additions during the year	728.85	1,005.10	440.61
iii) Deductions during the year	61.27	19.48	1.05
iv) Accumulated depreciation to date	1,602.84	1,126.05	764.20
Total	1,833.04	1,636.30	1,012.53
3. Leased Assets			
i) At cost at 31st March of the preceding year	242.20	238.06	226.98
ii) Additions during the year	20.50	10.09	11.07
iii) Deductions during the year	-	-	-
iv) Accumulated depreciation to date	185.85	150.03	119.03
Total	76.85	98.12	119.02
4. Capital Work in Progress	18.32	9.20	558.96
TOTAL (1 to 4)	3,033.24	2,865.34	1,811.71

Note 13 – Other Assets

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1. Inter-office adjustment (net)	-	-	-
2. Interest accrued	1,251.64	931.85	743.58
3. Tax Paid in advance/tax deducted at source (net of provision)	-	-	325.08
4. Stationery and stamps	-	-	-
5. Non-banking assets acquired in satisfaction of claims	-	-	-
6. Deferred Tax Asset (net)	870.95	926.63	579.71
7. Others	1,574.08	1,436.68	912.95
TOTAL (1 to 7)	3,696.67	3,295.16	2,561.32

Note 14 – Contingent Liabilities

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1. Claims against the bank not acknowledged as debts	-	-	-
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	255.11	173.30	213.05
ii) Outside India	-	-	-
6. Acceptances, endorsements and other obligations	-	-	-
7. Other items for which the bank is contingently liable (refer note 2)	3,160.94	390.89	407.68
TOTAL (1 to 7)	3,416.05	564.19	620.73

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: (i) Includes capital commitment of ₹306.59 millions (31 March 2022: ₹378.11 millions , 31 March 2021: ₹392.65 millions) . (ii) Includes pending Tax litigation of ₹68.68 millions (31 March 2022: ₹12.64 millions , 31 March 2021: ₹14.99 millions) . (iii) Includes commitment towards irrevocable Undrawn Fund Based Credit facilities of ₹2782.51 millions (31 March 2022: Nil , 31 March 2021: Nil) .

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Statement of Profit and Loss

Note 15– Interest Earned

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
1. Interest / discount on advances / bills	22,781.21	16,461.26	13,857.44
2. Income on investments	1,505.35	1,549.25	1,486.92
3. Interest on balance with Reserve Bank of India and Other inter bank funds	762.90	477.25	465.18
4. Others	0.33	0.37	0.33
TOTAL (1 to 4)	25,049.79	18,488.13	15,809.87

Note 16– Other Income

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
1. Commission, exchange and brokerage	853.00	568.63	366.23
2. Profit/(Loss) on sale/redemption of Investments (net)	0.50	(28.36)	(41.38)
3. Miscellaneous Income	2,139.56	1,308.06	923.64
TOTAL (1 to 3)	2,993.06	1,848.33	1,248.49

Note 17– Interest Expended

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
1. Interest on deposits	7,843.63	5,756.67	4,795.46
2. Interest on Reserve Bank of India / Inter-bank borrowings	106.37	66.64	64.17
3. Others	1,809.49	2,056.31	2,557.78
TOTAL (1 to 3)	9,759.49	7,879.62	7,417.41

Note 18– Operating Expenses

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
1. Payments to and provisions for employees	5,700.57	4,298.26	3,262.04
2. Rent, taxes and lighting	580.77	463.50	354.99
3. Printing and stationery	125.08	109.92	91.73
4. Advertisement and publicity	141.67	50.39	17.70
5. Depreciation on Bank's property	586.55	408.84	295.77
6. Director's fees allowances and expenses	28.82	23.59	13.72
7. Auditors' fees and expenses	19.55	16.44	13.03
8. Law charges	180.31	125.56	100.46
9. Postage, telegrams, telephones, etc.	235.45	198.14	111.20
10. Repairs and maintenance	197.08	126.91	92.89
11. Insurance	116.36	78.39	52.67
12. Other expenditure*	1,987.94	1,437.55	1,044.37
TOTAL (1 to 12)	9,900.15	7,337.49	5,450.57

* Includes professional charges, service charges for core banking software and ATM, traveling and other expenses

Utkarsh Small Finance Bank Limited

Note 1: Restated Statement of Adjustments to Audited Financial Statements

A. Summarised below are the restatement adjustments made to the Audited Financial Statements for years ended March 31, 2023, March 31, 2022, March 31, 2021 and their impact on the profit of the Bank:

(₹ in millions)

Particulars		For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
I	Profit after tax as per audited financial statements	4045.02	614.62	1,118.15
II	<u>Impact of Adjustments as per ICDR Regulations:</u>	-	-	-
III	Profit after adjustments (As per Restated Summary Statement of Profit and Loss)	4045.02	614.62	1,118.15

B. Reconciliation of Equity

(₹ in millions)

Particulars	Amount
Balance as at 31 March 2021- As per audited financial statements	8,955.22
Adjustment on account of restatements	Nil
Balance as at 31 March 2021 - As per Restated Financial Information	8,955.22

(₹ in millions)

Particulars	Amount
Balance as at 31 March 2022- As per audited financial statements	8,955.22
Adjustment on account of restatements	Nil
Balance as at 31 March 2022 - As per Restated Financial Information	8,955.22

(₹ in millions)

Particulars	Amount
Balance as at 31 March 2023- As per audited financial statements	8,959.05
Adjustment on account of restatements	Nil
Balance as at 31 March 2023 - As per Restated Financial Information	8,959.05

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 qualifications in auditors report for the financial years ended 31 March 2023, 2022 and 2021.

Utkarsh Small Finance Bank Limited**Note 2: Regrouping and Reclassifications**

A .Regrouping in the Restated Statement of Assets and Liabilities & Restated Profit and Loss Account : Appropriate adjustments have been made in the restated statement of assets and liabilities, restated statement of profit and loss and restated 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 31 March 2023.

Regrouping for the year ended 31 March 2021

(₹ in millions)

Particulars	As per Audited Financial Statements	Changes due to Regrouping	As per Restated Summary Statements
Assets			
- Cash & balances with Reserve Bank of India (Note 1)	2,749.38	8,300.00	11,049.38
- Balance with banks and money at call and short notice (Note 1)	8,948.78	(8,300.00)	648.78
Profit & Loss			
- Other Income (Note 2a)	1,441.50	193.01	1,248.49
- Provision & Contingencies (Note 2a)	3,265.24	193.01	3,072.23

Regrouping for the year ended 31 March 2022

(₹ in millions)

Particulars	As per Audited Financial Statements	Changes due to Regrouping	As per Restated Summary Statements
Assets			
- Cash & balances with Reserve Bank of India (Note 1)	5,338.97	12,640.00	17,978.97
- Balance with banks and money at call and short notice (Note 1)	13,377.52	(12,640.00)	737.52
Profit & Loss			
- Operating Expenses (Note 2b)	7,363.45	(25.96)	7,337.49
- Provisions and Contingencies (Note 2b)	4,478.77	25.96	4,504.73

Note 1 : Regrouping is on account of change in classification of Lending under Reverse Repo (RBI) from Note 9 - Balance with Banks and Money at call and short notice to Note 8 - Cash & balances with RBI as required by " Master Direction on Financial Statement - Presentation and Disclosure , issued by Reserve Bank of India dated 30 August 2021 (as updated)

Note 2 : 2a) Regrouping is on account of change in classification of revaluation of Profit and Loss on investment from Provisions and Contingencies to other income as required by " Master Direction on Financial Statement - Presentation and Disclosure , issued by Reserve Bank of India dated 30 August 2021 (as updated)

2b) Regrouping is on account of change in classification of Assets written off from Operating Expenses to Provisions and Contingencies

Note 19 – 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 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 the Bank on the same employment terms and rights granted under employee stock option scheme of the Holding Company are continued in Bank. 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 Bank has been prepared for inclusion in the Red Herring Prospectus (RHP) and Prospectus (collectively, the Offer Documents), 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 Statement of Assets and Liabilities as at 31 March 2023, 31 March 2022, 31 March 2021 the Restated Statements of Profit and Loss and Restated Statement of Cash Flows for the years ended 31 March 2023, 2022, 2021 and the Summary Statement of Significant Accounting Policies and other explanatory information thereon (hereinafter collectively referred to as the “Restated Financial Information”).

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 the audited financial statements as at and for the years ended 31 March 2023, 2022, 2021 prepared by the Bank in accordance with the requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by RBI from time to time and Accounting Standards prescribed under Section 133 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2021/ Companies (Accounts) Rules, 2014 to the extent applicable and other relevant provisions of the Act and current practices prevailing within the Banking industry in India (the “Financial Statements”), which have been approved by the Board of Directors at their meetings held on 28 April 2023, 25 April 2022, 25 April 2021 respectively.

The Restated 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 2022, 2021 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the year ended 31 March 2023; and
- 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 25 April 2022, 25 April 2021 on the audited financial statements for the years ended 31 March 2022, 31 March 2021 respectively, which do not require any adjustment to the Restated Financial Information which are reproduced below:

For the year ended 31 March 2022:

“We draw attention to Note 18.27 of Schedule 18 to the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank’s operations and financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.”

For the year ended 31 March 2021:

“We draw attention to Note 18.47 of Schedule 18 to the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank’s operations and financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.”

These Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of board meeting on the audited financial statements mentioned above.

RBI has not acceded to the Bank's request seeking extension of time till 31 October, 2021 for listing of the Bank towards meeting the requirements prescribed vide RBI licensing guidelines for SFBs and has advised the Bank to complete the listing process at the earliest and furnish the updated status in the matter. The Bank has been submitting periodic updates in the matter to RBI including details of capital infusion during the year through private placement of equity shares whereby the promoter shareholding now stands diluted to 84.79% of the Bank's paid up share capital.

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 Restated Financial Information are consistent with those of the audited financial statements for the year ended 31 March 2023.

The accompanying Restated Financial Information have been prepared under the historical cost.

A Revenue Recognition

- a) Interest income on performing assets is recognised on accrual basis. Interest income on non-performing assets is recognised on realisation;
- b) For other than JLG, till 24 September 2021, recoveries in respect of all past due loan accounts including classified as NPA is appropriated towards charges, interest, overdue and thereafter towards principal. From 25 September 2021 onwards except for Micro Finance (JLG) Loans and Relationship Management based products, recoveries in respect of all EMI based performing assets is appropriated towards interest, principal of each EMI followed by penal interest and then charges. For Non-performing assets, appropriation is made towards principal, interest of each EMI followed by oldest penal interest due and then oldest charges for the product defined;
- c) For Micro Finance (JLG) Loans recoveries would be appropriated towards instalment(s) outstanding and on partial collection appropriation will be in the sequence of first Interest component of oldest EMI followed by Principal component of oldest EMI, and so on both for standard and NPA accounts;
- d) Relationship Management Based products, recoveries is appropriated towards Outstanding;
- e) Penal Interest or Overdue Principal Interest and charges are recognized on collection basis except in case of Relationship Management based products where such penal interest or charges are recognized on accrual basis;
- f) Loan processing fees collected from the borrowers is recognized over the tenure of the loan;
- g) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due;
- h) Recoveries in respect of debts written off are recognized in the year in which such amounts is recovered and the same are disclosed under "Other Income".
- i) Fees paid / received for priority sector lending certificates (PSLC) is recognised upfront;
- j) 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;
- k) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate.
- l) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis;
- m) Dividend is accounted on an accrual basis when the right to receive the dividend is established;
- n) Income from distribution of third party products is recognised on the basis of business booked;
- o) Recoveries in respect of purchase of Direct Assignment pools are to be appropriated as per appropriation methodology followed by the originators; and
- p) All other fees are accounted for as and when they become due and when service is rendered.

B Advances

i) Accounting and Classification

Advances are classified as performing and non-performing (NPA) as per RBI guidelines. Restructured assets are classified and provided for in accordance with the guidelines issued by the RBI from time to time. In respect of advances where resolution plan is under implementation or implemented under the RBI guidelines on "Resolution Framework for COVID 19-related Stress" and "Micro, Small and Medium Enterprises (MSME) Sector – Restructuring of Advances"

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances / 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 reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. In accordance with the RBI guidelines on the prudential framework for resolution of stressed assets and the resolution framework for COVID-19 related stress, the Bank in accordance with its Board approved policy, carried out one-time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said RBI guidelines.

ii) Inter Bank participation Certificate

The Bank enters into Inter Bank Participation with risk sharing as issuing Bank and the aggregate amount of participation are reduced from the aggregate loan outstanding.

iii) 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.

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 'Other Liabilities and Provisions'.

Loans reported as fraud are classified appropriately as per relevant RBI guidelines and fully provided for immediately without considering the value of security.

iv) Floating Provision

The Bank recognises floating provision as per the Board approved policy, which is in addition to the specific, contingent and general provisions made by the Bank. The floating provision will be 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 for NNPA Ratio and is included in 'Other Liabilities and Provisions'.

C Investments

Classification and valuation of Bank's Investments is carried out in accordance with relevant RBI guidelines/directions 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 value 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 ("PDAP") 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 Rs.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 and 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 and Reverse 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 and Loss.

vii) Investment Fluctuation Reserve.

Out of net profits earned during the year, transfer is made to Investment Fluctuation Reserve, for an amount not less than the lower of the (a) net profit on sale of investments during the year (b) net profit for the year less mandatory appropriations, till the balance in such Investment Fluctuation Reserve reaches a level of at least 2% of the aggregate HFT and AFS portfolio. Draw down, if any, from the Investment Fluctuation Reserve shall be in accordance with the applicable RBI guidelines.

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.

Capital work in progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. For assets purchased/ sold during the year, depreciation is being provided on pro rata basis by the Bank. 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 the 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. The cost of an intangible asset comprises its purchase price including after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. 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. For assets purchased/ sold during the year, amortisation is being provided on pro rata basis by the Bank.

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. Depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

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 Derivatives

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 in terms of Section 52 of the Companies Act, 2013.

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').

The Bank has formulated Employees Stock Option Schemes, and the policy will be applicable to all scheme. The Bank measures compensation cost relating to employee stock options using the Fair value method as per the Guidance Note on 'Accounting for Employee Share based Payments' issued by the ICAI and same is charged to Restated Summary Statement of Profit & Loss.

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 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 recognised upfront and is treated as 'Miscellaneous Income'.

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

Note 20

20.1.1 Capital

Capital Adequacy Ratio is computed as per operating guidelines issued by RBI for Small Finance Banks and amended thereafter.

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i)	Common Equity Tier 1 (CET) capital	18,448.22	14,207.60	12,565.15
ii)	Additional Tier 1 capital	-	-	-
iii)	Tier 1 capital (i + ii)	18,448.22	14,207.60	12,565.15
iv)	Tier 2 capital	2,412.29	2,757.01	1,192.53
v)	Total capital (Tier 1+Tier 2)	20,860.51	16,964.61	13,757.68
vi)	Total Risk Weighted Assets (RWAs)	101,058.93	78,570.51	62,877.17
vii)	Common Equity Tier 1 (CET) capital ratio (%)	18.25%	18.08%	19.98%
viii)	Tier I capital ratio (%)	18.25%	18.08%	19.98%
ix)	Tier II capital ratio (%)	2.39%	3.51%	1.90%
x)	Total capital ratio (CRAR) (%)	20.64%	21.59%	21.88%
xi)	Leverage Ratio	9.55%	9.49%	10.38%
xii)	Percentage of the shareholding of the Government of India in public sector banks	-	-	-
xiii)	Amount of paid-up equity capital raised *	8.14	1,500.25	2,404.70
xiv)	Amount of additional Tier I capital raised	-	-	-
xv)	Amount of Tier II capital raised (Refer 20.1.2) below)	-	-	1,950.00

* includes share premium of ₹ 4.30 millions (31 March 2022: ₹1028.40 millions against the fresh issue of equity shares, 31 March 2021: ₹1514.05 millions against the fresh issue of equity shares)

Notes:

- 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.
- 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 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.

20.1.2 Tier II Capital

The Bank has not acquired Basel II compliant debt capital instruments during the year ended 31 March 2023 (31 March 2022: Nil, 31 March 2021: ₹1950 millions) details of which are as follows:

(₹ in millions)

For the year ended 31 March 2021					
Particulars	Nature of Security	Date of Issue	Coupon Rate %	Tenure	Amount
IDFC First Bank	Non-Convertible Debenture	26-Jun-20	12.50	84 months	1,950.00
Total					1,950.00

Note: On 20 June, 2020, the Bank issued “12.50% Non Convertible Debentures (NCDs)” to IDFC First Bank Limited aggregating ₹1,950 millions. Necessary RBI reporting was done on 29 June 2020. Department of Regulation, RBI Central Office, vide its letter dated 13 January 2021 has advised us that the offer document of the NCDs not being in compliant with relevant RBI instructions, these instruments do not qualify for inclusion in Tier II capital. The Bank, basis the legal opinion obtained in the matter and having reviewed the relevant documentation, is of the view that the said issue of NCDs is in compliance with RBI guidelines. The Bank, vide its letter dated 10 March 2021 has made a detailed submission alongwith supporting documents, to RBI requesting it to consider the NCDs as eligible Tier II capital instrument. Pending approval/response from RBI, the bank had not considered the NCD in the financial year 2021 for Tier II capital. As per RBI confirmation received on 01 July 2021, the NCD has been considered in Tier II capital as on 31 March 2022. Had the Bank considered above NCD as part of Tier II capital as on 31 March 2021, the ratio would have been 24.98%.

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.1.3 Capital Infusion

During the year ended 31 March 2023, the Bank has issued 213,025 and 170,116 equity shares to employees and MD & CEO respectively under ESOP scheme having face value of ₹10 each at a premium of ₹17.00 and ₹4.01 respectively for cash aggregating to ₹8,135,000. Accordingly, share capital increased by Rs. 38,31,410 and share premium increased by Rs. 43,03,590.

During the year ended 31 March 2022, the Bank has issued 47,169,809 equity shares as fresh issue and 17,844 equity shares under ESOP scheme having face value of ₹10 each at a premium of ₹21.80 and ₹4.01 respectively for cash aggregating to ₹1,500,249,920.

During the year ended 31 March 2021, the Bank has issued 89,061,647 equity shares having face value of ₹10 each at a premium of ₹17 each for cash aggregating to ₹2,404,664,469 on 08 March 2021.

(₹ in millions except share data)

	Particulars	For the year ended 31 March 2023		For the year ended 31 March 2022		For the year ended 31 March 2021	
		Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
(i)	Outstanding as at the beginning of the year	895,521,522	8,955.22	848,333,869	8,483.34	759,272,222	7,592.72
(ii)	Shares issued during the year	383,141	3.83	47,187,653	471.88	89,061,647	890.62
	Outstanding at the end of the year	895,904,663	8,959.05	895,521,522	8,955.22	848,333,869	8,483.34

20.2.1 Asset Liability Management

Maturity pattern of certain items of assets and liabilities is given below:

(₹ in millions)

	Particulars	As at 31 March 2023					
		Deposits	Loans & Advances*	Investments	Borrowings**	Foreign currency Assets	Foreign currency Liabilities
(i)	1 day	687.44	913.37	1,419.07	0.13	-	-
(ii)	2 to 7 days	5,784.05	936.96	2,371.51	0.76	-	-
(iii)	8 to 14 days	3,514.31	1,407.60	1,305.40	167.19	-	-
(iv)	15 to 30 Days	2,697.36	2,845.53	657.63	2.03	-	-
(v)	31 Days to 2 months	4,054.20	6,011.49	927.73	440.52	-	-
(vi)	Over 2 months to 3 months	4,666.09	5,888.79	1,017.61	433.84	-	-
(vii)	Over 3 months to 6 months	22,270.68	17,281.76	3,847.04	3,166.91	-	-
(viii)	Over 6 months to 1 year	25,358.25	30,924.28	4,522.46	4,534.05	-	-
(ix)	Over 1 year to 3 years	65,537.39	43,258.01	11,779.62	12,349.09	-	-
(x)	Over 3 years to 5 years	1,983.91	6,501.67	639.65	2,243.98	-	-
(xi)	Over 5 years	547.72	14,718.21	106.51	156.25	-	-
	Total	137,101.40	130,687.67	28,594.23	23,494.75	-	-

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.2.1 Asset Liability Management

Maturity pattern of certain items of assets and liabilities is given below:

(₹ in millions)

	Particulars	As at 31 March 2022					
		Deposits	Loans & Advances*	Investments	Borrowings**	Foreign currency Assets	Foreign currency Liabilities
(i)	1 day	633.53	1,298.83	377.13	0.10	-	-
(ii)	2 to 7 days	4,123.37	957.36	831.21	0.70	-	-
(iii)	8 to 14 days	1,206.12	794.60	1,668.44	0.800	-	-
(iv)	15 to 30 Days	7,990.12	2,694.82	1,625.63	1.80	-	-
(v)	31 Days to 2 months	5,023.83	4,703.73	1,479.65	170.00	-	-
(vi)	Over 2 months to 3 months	4,054.13	4,748.22	806.92	1,670.00	-	-
(vii)	Over 3 months to 6 months	16,052.17	14,215.62	2,635.47	2,643.50	-	-
(viii)	Over 6 months to 1 year	22,532.39	26,028.58	4,928.37	6,257.30	-	-
(ix)	Over 1 year to 3 years	38,056.48	34,813.57	8,641.69	12,606.10	-	-
(x)	Over 3 years to 5 years	487.60	5,157.91	127.15	414.40	-	-
(xi)	Over 5 years	582.10	6,868.23	357.58	1,954.60	-	-
	Total	100,741.83	102,281.47	23,479.24	25,719.30	-	-

(₹ in millions)

	Particulars	As at 31 March 2021					
		Deposits	Loans & Advances*	Investments	Borrowings**	Foreign currency Assets	Foreign currency Liabilities
(i)	1 day	310.03	1,403.43	7,353.06	0.10	-	-
(ii)	2 to 7 days	2,669.24	777.80	351.17	0.61	-	-
(iii)	8 to 14 days	3,648.82	917.06	874.63	3,000.71	-	-
(iv)	15 to 30 Days	1,918.40	2,546.99	252.55	1.62	-	-
(v)	31 Days to 2 months	2,370.82	4,228.05	844.52	203.12	-	-
(vi)	Over 2 months to 3 months	3,619.30	4,371.80	498.39	169.75	-	-
(vii)	Over 3 months to 6 months	11,908.86	12,572.34	2,215.65	3,031.76	-	45.70
(viii)	Over 6 months to 1 year	13,133.30	21,713.12	2,946.35	2,457.93	-	45.70
(ix)	Over 1 year to 3 years	34,490.50	29,654.03	7,056.05	12,539.92	-	-
(x)	Over 3 years to 5 years	536.67	2,834.78	428.01	2,717.33	-	-
(xi)	Over 5 years	469.74	1,149.18	318.97	1,955.40	-	-
	Total	75,075.68	82,168.58	23,139.35	26,078.25	-	91.40

* amounts disclosed are net off provision for non-performing assets

** includes foreign currency liabilities Nil (31 March 2022: NIL, ₹91.4 millions for 31 March 2021)

Notes:

1. 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
2. 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 for FY 2019-20.
3. 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.

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.2.2 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
Notes forming part of the Restated Financial Information

Quantitative Disclosures

Following is the quantitative disclosures relating to LCR for the year ended 31 March 2023 , wherein the amounts are average of daily positions during the quarter:

(₹ in millions)

	Particulars	Quarter ended 31 March 2023		Quarter ended 31 December 2022		Quarter ended 30 September 2022		Quarter ended 30 June 2022	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	-	31,568.34	-	28,058.11	-	27,367.68	-	30,893.51
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	58,822.31	5,850.02	52,383.54	5,211.95	47,594.07	4,735.68	44,513.70	4,429.43
(i)	Stable Deposits	644.14	32.21	528.03	26.40	474.55	23.73	438.85	21.94
(ii)	Less Stable Deposits	58,178.17	5,817.82	51,855.51	5,185.55	47,119.52	4,711.95	44,074.85	4,407.49
3	Unsecured wholesale funding, of which:	32,444.37	21,987.35	26,085.45	15,936.36	27,524.95	17,513.90	27,952.22	17,706.31
(i)	Operational deposits (all counterparties)	6,665.38	661.87	5,899.25	586.97	5,685.85	566.38	4,912.36	489.37
(ii)	Non-operational deposits (all counterparties)	7,422.51	2,969.01	8,061.33	3,224.53	8,152.64	3,261.06	9,704.88	3,881.95
(iii)	Unsecured debt	18,356.47	18,356.47	12,124.87	12,124.87	13,686.46	13,686.46	13,334.99	13,334.99
4	Secured wholesale funding	-	-	-	-	-	-	-	-
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	556.45	556.45	780.28	780.28	798.04	798.04	277.67	277.67
7	Other contingent funding obligations	10,397.25	514.75	7,401.94	365.05	6,219.06	306.72	5,963.52	294.45
8	TOTAL CASH OUTFLOWS	-	28,908.57	-	22,293.65	-	23,354.34	-	22,707.86
Cash Inflow									
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	19,351.53	14,609.17	18,459.25	13,966.98	14,406.75	10,526.71	9,582.41	6,073.39
11	Other cash inflows	120.63	60.31	110.90	55.45	107.64	53.82	119.88	59.94
12	TOTAL CASH INFLOWS	19,472.16	14,669.49	18,570.15	14,022.44	14,514.39	10,580.53	9,702.29	6,133.33
13	TOTAL HQLA	-	31,568.34	-	28,058.11	-	27,367.68	-	30,893.51
14	Total Net Cash Outflows (8-12)	-	14,239.09	-	8,271.21	-	12,773.81	-	16,574.53
	Liquidity Coverage Ratio (%)		221.70%		339.23%		214.25%		186.39%

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

Quantitative Disclosures

Following is the quantitative disclosures relating to LCR for the year ended 31 March 2022 , wherein the amounts are average of daily positions during the quarter:

(₹ in millions)

	Particulars	Quarter ended 31 March 2022		Quarter ended 31 December 2021		Quarter ended 30 September 2021		Quarter ended 30 June 2021	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		27,265.98		34,279.06		36,742.50		38,575.08
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:		4,184.94		3,910.13		3,621.90		3,453.10
(i)	Stable Deposits	407.59	20.38	442.74	22.14	1,058.50	52.90	1,100.04	55.00
(ii)	Less Stable Deposits	41,644.65	4,164.47	38,879.88	3,887.99	35,689.50	3,569.00	33,980.74	3,398.10
3	Unsecured wholesale funding, of which:	23,114.74	15,349.21	18,590.70	12,157.92	19,622.14	13,848.80	21,253.63	14,333.60
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	10,768.47	3,002.94	8,852.22	2,419.43	7,782.70	2,009.30	9,650.03	2,730.00
(iii)	Unsecured debt	12,346.27	12,346.27	9,738.54	9,738.54	11,839.40	11,839.40	11,603.60	11,603.60
4	Secured wholesale funding	-	-	-	-	-	-	-	-
5	Additional requirements, of which	-	261.93	-	269.16	-	268.00	-	246.10
(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	5,238.55	261.93	5,383.23	269.16	5,360.80	268.00	4,922.80	246.10
6	Other contractual funding obligations	556.39	556.39	3,625.68	3,625.68	6,373.10	6,373.10	5,494.70	5,494.70
7	Other contingent funding obligations	162.63	4.88	141.65	4.25	213.00	6.40	-	-
8	TOTAL CASH OUTFLOWS		20,357.25		19,967.19		24,118.20		23,527.50
Cash Inflow									
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	5,477.88	2,738.94	5,214.72	2,607.36	5,082.30	2,541.10	4,994.90	2,497.40
11	Other cash inflows	1,948.77	1,892.00	1,836.76	1,802.43	1,141.20	890.90	954.80	954.80
12	TOTAL CASH INFLOWS	7,426.65	4,630.94	7,051.48	4,409.79	6,223.50	3,432.00	5,949.70	3,452.20
13	TOTAL HQLA		27,265.98		34,279.06		36,742.50		38,575.08
14	Total Net Cash Outflows (8-12)		15,726.31		15,557.40		20,686.20		20,075.30
	Liquidity Coverage Ratio (%)		173.38%		220.34%		177.62%		192.15%

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

Quantitative Disclosures

Following is the quantitative disclosures relating to LCR for the year ended 31 March 2021, wherein the amounts are average of daily positions during the quarter:

(₹ in millions)

	Particulars	Quarter ended 31 March 2021		Quarter ended 31 December 2020		Quarter ended 30 September 2020		Quarter ended 30 June 2020	
		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)		30,672.18		32,054.37		30,915.19		25,745.00
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	32,405.30	3,182.49	27,834.71	2,748.45	24,381.64	2,410.32	20,276.06	1,996.03
(i)	Stable Deposits	1,161.47	58.09	700.39	35.02	556.92	27.85	631.43	31.57
(ii)	Less Stable Deposits	31,243.83	3,124.40	27,134.32	2,713.40	23,824.72	2,382.47	19,644.63	1,964.46
3	Unsecured wholesale funding, of which:	18,513.61	12,946.00	13,885.51	9,336.20	13,486.68	8,551.00	11,656.35	7,117.10
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	7,554.91	1,987.30	6,091.31	1,542.00	5,760.92	825.20	5,512.65	973.40
(iii)	Unsecured debt	10,958.70	10,958.70	7,794.20	7,794.20	7,725.80	7,725.80	6,143.70	6,143.70
4	Secured wholesale funding		-		-		1,203.30		-
5	Additional requirements, of which	3,203.42	160.20	3,031.37	151.57	2,762.85	138.14	2,423.14	121.20
(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	3,203.42	160.20	3,031.37	151.57	2,762.85	138.14	2,423.14	121.20
6	Other contractual funding obligations	5,595.50	5,595.50	4,727.09	4,727.09	2,525.71	2,525.71	1,293.69	1,293.70
7	Other contingent funding obligations	-	-	-	-	-	-	-	-
8	TOTAL CASH OUTFLOWS		21,884.19		16,963.32		14,828.42		10,528.10
Cash Inflow									
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	4,810.24	2,405.12	4,595.00	2,297.50	1,641.12	820.56	-	-
11	Other cash inflows	1,282.40	1,282.40	2,198.54	2,198.54	2,178.51	2,178.51	716.94	716.94
12	TOTAL CASH INFLOWS	6,092.64	3,687.52	6,793.54	4,496.04	3,819.63	2,999.07	716.94	716.94
13	TOTAL HQLA		30,672.18		32,054.37		30,915.19		25,745.00
14	Total Net Cash Outflows (8-12)		18,196.67		12,467.28		11,829.35		9,811.16
	Liquidity Coverage Ratio (%)		168.56%		257.11%		261.34%		262.41%

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

Notes forming part of the Restated Financial Information

18.2.3 Net Stable Funding Ratio (NSFR)

Qualitative disclosure around NSFR

In the backdrop of the global financial crisis that started in 2007, the Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking sector. In this regard, comes into picture – “Basel III: International framework for liquidity risk measurement, standards and monitoring” which presented two minimum standards, viz., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for funding liquidity.

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. “Available stable funding” (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon of one year. The amount of stable funding required (“Required stable funding”) (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

Minimum Requirement: $ASF(Available\ Stable\ Funding)/RSF(Require\ Stable\ Funding) \geq 100$. The Bank is required to maintain the NSFR on an ongoing basis on a standalone basis. The minimum NSFR requirement set out in the RBI guideline effective October 1, 2021 is 100%.

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.

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.

Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2023
Quantitative Disclosures

Following is the quantitative disclosures relating to NSFR for the year ended 31 March 2023, wherein the amounts are average of daily

(₹ in millions)

NSFR Disclosure						
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	ASF Item					
1	Capital: (2+3)	20,003.97	-	-	-	20,003.97
2	Regulatory capital	20,003.97	-	-	-	20,003.97
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	-	44,583.25	-	41,575.78
5	Stable deposits	-	-	29,017.03	-	27,566.18
6	Less: stable deposits	-	-	15,566.22	-	14,009.60
7	Wholesale funding: (8+9)	-	-	57,024.25	-	28,512.13
8	Operational deposits	-	-	48,302.18	-	24,151.09
9	Other wholesale funding	-	-	8,722.07	-	4,361.03
10	Other liabilities: (11+12)	-	-	10,519.98	58,964.74	58,964.74
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities and equity not included in the above categories	-	-	10,519.98	58,964.74	58,964.74
13	Total ASF (1+4+7+10)	20,003.97	-	112,127.49	58,964.74	149,056.62
	RSF Item	-	-	-	-	-
14	Total NSFR high-quality liquid assets (HQLA)	11,920.57	-	18,135.40	-	906.77
15	Deposits held at other financial institutions for operational purposes	-	-	647.42	-	323.71
16	Performing loans and securities: (17+18+19+21+23)	-	4,873.93	118,120.59	113.82	79,423.76
17	Performing loans to financial institutions secured by Level 1 HQLA	-	4,873.93	-	-	731.09
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	3,063.49	-	1,531.75
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	-	-	115,057.10	113.82	77,160.93
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23	Securities that are not in default and do not qualify as HQLA, including exchange traded equities	-	-	-	-	-
24	Other assets: (sum of rows 25 to 29)	-	-	-	8,601.25	8,601.25
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR derivative assets	-	-	-	-	-
28	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	-	-	-	8,601.25	8,601.25
30	Off-balance sheet items	-	-	11,830.47	-	586.41
31	Total RSF	11,920.57	4,873.93	148,733.88	8,715.07	89,841.90
32	Net Stable Funding Ratio (%)	-	-	-	-	165.91%

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.3 Investments

20.3.1 Composition of Investments:

Composition of Investments as at 31 March 2023

(₹ in millions)

	Investments in India							Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	
Held to Maturity												
Gross	25,603.57	-	-	-	-	-	25,603.57					25,603.57
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-					-
Net	25,603.57	-	-	-	-	-	25,603.57					25,603.57
												-
Available for Sale												
Gross	-	-	-	-	-	2,990.65	2,990.65					2,990.65
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-					-
Net	-	-	-	-	-	2,990.65	2,990.65					2,990.65
												-
Held for Trading												
Gross	-	-	-	-	-	-	-					-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-					-
Net	-	-	-	-	-	-	-					-
												-
Total Investments	25,603.57	-	-	-	-	2,990.65	28,594.22					28,594.22
Less: Provision for non-performing investments	-	-	-	-	-	-	-					-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-					-
Net	25,603.57	-	-	-	-	2,990.65	28,594.22					28,594.22

20.3 Investments

20.3.1 Composition of Investments:

Composition of Investments as at 31 March 2022 (₹ in millions)

	Investments in India							Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	
Held to Maturity												
Gross	19,633.51	-	-	-	-	-	19,633.51					19,633.51
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-					-
Net	19,633.51	-	-	-	-	-	19,633.51					19,633.51
Available for Sale												
Gross	895.23	-	-	-	-	2,994.71	3,889.94					3,889.94
Less: Provision for depreciation and NPI	44.20	-	-	-	-	-	44.20					44.20
Net	851.03	-	-	-	-	2,994.71	3,845.74					3,845.74
Held for Trading												
Gross	-	-	-	-	-	-	-					-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-					-
Net	-	-	-	-	-	-	-					-
Total Investments	20,528.74	-	-	-	-	2,994.71	23,523.45					23,523.45
Less: Provision for non-performing investments	-	-	-	-	-	-	-					-
Less: Provision for depreciation and NPI	44.20	-	-	-	-	-	44.20					44.20
Net	20,484.54	-	-	-	-	2,994.71	23,479.25					23,479.25

Composition of Investments as at 31 March 2021

	Investments in India							Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	
Held to Maturity												
Gross	13,879.41	-	-	-	-	-	13,879.41					13,879.41
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-					-
Net	13,879.41	-	-	-	-	-	13,879.41					13,879.41
Available for Sale												
Gross	7,801.56	-	-	1,168.30	-	483.71	9,453.57					9,453.57
Less: Provision for depreciation and NPI	192.40	-	-	1.20	-	-	193.60					193.60
Net	7,609.16	-	-	1,167.10	-	483.71	9,259.97					9,259.97
Held for Trading												
Gross	-	-	-	-	-	-	-					-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-					-
Net	-	-	-	-	-	-	-					-
Total Investments	21,680.97	-	-	1,168.30	-	483.71	23,332.98					23,332.98
Less: Provision for non-performing investments	-	-	-	-	-	-	-					-
Less: Provision for depreciation and NPI	192.40	-	-	1.20	-	-	193.60					193.60
Net	21,488.57	-	-	1,167.10	-	483.71	23,139.38					23,139.38

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.3.2 Movement of provisions for depreciation and investment fluctuation reserve:

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i)	Movement of provisions held towards depreciation on investments			
a)	Opening balance	44.22	193.60	0.62
b)	Add: Provisions made during the year	-	44.22	193.60
c)	Less: Write off/write back of excess provisions during the year	44.22	193.60	0.62
d)	Closing balance	-	44.22	193.60
ii)	Movement of Investment Fluctuation Reserve *			
a)	Opening balance	77.84	189.11	52.41
b)	Add: Amount transferred during the year	-	30.59	141.70
c)	Less: drawdown during the year	18.00	141.86	5.00
d)	Closing balance	59.84	77.84	189.11
iii)	Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category	2.00%	2.00%	2.00%

* draw down from Investment Fluctuation Reserve due to reduction in AFS and HFT investment portfolio.

20.3.3 Sale and transfers to/from HTM category:

For the year ended 31 March 2023 and for the years ended 31 March 2022 and 31 March 2021 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 each year.

In accordance with the RBI guidelines, Where the value of sales and transfers of securities to/from HTM category exceeds 5 per cent of the book value of investments held in HTM category at the beginning of each year, banks shall disclose the market value of the investments held in the HTM category. The excess of book value over market value for which provision is not made shall also be disclosed. The 5 per cent threshold referred to above shall exclude:

- The one-time transfer of securities to/from HTM category with the approval of Board of Directors undertaken by banks at the beginning of the accounting year.
- Direct sales from HTM for bringing down SLR holdings in HTM category consequent to a downward revision in SLR requirements by RBI.
- Sales to the Reserve Bank of India under liquidity management operations of RBI like Open Market Operations (OMO) and the Government Securities Acquisition Programme (GSAP).
- Repurchase of Government Securities by Government of India from banks under buyback / switch operations.
- Repurchase of State Development Loans by respective state governments under buyback / switch operations.
- Additional shifting of securities explicitly permitted by the Reserve Bank of India.

20.3.4 Non-SLR investment portfolio

Non-performing non-SLR investments

(₹ in millions)

	Particulars	As at 31-Mar-23	As at 31-Mar-22	As at 31-Mar-21
a)	Opening balance	-	-	-
b)	Add: Addition during the year	-	-	-
c)	Less: Reduction during the year	-	-	-
d)	Closing balance	-	-	-
e)	Total provision held	-	-	-

20.3.5 Issuer Composition of Non-SLR investments (investments not qualifying for the purpose of Statutory Liquidity Ratio (SLR) prescribed by RBI):

Issuer composition as at 31 March 2023 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	246.03	-	-	-	-
3	Banks	2,744.62	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	2,990.65	-	-	-	-

Issuer composition as at 31 March 2022 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	998.98	-	-	-	-
3	Banks	1,496.69	-	-	-	-
4	Private Corporates	499.04	-	-	-	-
5	Subsidiaries/Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	2,994.71	-	-	-	-

Issuer composition as at 31 March 2021 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	407.11	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/Joint ventures	-	-	-	-	-
6	Others	1,244.90	235.92	-	-	-
7	Provisions held towards depreciation	(1.20)	-	-	-	-
	Total	1,650.81	235.92	-	-	-

20.3.6 Repo/Reverse Repo/MSF Transactions for the year ended 31 March 2023 (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 2023
A	Securities sold under repo				
i.	Government securities	1,445.29	2,283.63	2,207.15	1,445.29
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-
B	Securities purchased under reverse repo				
i.	Government securities	-	13,649.50	2,371.53	-
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-

Repo/Reverse Repo/MSF Transactions for the year ended 31 March 2022 (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 2022
A	Securities sold under repo				
i.	Government securities	836.44	14,213.90	5,592.00	2,268.97
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-
B	Securities purchased under reverse repo				
i.	Government securities	9.12	17,265.66	6,689.15	12,023.87
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-

Repo/Reverse Repo/MSF Transactions for the year ended 31 March 2021 (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 2021
A	Securities sold under repo				
i.	Government securities	836.44	7,085.95	4,295.65	836.44
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-
B	Securities purchased under reverse repo				
i.	Government securities	8.13	14,504.44	9,100.66	8,300.00
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-

(i) The days on which there were Nil outstanding have been ignored while arriving at the amount of minimum outstanding during the year/year.

(ii) Actual number of days of transactions have been considered in computation of daily average outstanding during the year/year.

(iii) In respect of triparty repo and triparty reverse repo transactions, amount of funds borrowed or lent have been disclosed in the tables above

20.4 Asset Quality

20.4.1 Classification of advances and provisions held

(₹ in millions)

		As at 31 March 2023					
Particulars		Standard Advances	Non-performing Advances			Total Non-performing Advances	Total
			Sub-standard	Doubtful	Loss		
(i)	Gross Standard Advances and NPAs						
	(a) Opening balance	99,825.68	6,157.99	323.58	-	6,481.57	106,307.25
	(b) Additions during the year					5,210.77	
	(c) Reductions during the year *					7,377.40	
	(d) Closing balance #	129,256.04	3,526.71	788.33	-	4,315.04	133,571.08
	* Reductions in Gross NPAs due to						
	(i) Up – gradations					2,601.09	
	(ii) Recoveries (excluding recoveries made from up-graded accounts)					948.50	
	(iii) Technical/ Prudential Write-offs					3,695.87	
	(iv) Write-offs / waiver other than those under (iii) above					131.95	
(ii)	Provisions (excluding Floating Provisions)						
	(a) Opening balance	489.21	3,702.96	322.82	-	4,025.77	4,514.98
	(b) Add: Fresh provisions made during the year					4,743.62	
	(c) Less: Excess provision reversed/ Write-off loans**					5,885.97	
	(d) Closing balance	632.48	2,106.35	777.08	-	2,883.42	3,515.90
(iii)	Net NPAs						
	(a) Opening balance		2,455.03	0.76	-	2357.92 ***	
	(b) Fresh Additions during the year****					(361.51)	
	(c) Reductions during the year					1,491.43	
	(d) Closing balance		1,420.36	11.25	-	505.12*****	
(iv)	Floating Provision						
	(a) Opening balance						97.84
	(b) Add: Additional provision made during the year						828.65
	(c) Less: Amount drawdown during the year						-
	(d) Closing balance						926.50
(v)	Technical write-offs and the recoveries made thereon						
	(a) Opening balance						4,304.59
	(b)(i) Add: Technical/ Prudential write-offs during the year						3,695.87
	(c) Less: Recoveries made from previously technical/ prudential written-off accounts during the year						355.11
	(d) Closing balance						7,645.35

		As at 31 March 2022					
Particulars		Standard Advances	Non-performing Advances			Total Non-performing Advances	Total
			Sub-standard	Doubtful	Loss		
(i)	Gross Standard Advances and NPAs						
	(a) Opening balance	81,003.71	3,110.49	42.40	-	3,152.89	84,156.60
	(b) Additions during the year					6,564.16	
	(c) Reductions during the year *					3,235.48	
	(d) Closing balance	99,825.68	6,157.99	323.58	-	6,481.57	106,307.25
	* Reductions in Gross NPAs due to						
	(i) Up – gradations					511.08	
	(ii) Recoveries (excluding recoveries made from up-graded accounts)					504.62	
	(iii) Technical/ Prudential Write-offs					2,193.83	
	(iv) Write-offs/Waiver other than those under (iii) above					25.95	
(ii)	Provisions (excluding Floating Provisions)						
	(a) Opening balance	383.46	1,945.62	42.40	-	1,988.02	2,371.48
	(b) Add: Fresh provisions made during the year					4,723.13	
	(c) Less: Excess provision reversed/ Write-off loans**					2,685.38	
	(d) Closing balance	489.21	3,702.96	322.82	-	4,025.77	4,514.98
(iii)	Net NPAs						
	(a) Opening balance		1,164.87	-	-	1,088.14***	
	(b) Fresh Additions during the year					1,793.93	
	(c) Reductions during the year					524.15	
	(d) Closing balance		2,455.03	0.76	-	2,357.92 ****	
(iv)	Floating Provision						
	(a) Opening balance						76.69
	(b) Add: Additional provision made during the year						21.15
	(c) Less: Amount drawdown during the year						-
	(d) Closing balance						97.84
(v)	Technical write-offs and the recoveries made thereon						
	(a) Opening balance						2,405.38
	(b) Add: Technical/ Prudential write-offs during the year						2,193.83
	(c) Less: Recoveries made from previously technical/prudential written-off accounts during the year *****						294.62
	(d) Closing balance						4,304.59

	Particulars	As at 31 March 2021					Total
		Standard Advances	Non-performing Advances			Total Non-performing Advances	
			Sub-standard	Doubtful	Loss		
(i)	Gross Standard Advances and NPAs						
	(a) Opening balance	62,642.90	410.08	36.47	-	446.55	63,089.45
	(b) Additions during the year					3,095.79	
	(c) Reductions during the year *					389.45	
	(d) Closing balance	81,003.71	3,110.49	42.40	-	3,152.89	84,156.60
	* Reductions in Gross NPAs due to						
	(i) Up – gradations						
	(ii) Recoveries (excluding recoveries made from up-graded accounts)					29.77	
	(iii) Technical/ Prudential Write-offs					6.43	
	(iv) Write-offs other than those under (iii) above					353.26	
(ii)	Provisions (excluding Floating Provisions)						
	(a) Opening balance	310.67	237.02	36.47	-	273.49	584.16
	(b) Add: Fresh provisions made during the year					2,089.14	
	(c) Less: Excess provision reversed/ Write-off loans**					374.61	
	(d) Closing balance	383.46	1,945.62	42.40	-	1,988.02	2,371.48
(iii)	Net NPAs						
	(a) Opening balance		173.06	-	-	110.94***	
	(b) Fresh Additions during the year					992.10	
	(c) Reductions during the year					14.90	
	(d) Closing balance		1,164.87	-	-	1088.14****	
(iv)	Floating Provision						
	(a) Opening balance						62.13
	(b) Add: Additional provision made during the year						14.56
	(c) Less: Amount drawdown during the year						-
	(d) Closing balance						76.69
(v)	Technical write-offs and the recoveries made thereon						
	(a) Opening balance						2,095.52
	(b) Add: Technical/ Prudential write-offs during the year						353.26
	(c) Less: Recoveries made from previously technical/ prudential written-off accounts during the year						43.40
	(d) Closing balance						2,405.38

** Write back includes excess provision ₹2070.26 millions and Reversal on account of write off ₹3695.87 millions (31 March 2022: Write back includes excess provision ₹491.54 millions and Reversal on account of write off ₹2193.83 millions , 31 March 2021 Write back includes excess provision ₹21.30 millions and Reversal on account of write off ₹353.30 millions)

*** net off floating provisions amounting to ₹97.84 millions (31 March 2022: ₹76.69 millions , 31 March 2021: ₹62.13 millions)

**** net off floating provisions amounting to ₹828.60 millions (31 March 2022: ₹21.15 millions , 31 March 2021: ₹14.56 millions)

***** net off floating provisions amounting to ₹926.45 millions (31 March 2022: ₹97.84 millions , 31 March 2021: ₹76.69 millions)

***** Netted of with moratorium interest capitalised during the year ended 31 March 2023 ₹185.82 millions for contracts already written off as on 31 March 2022.

The movement of NPA and provision for NPA (excluding write off) does not include accounts classified as NPA and were upgraded during the year ended 31 March 2022 and 31 March 2021

***** Moratorium Interest capitalised during the year ended 31 March 2023 Rs.185.82 for contracts already written off as on 31 March 2022

The closing NPA Provision of 31 March 2022 includes provision against fraud cases amounting to ₹26.9 millions.

During the year ended 31 March 2022 with effect from January 2022, the Bank revised its Non-Performing Asset (NPA) provisioning policy in relation to secured portfolio which is in line with RBI guidelines. The Impact of such change resulted in provisioning of ₹(20.4) millions for the year ended 31 March 2023 (₹31.2 millions for the quarter ended 31 March 2022).

Bank had accelerated the provisioning matrix by 15% for all sub-standard advances in March 2021 Quarter, which was continued till June 2021. From July 2021 onwards considering the current analysis of portfolio and collection, Bank has changed its provisioning matrix which is higher than prescribed by RBI and from January 2022 onwards for the secured and unsecured portfolio classified as NPA. The Impact of such change in provisioning is ₹897.57 millions.

During the year ended March 2021, the Bank has made change in accounting estimate with respect to provision towards NPA portfolio. As a result, provisions and contingencies for the year ended 31 March, 2021 are higher by ₹466.6 millions followed by corresponding reduction to the profit before tax.

Closing balance is net of IBPC of ₹6,000 millions as on 31 March 2023 (31 March 2022: Nil, 31 March 2021: Nil)

Ratios (in %)	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Gross NPA to Gross Advances	3.23%	6.10%	3.75%
Net NPA to Net Advances	0.39%	2.31%	1.33%
Provision coverage ratio	88.29%	63.62%	65.49%

Utkarsh Small Finance Bank Limited
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20.4.2 Sector Wise Advances and Gross NPAs:

(₹ in millions)

Sr. No.	Sector	As at 31 March 2023		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector #
A	Priority Sector*			
1	Agriculture and allied activities	60,545.28	2,575.66	2.46%
2	Advances to industries sector eligible as priority sector lending	4,865.71	19.53	0.02%
	Vehicle, Vehicle parts and Transport Equipments	1,315.16	3.55	0.00%
	Other Industries	3,370.89	15.98	0.02%
3	Services	11,956.39	35.74	0.03%
	Trade	2,744.06	6.06	0.01%
	Other Services	8,642.43	29.69	0.03%
4	Personal loans	27,331.27	1,286.03	1.23%
	Housing	2,045.17	100.48	0.10%
	Others	25,286.10	1,185.55	1.13%
	Sub-total (A)	104,698.65	3,916.96	3.74%
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	0.00%
2	Industry	-	-	0.00%
3	Services	-	-	0.00%
4	Personal loans	28,872.43	398.07	1.38%
	Housing	3,301.11	169.99	0.59%
	Loans against Properties	3,918.68	45.85	0.16%
	Advances against Fixed Deposits	2,007.88	-	0.00%
	Others	18,116.11	178.52	0.62%
	Sub-total (B)	28,872.43	398.07	1.38%
	Total (A+B)	133,571.08	4,315.03	3.23%

(₹ in millions)

Sr. No.	Sector	As at 31 March 2022		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector #
A	Priority Sector*			
1	Agriculture and allied activities	57,563.70	4,354.40	4.93%
2	Advances to industries sector eligible as priority sector lending	6,935.30	381.00	0.43%
	Textiles	2,218.50	153.80	0.17%
	Vehicle, Vehicle parts and Transport Equipment	1,288.70	41.00	
	Food Processing	991.90	96.00	0.11%
3	Services	20,623.00	1,277.60	1.45%
	Trade	13,780.50	622.40	0.71%
	Other services	4,386.20	563.50	0.64%
4	Personal loans	3,160.20	164.30	0.19%
	Housing	1,734.40	71.30	0.08%
	Vehicle	1,267.40	-	0.00%
	Sub-total (A)	88,282.20	6,177.30	7.00%
B	Non Priority Sector			
1	Agriculture and allied activities	74.20	-	0.00%
2	Industry	1,425.50	11.00	0.06%
	Vehicle, Vehicle parts and Transport Equipment	1,150.40	10.80	0.06%
3	Services	14,512.30	187.90	1.04%
	Non-banking financial companies	8,576.30	-	0.00%
4	Personal loans	2,013.00	105.40	0.58%
	Housing	1,935.50	101.20	0.56%
	Sub-total (B)	18,025.00	304.30	1.69%
	Total (A+B)	106,307.20	6,481.60	6.10%

(₹ in millions)

Sl. No.	Sector	As at 31 March 2021		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector #
A	Priority Sector*			
1	Agriculture and allied activities	48,730.70	2,024.39	2.79%
2	Advances to industries sector eligible as priority sector lending	1,809.41	56.20	0.08%
	All engineering	352.91	10.62	0.01%
	Food processing	399.82	21.62	0.03%
	Wood and wood products	487.91	10.40	0.01%
3	Services	20,232.51	847.36	1.17%
	Trade	9,484.71	299.29	0.41%
	Other services	2,445.78	218.70	0.30%
4	Personal loans	1,724.88	106.17	0.15%
	Housing	1,120.45	13.40	0.02%
	Sub-total (A)	72,497.50	3,034.12	4.19%
B	Non Priority Sector			
1	Agriculture and allied activities	13.91	0.14	0.00%
2	Industry	40.70	0.69	0.01%
	All Engineering	4.40	-	0.00%
	Food processing	9.17	0.18	0.00%
3	Services	10,477.32	82.03	0.70%
	Non-banking financial companies	4,908.03	-	0.00%
4	Personal loans	1,127.17	35.91	0.31%
	Housing	1,122.47	5.92	0.05%
	Sub-total (B)	11,659.10	118.77	1.02%
	Total (A+B)	84,156.60	3,152.89	3.75%

* For loans disbursed prior to 1 July 2020, the existing circular before the below mentioned revised circular was considered for classification of loan under Priority Sector Lending.

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 4 December 2020 with effect from 1 July 2020. 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 / year. Refer Schedule 20.14.4

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.

Expressed as a percentage of outstanding total advances

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.4.3 Overseas Assets, NPAs and Revenue

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Total Assets	-	-	-
Total NPAs	-	-	-
Total Revenue	-	-	-

20.4.4 Particulars of Restructured Accounts:

During the year / years ended 31 March 2023 , 31 March 2022, 31 March 2021 the Bank has not implemented Resolution Plan for any of the borrowers in accordance with the RBI Circular dated 7 June 2019 on Prudential Revised Framework for Resolution of Stressed Assets (“Framework”).

20.4.5 Divergence in asset classification and provisioning:

RBI vide circular no. DOR.ACC.REC.No.74/21.04.018/2022-23 dated 11 October 2022, has directed that banks shall make suitable disclosures, wherever (a) the additional provisioning requirement assessed by RBI exceeds 5 percent of the reported profit before provisions and contingencies for the reference period, or (b) the additional Gross NPA identified by RBI exceeds 5 percent of the published incremental Gross NPA for the reference period, or both. Based on the annual inspection conducted during the year period ended 31 March 2023 with respect to the Bank’s position as at 31 March 2022 there are no reportable matters under (a) and (b) of the above-mentioned circular.

During the previous years ended 31 March 2022 , 31 March 2021 the Bank's position have not been subjected to inspection by RBI and accordingly, the said disclosure is not applicable .

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.4.6 Transfer of loans exposures

(a) Details on loans not in default

- (i) During the year ended 31 March 2023, the Bank has not acquired loans not in default.
(ii) Loans acquired during the year ended 31 March 2022 under the RBI Master Direction on Transfer of Loan Exposure dated 24 December 2021 are given below:

(₹ in millions except
number of months)

Particulars	Retail Segment	
	Assignment (MSME)**	
	Wheels	MSME
Aggregate principal outstanding of loans acquired as at 31 March 2022	780.80	146.70
Weighted average residual maturity (Number of months)	440.90	1044.70
Weighted average holding period (Number of months)*	126.70	102.60
Retention of beneficial economic interest by the originator	10%	10%
Coverage of tangible security (Weighted average LTV)	Weighted Average LTV 90%	Weighted Average LTV 61%
Rating-wise distribution of loans acquired by value	NA	NA

* Weighted average holding period is contract origination date to pool cut off date

** As per SFB operational guidelines to meet the requirement of shortfall in meeting the sub-targets with in 40% PSL target

- (iii) There is no acquisition of loan not in default during the year ended 31 March 2021
(iv) There is no transfer of loan not in default during the year ended 31 March 2023 and during the years ended 31 March 2022, 31 March 2021.

(b) Details of stressed loans transferred / acquired during the year

There is no transfer or acquisition of stressed loans (NPA / SMA) during the year ended 31 March 2023 and during the years ended 31 March 2022 , 31 March 2021.

20.4.7 Security Receipts (SR)

There is no investments held as security receipts received by sale of NPA to Securitization / Reconstruction Company as at 31 March 2023 , 31 March 2022, 31 March 2021.

20.4.8 Details of provisioning pertaining to fraud accounts

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Number of frauds reported	80	*87	30
Amount involved in frauds	18.50	325.80	2.40
Amount of provision made for such frauds (net of recoveries)	12.30	314.30	1.90
Amount of Unamortised provision debited from 'other reserves' as at the end of the year	-	105.20	-

a) The Bank has recovered the amount of ₹2.79 millions (31 March 2022 - ₹11.5 millions, 31 March 2021 - ₹0.5 millions, 31 March 2020 - ₹2.6 millions) against amount involved in frauds/robbery cases from accused staff as well as from insurance partner .

b) There are two cases in which involved amount is ₹3.45 millions (considered in involved amount) have no loss of amount by the Bank accordingly provision not made against this amount.

c) * Total 115 cases have been considered as 1 fraud for reporting purpose in line with FMR reports.

During the year ended 31 March 2023 additional 19 cases have been added and 13 cases removed from the initial 115 cases identified. Now the total fraud amount against 121 surat cases is ₹307.27 millions against which the Bank has provided in full. As on 31 March 2023, out of the total 121 cases, 47 cases having exposure of Rs. 109.06 millions are classified as standard.

d) During the earlier year ended 31 March 2022 , in accordance with the relevant RBI Circular dated April 18, 2016, the Bank had created provision of 105.2 millions by debiting Balance in Profit and Loss Account under 'Reserves and Surplus'. The said amount is reversed as per the requirement of the aforementioned RBI circular from the Reserves and Surplus to the Profit and Loss Account in the current year ended 31 March 2023.

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.4.9 Disclosure under Resolution Framework for COVID-19-related Stress:

(₹ in millions except number of accounts)

Type of borrower	(A) Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of 30 September 2022	Of (A), aggregate debt that slipped into NPA during the year	Of (A) amount written off during the year	Of (A) amount paid by the borrowers during the year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of 31 March 2023
Personal Loans	209.28	20.90	-	47.27	141.10
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	340.76	36.98	0.01	142.36	161.41
Total	550.04	57.88	0.01	189.63	302.50

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

Amount paid by the borrower during the year is net of addition in the borrower account including additions due to interest capitalization.

RBI vide a circular dated 1 January 2019 permitted a one-time restructuring of existing loans to Micro Small and Medium Enterprises (MSME) without a downgrade in the asset classification, and this facility was extended vide circular dated 11 February 2020, circular dated 6 August 2020 and circular dated 5 May 2021 subject to certain conditions. Details of such loans to MSME that are restructured under the extant guidelines and classified as standard are as below:

(₹ in millions except number of accounts)

Year ended	No. of accounts restructured	Amount Outstanding – Restructured facility	Amount Outstanding – Other facilities of the customer
31-Mar-23	2.00	1.08	-
30-Sep-22	3.00	2.04	0.15
31-Mar-22	6.00	4.09	0.16
31-Mar-21	-	-	-

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.5 Exposure

20.5.1 Exposure to Real Estate Sector

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1)	Direct exposure			
(a)	Residential Mortgages:	21,457.35	10,939.90	5,909.08
	Out of which Individual housing loans eligible for inclusion in priority sector advances	2,074.72	1,789.14	1,200.35
(b)	Commercial Real Estate	564.37	167.14	146.89
(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)	1,065.66	903.13	868.94
	Total Exposure to Real Estate Sector	23,087.38	12,010.17	6,924.91

Out of the total loans given against the mortgage of any real estate, only those loans have been classified as an exposure to commercial real estate, the prospects for repayment in respect of which depend primarily on the cash flows generated by such mortgaged asset.

20.5.2 Exposure to Capital Market:

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
(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)	-	-	-
	Total Exposure to Capital Market	-	-	-

20.5.3 Risk Category wise Country Exposure:

The Bank's exposures are concentrated in India, hence country risk exposure as at 31 March 2023 , 31 March 2022, 31 March 2021 is ₹Nil.

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.5.4 Unsecured Advances

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i)	Total unsecured advances of the bank	87,350.71	79,786.27	70,811.10
ii)	Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	-	-	-
iii)	Estimated value of such intangible securities	-	-	-

20.5.5 Advances secured by book debts

Advances secured by tangible assets includes advances against book debts of ₹11789.11 millions (31 March 2022: ₹8,884.87 millions , 31 March 2021: ₹4,750.83 millions.)

20.5.6 Factoring exposures

The Bank does not have factoring exposure as on 31 March 2023 , 31 March 2022, 31 March 2021.

20.5.7 Intra-Group exposures

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i)	Total amount of intra-group exposures	-	-	-
ii)	Total amount of top-20 intra-group exposures	-	-	-
iii)	Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	-	-	-
iv)	Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	-	-	-

20.5.8 Unhedged Foreign Currency Exposure (UFCE) of Bank's Customer

The Bank has three borrowers having Unhedged Foreign Currency Exposure of ₹ 341.87 millions as at 31 March 2023 (31 March 2022 - Nil , 31 March 2021 - Nil). The Bank made 0.26 millions provisions in respect of one of the borrowers during the year ended 31 March 2023. The Bank held no incremental capital on advance to borrowers with Unhedged Foreign Currency Exposure (31 March 2022 - Nil , 31 March 2021 - Nil)

20.5.9 Details of Single / Group Borrower limit

The Bank has complied with the limits prescribed under extant guidelines with regards to exposure to single borrower and group of the borrower during the year ended 31 March 2023, years ended 31 March 2022, 31 March 2021.

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.6 Concentration of Deposits, Advances, Exposures and NPAs

20.6.1 Concentration of Deposits

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Total Deposits of twenty largest depositors	28,840.73	28,952.70	20,262.81
Percentage of deposits of twenty largest depositors to total deposits	21.04%	28.74%	26.99%

20.6.2 Concentration of Advances

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Total Advances to twenty largest borrowers *	6,548.88	5,783.19	4,268.28
Percentage of advances to twenty largest borrowers to total advances	4.90%	5.44%	5.07%

* Excluding advances against Bank's own term deposits.

20.6.3 Concentration of Exposures

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Total Exposure to twenty largest borrowers / customers	7,564.56	7,603.94	5,273.36
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers /customers	5.54%	6.96%	6.15%

Credit Exposure excludes the exposures which are 100% cash backed.

Exposures comprise of credit exposure (funded and non-funded credit limits) and investment exposure excluding other exposure of security placed with CCIL on account of limit for TREPS transaction of ₹11.870.42 millions (Previous year: ₹Nil).

20.6.4 Concentration of NPA's

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Total Exposure to top twenty NPA Accounts (Gross)	97.79	68.12	26.60
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	2.27%	1.05%	0.84%

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.7 Derivatives :

20.7.1 Forward Rate Agreement/ Interest Rate Swap/ Cross currency swap : (₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i) The notional principal of swap agreements*	-	-	79.30
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	-	-	12.08
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	-	-	10.49

* Pertains to cross currency swap

20.7.2 Exchange Traded Interest Rate Derivatives

(₹ in millions)

Sl. No	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives undertaken during the year	-	-	-
2	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding as on year ended	-	-	-
3	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding and not “highly effective” as on year ended	-	-	-
4	Mark-to-Market value of exchange traded interest rate derivatives and currency derivatives outstanding and not “highly effective” as on year ended	-	-	-

20.7.3 Risk Exposure in Derivatives:

The Bank has not engaged in any derivatives contracts during the year ended 31 March 2023, years ended 31 March 2022, 31 March 2021. 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.

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

Quantitative disclosure on risk exposure in derivatives

(₹ in millions)

For the year ended 31 March 2023					
Sr. No.	Particular	Currency derivatives			Interest rate derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)	-	-	-	-
	a) For hedging	-	-	-	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions	-	-	-	-
	a) Asset (+)	-	-	-	-
	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	-	-	-

(₹ in millions)

For the year ended 31 March 2022					
Sr. No.	Particular	Currency derivatives			Interest rate derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)	-	-	-	-
	a) For hedging	-	-	-	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions	-	-	-	-
	a) Asset (+)	-	-	-	-
	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	-	-	-

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Notes forming part of the Restated Financial Information

Quantitative disclosure on risk exposure in derivatives

(₹ in millions)

For the year ended 31 March 2021					
Sr. No.	Particular	Currency derivatives			Interest rate derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	79.30*	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions				
	a) Asset (+)	-	-	10.49	-
	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

20.7.4 Credit Default Swap

The Bank has not entered into Credit Default Swap during the year ended 31 March 2023, years ended 31 March 2022 , 31 March 2021.

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.8 Disclosures relating to Securitization

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1. No of SPEs holding assets for securitisation transactions originated by the originator	-	-	-
2. Total amount of securitised assets as per books of the SPEs	-	-	-
3. Total amount of exposures retained by the originator 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	-	-	-
* Others	-	-	-
4. Amount of exposures to securitisation transactions other than MRR	-	-	-
a) Off-balance sheet exposures	-	-	-
i) Exposure to own securitizations	-	-	-
* First loss	-	-	-
* Others	-	-	-
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	-	-	-
5. Sale consideration received for the securitised assets and gain/loss on sale on account of securitisation	-	-	-
6. Form and quantum (outstanding value) of services provided by way of credit enhancement, liquidity support, post-securitisation asset servicing, etc.	-	-	-
7. Performance of facility provided. Please provide separately for each facility viz. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided.	-	-	-
(a) Amount paid			
(b) Repayment received			
(c) Outstanding amount			
8. Average default rate of portfolios observed in the past. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc	-	-	-
9. Amount and number of additional/top up loan given on same underlying asset. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans, etc.	-	-	-
10. Investor complaints			
(a) Directly/Indirectly received and;	-	-	-
(b) Complaints outstanding			

20.9 Off- Balance Sheet SPVs sponsored

There are no off balance sheet SPVs sponsored by the Bank as at 31 March 2023 ,31 March 2022, 31 March 2021, which needs to be consolidated as per accounting norms.

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20.10 Transfers to Depositor Education and Awareness Fund (DEA Fund)

Below mentioned are the details of funds transferred to Depositor Education and Awareness Fund.

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Opening balance of amounts transferred to DEA Fund	-	-	-
Add: Amounts transferred to DEA Fund during the year	-	-	-
Less: Amounts reimbursed by DEA Fund towards claims	-	-	-
Closing balance of amounts transferred to DEA Fund	-	-	-

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Notes forming part of the Restated Financial Information

20.11 Disclosure of customer complaints:

20.11.1 Summary information on complaints received by the bank from customers and from the Offices of Ombudsman

Sr. No	Complaints received by the bank from its customers	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1	Number of complaints pending at beginning of the year	142	239	51
2	Number of complaints received during the year *	20,799	18,469	12,615
3	Number of complaints disposed during the year *	20,703	18,566	12,427
	3.1 Of which, number of complaints rejected by the bank	134	79	64
4	Number of complaints pending at the end of the year	238	142	239
	Maintainable complaints received by the bank from Office of Ombudsman			
5	Number of maintainable complaints received by the bank from Office of Ombudsman	114**	47	58
	5.1. Of 5, number of complaints resolved in favour of the bank by Office of Ombudsman	57	46	52
	5.2 Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	55	1	3
	5.3 Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	-	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme, 2006) and covered within the ambit of the Scheme.

* The above information does not include complaints redressed within 1 working day and is as certified by the Management and relied upon by the auditors

** Out of 114 BO complaints, 01 complaint from West zone is in open status at financial year end and 01 complaint's decision is not given by RBI from North 2 zone.

Utkarsh Small Finance Bank Limited
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20.11.2 Top five grounds of complaints received by the bank from customers:

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
As at 31 March 2023					
Ground - 1 (Account opening/difficulty in operation of accounts)	25	7,140	43%	7	-
Ground - 2 (Internet/Mobile/Electronic Banking)	27	4,828	-2%	46	-
Ground - 3 (ATM/Debit Cards)	52	4,087	7%	149	5
Ground - 4 (Loans and advances)	14	1,082	-16%	2	-
Ground - 5 (Mis-selling/Para-banking)	-	327	-22%	-	-
Others	24	3,335	10%	34	-
Total	142	20,799	13%	238	5
As at 31 March 2022					
Ground - 1 (Account opening/difficulty in operation of accounts)	112	4,998	37%	25	-
Ground - 2 (Internet/Mobile/Electronic Banking)	37	4,912	69%	27	-
Ground - 3 (ATM/Debit Cards)	33	3,817	109%	52	-
Ground - 4 (Loans and advances)	1	1,293	153%	14	-
Ground - 5 (Mis-selling/Para-banking)	-	420	57%	-	-
Others	56	3,029	-12%	24	-
Total	239	18,469	46%	142	-
As at 31 March 2021					
Ground - 1 (Account opening/difficulty in operation of accounts)	2	3,658	-56%	112	-
Ground - 2 (Internet/Mobile/Electronic Banking)	15	2,907	-17%	37	1
Ground - 3 (ATM/Debit Cards)	10	1,825	-48%	33	-
Ground - 4 (Loans and advances)	-	512	-81%	1	-
Ground - 5 (Mis-selling/Para-banking)	2	268	-73%	-	-
Others	22	3,445	-2%	56	-
Total	51	12,615	-44%	239	1

Note :- above disclosure is compiled by management and relied upon by auditors

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20.12 Penalties imposed by Reserve Bank of India

No penalty was imposed by RBI on the Bank during the year ended 31 March 2023. For the year ended 31 March 2022 Enforcement Department, RBI Central Office, vide its letter dated 6 July 2021 and Order of date issued by the Adjudicating Committee of Executive Directors of RBI, advised of having imposed a monetary penalty of ₹ 10 millions on the Bank by RBI in exercise of the powers conferred under Section 47A read with Section 46(4) of the Banking Regulation Act, 1949. The penalty has been levied in the matter of contravention of RBI directions by the Bank observed with respect to the advances sanctioned to a NBFC and its Group companies in February 2018. The Bank paid the penalty amount of ₹ 10 millions to RBI on 17 July 2021.

No penalty was imposed by RBI on the Bank during the year ended 31 March 2021.

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20.13 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.

As on 31 March 2023, The NRC comprises of two Independent Directors viz Mr. Kajal Ghose and Mr. Parveen Kumar Gupta, one non-independent Director viz Mr. Muralidharan Rajamani.

As on 31 March 2022, The NRC comprises of two Independent Directors viz Mr. Kajal Ghose and Mr. Parveen Kumar Gupta, one non-independent Director viz Mr. Muralidharan Rajamani and one Nominee Director viz Ms. Anita Ramachandran (the Nominee Director has remained in NRC till 22 March 2022)

As on 31 March 2021, The NRC comprises of two Independent Directors viz Mr. Kajal Ghose and Mr. Puranam Hayagreeva Ravikumar and one Nominee Director viz Ms. Anita Ramachandran.

Role and functions of the Committee related to Nomination

A. Appointment criteria and qualifications

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 specialisation 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 Senior Management Personnel (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 ₹7.0 millions 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

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b) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process

No external consultant has been engaged in the current year.

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 22 March 2022 pursuant to the guidelines issued by RBI, to cover all employees of the Bank. Further the Board had recommended RBI the revised remuneration of MD & CEO which has been approved by Reserve Bank of India vide its letter dated on 14-Dec-22. 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 31 March 2023 were 15424, 31 March 2022 were 12,617, 31 March 2021 were 10,361.

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.

Whether the remuneration committee reviewed the Bank's remuneration policy during the past year, and if so, an overview of any changes that were made: There has been no change in the Bank's remuneration policy during the past year.

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 individual and overall functional performance and is not linked to any business outcomes. The same is also reflected in their KRA's. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk and Compliance.

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: There has been no change in the nature and type of measures over the past year.

D. Description of the ways in which the Bank seeks to link performance during a performance measurement year 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.

As a part of the performance management process in the bank at the beginning of each financial year, the bank rolls out individual KRA's to each and every employee in the bank. These KRA's are broken down based on the strategic objectives and business budgets set by the Board of the bank. Apart from regular feedback which each manager provides to his / her subordinates a bank as formal process of Mid-Year Review and Year End Review to assess performance of each role holder in the bank. Based on the performance review at an organizational / Functional / Individual the bank decided on percentage of salary increments to be given at various levels of performance.

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 various deferral arrangement of variable remuneration in the bank broadly are as follows –

- a) For MD & CEO – The variable remuneration of the MD and CEO is approved by the Reserve Bank of India which includes deferral arrangement for the cash and non cash part of the variable pay which is implemented by the bank as per the advice of the RBI.
- b) All ESOP 's which are granted across all levels in the organization have deferral arrangement in them
- c) Monthly / Quarterly Variable Pay - Based on the nature of the scheme , deferral arrangements are made in the same which differ from channel to channel.

The fraction of deferral to be considered is dependent upon –

- a) Guidelines issued by the Regulator from time to time
- b) Approval as per the overall performance framework approved by the NRC and the Board
- c) Driving right behaviours via the various incentive schemes.

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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 year ended 31 March 2022, an amount of ₹1.0 million was paid to MD & CEO as a part of variable pay for the FY2019-20, and in the FY 2020-2021, an amount of ₹3.07 millions was paid to MD & CEO as a part of variable pay for the FY 18-19 .

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 and the Bank are currently given to eligible employees in Chief 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 and achievement against them.

Quantitative Disclosure-

As at 31 March 2023 ,31 March 2022 and 31 March 2021 the quantitative disclosure covers MD & CEO and Material Risk takers .

(₹ in millions, except numbers)

Sr. No.	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1(i)	Number of meetings held by the Remuneration Committee during the financial year.	4	6	10
1(ii)	Remuneration paid to its members during the financial year (sitting fees)	0.72	0.77	1.10
2(i)	Number of employees having received a variable remuneration award during the financial year.	6	7	5
2(ii)	Number and total amount of sign-on awards made during the financial year.	0	-	-
2(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	0	-	-
2(iv)	Details of severance pay, in addition to accrued benefits, if any.	0	-	-
		The total remuneration of ₹25.3 millions to MD & CEO approved for FY2020-21 has remain unchanged at advised vide letter from RBI date 12 January 2022. Later on, the fixed and variable pay of MD & CEO have been modified vide letter from RBI dated 28th July 2022 as follows: (1) Fixed Pay including perquisites for FY2020-2021 is approved ₹19.1 millions p.a. (2) ₹6.2 millions (comprising cash ₹3.1 millions and non-cash ₹3.1 millions) to be paid as Variable pay for the performance period FY 2020-2021. - Out of cash component of ₹3.1 millions, ₹2.1 millions is paid in the month of Sep'22. rest amount of ₹1.0 million would be paid in next year. - Non-cash component of ₹3.1 millions deferred in the form of ESOPs are as below- In FY 22-23 - ₹2.1 millions In FY 23-24 - ₹1.0 million	For MD & CEO, ₹12.7 millions (comprising cash ₹6.3 millions and non-cash ₹6.4 millions is approved as variable for the performance period FY 2020-21, out of which cash ₹6.3 millions is adjusted with the excess fixed pay of the MD & CEO for the financial year 2020-21 from the available cash bonus upfront. The deferred non cash remuneration in the form of ESOPs are as below- In FY 22-23 - 3.5 millions In FY 23-24 - 1.7 millions In FY 24-25 - 0.7 millions ESOPs offered to material risk takers have deferral clauses as per existing USFBL ESOP scheme and the deferred cost of ESOPs are as below- In FY 22-23 - 6.1 millions In FY 23-24 - 3.6 millions In FY 24-25 - 1.2 millions In FY 25-26 - 0.4 millions	For MD & CEO Annual Cash Bonus of ₹ 4.5 millions for FY 19 -20 has been split into the following In FY 19 -20 - 2.5 millions In FY 20-21 – 0.6 millions In FY 21-22 – 0.7 millions In FY 22-23 – 0.7 millions The same is subject to RBI approval. Apart from the above, ESOPS have also been proposed for MD & CEO as per USFBL – ESOP scheme. These are are also subject to RBI approval Apart from that the UCL ESOPS offered to VP and above employees have deferral clauses as per the existing UCL – ESOP scheme

3(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Further, RBI vide its letter dated December 14, 2022 approved the grant of ₹10.00 millions of variable pay to MD & CEO for FY21-22 in the following manner: i. Grant of ₹10.00 millions (cash ₹4.00 millions and non-cash ₹6.00 millions) as variable pay for the performance year FY2021-22. ii. The variable pay is to be deferred to non-cash component of variable pay over next 3 years in equal instalments of 33% each. Further, 50% of cash component to be paid upfront and remaining 50% to be deferred in next 3 years in equal instalments. Accordingly, -Out of cash component of ₹4.00 millions, ₹2 millions is paid in the month of Dec'22, rest amount of ₹2 millions would be paid in deferred manner in next 3 applicable years. In FY 2022-23, ESOPs offered to material risk takers have deferral clauses as per existing USFBL - ESOP scheme and the deferred cost of ESOPs are as below- In FY 22-23 - ₹8.4 millions In FY 23-24 - ₹8.4 millions In FY 24-25 - ₹8.4 millions		
3(ii)	Total amount of deferred remuneration paid out in the year.	-	-	-
4	Breakdown of amount of remuneration awards for the year*:	-	-	-
	Fixed	Fixed : 68.27	Fixed : 68.80	Fixed : 71.21
	Variable	Variable: 9.18	Variable: 6.00	Variable: 7.65
	Deferred	Deferred: 3.03	Deferred: Nil	Deferred: Nil
	Non-deferred	Non-deferred: 77.45	Non-deferred: 74.80	Non-deferred: 78.86
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 due to ex- post explicit adjustments.	-	-	-
5(iii)	Total amount of reductions during the year due to ex- post implicit adjustments	-	-	-
6	Number of MRTs identified**	6 MRTs & 1 WTD	7 MRTs & 1 WTD	8 MRTs & 1 WTD
7(i)	Number of cases where malus has been exercised.	-	-	-
7(ii)	Number of cases where clawback has been exercised.	-	-	-
7(iii)	Number of cases where both malus and clawback have been exercised.	-	-	-
8	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	40 millions & 56 times	0.30 millions & 51 times	0.32 millions & 55 times

*Remuneration excludes the cost accounted under Employee Stock Option Plan of the Holding Company and Gratuity & Leave encashment related costs which is accounted at entity level based on actuarial valuation. However till FY 19-20, CTC includes Gratuity expense which is calculated as a percentage of Gross salary

** As per RBI Circular No.23/29.67.001/2019-20 dtd 4 November 2019 effective from FY 20-21.

Accrual of bonus have not been considered since employee level bifurcation is not available at the time of provision for bonus. The bonus paid during the year pertains to previous financial years. Variable pay amounting to ₹10 millions has been approved by RBI for MD & CEO for FY 2021-22. Cash component of ₹2.2 millions of the same has been paid to MD & CEO in the month of Dec'22, rest ₹2 millions would be paid next 3 years in deferred manner. Non-cash component of ₹6 millions is deferred in the form of USFBL - ESOPs as per RBI approval.

Revised approval for variable pay amounting to ₹6.2 millions received on 28 July 2022 for FY 2020-21 where in Cash component of ₹2.1 millions of the same has been paid during current year, balance ₹1.00 millions would be paid next year and non-cash component of ₹ 3.1 millions is deferred in the form of USFBL - ESOPs as per RBI approval.

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20.14.1 Business Ratios:

(₹ in millions except percentages and ratio)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
(i)	Interest income as % to Working funds ¹	15.18%	14.43%	14.64%
(ii)	Non-Interest income as % to Working funds ¹	1.80%	1.44%	1.16%
(iii)	Cost of deposits ⁶	6.86%	7.01%	8.01%
(iv)	Net interest margin ⁷	9.74%	8.80%	8.34%
(v)	Operating profit ² as % to Working funds ¹	5.07%	3.97%	3.88%
(vi)	Return on Assets ⁴ (Working funds ¹)	2.45%	0.48%	1.04%
(vii)	Business ³ (Deposit plus Net Advance) per employee ⁵	16.69	15.50	14.70
(viii)	Profit per employee ^{5*}	0.28	0.10	0.12

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 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 average employee number.
6. Cost of deposit as % to average deposit
7. Net interest income as % to sum of average portfolio and average investments

*Profit per employee is ₹ 286,887 for 31 March 2023 , ₹54,483 for 31 March 2022, ₹122,175 for 31 March 2021

8. year numbers are not annualised, wherever applicable

20.14.2 Disclosure of Fees / Remuneration Received in respect of Bancassurance Business

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i)	Fee / Remuneration from Life Insurance Business	215.10	148.77	79.60
ii)	Fee / Remuneration from General Insurance Business	9.32	0.67	0.10

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20.14.3 Disclosure of Fees / Remuneration Received in respect of Marketing and distribution

The Bank has received Nil towards marketing & distribution during the year ended 31 March 2023 . (31 March 2022: ₹3.6 millions , 31 March 2021: ₹21.0 millions)

20.14.4 Details of Priority Sector Lending Certificates (PSLC)

Following are the details of PSLC sold by the Bank.

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i)	General category	-	-	-
ii)	Micro enterprises	15,000.00	-	-
iii)	Agriculture	-	-	-
iv)	Small/marginal farmers	72,350.00	92,550.00	41,000.00
	Total	87,350.00	92,550.00	41,000.00

Following are the details of PSLC purchased by the Bank.

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i)	General category	-	-	-
ii)	Micro enterprises	-	7,500.00	-
iii)	Agriculture	-	-	-
iv)	Small/marginal farmers	-	-	-
	Total	-	7,500.00	-

20.14.5 Break up of Provisions and Contingencies debited to Restated Summary Statement of Profit and Loss

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i)	Provisions for NPI	-	-	-
ii)	Provision towards NPA	(1,128.85)	2,024.30	1,714.53
iii)	Provision made towards Income tax	1,257.45	529.40	600.78
iv)	Other Provisions and Contingencies (with details)	4,209.61	1,950.99	756.92
a	Technical write off	3,695.86	2,193.83	352.37
b	Provision for standard assets	143.27	105.70	72.79
c	Provision on restructured assets	(163.01)	(292.70)	526.48
d	Floating provision	828.65	21.10	14.56
e	Provisions made towards deferred Tax (Net)	55.68	(346.89)	(204.57)
f	Provision against fraud *	17.40	91.70	-
g	Contingency provision **	(520.00)	650.00	-
h	Provision on COVID 19	-	(501.30)	1.74
i	Provision on SMA due to COVID 19	-	-	(14.01)
j	Others	151.75	29.55	7.56
	Total provisions	4,338.20	4,504.69	3,072.23

* Reduction because of movement to NPA of ₹ 84.1 millions and reversal of fraud cases as per forensic audit of ₹ 24.1 millions

** The Bank was carrying an additional contingency provision of ₹650 millions as at 31 March 2022 which has been utilised to the extent of ₹520 millions in the current year and consequently the provision as at 31 March 2023 is ₹130 millions.

20.14.6 Implementation of IFRS converged Indian Accounting Standards (Ind AS)

The Bank submits its Proforma Ind-AS financials on year ly basis to RBI based on the GAP assessment carried out by the Bank. The Bank is currently handling the impact analysis and reporting offline by using excel based models. However, the Bank is in the process of implementing system solutions (IndAS 109 and 116) and hiring skilled resources to implement Ind-AS accounting.

20.14.7 Payment of DICGC Insurance Premium

(₹ in millions)

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i)	Payment of DICGC Insurance Premium	115.25	82.36	53.99
ii)	Arrears in payment of DICGC premium	-	-	-

20.14.8 Investor Education and Protection Fund

There are no amounts which are due to be transferred to the Investor Education and Protection Fund during the year ended 31 March 2023 and previous years ended 31 March 2022, 31 March 2021 .

20.14.9 Details of item under Other expenditure head exceeds one per cent of the total income

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
	Banking software charges	504.65	447.68	382.49

20.14.10 Details of item under Miscellaneous incom head exceeds one per cent of the total income

	Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i	Income from sale of Priority sector lending certificate	961.44	669.09	637.30
ii	Recovery in written off account	584.56	296.57	0.96

20.14.11 Details of item of Others under Other Assets head exceeds one per cent of the total Asset

There are no item of Others under Other Assets head exceeds one per cent of the total asset during the year ended 31 March 2023 , 31 March 2022 and 31 March 2021

20.14.12 Details of item of Others including provisions under Other Liabilities and Provisions head exceeds one per cent of the total Assets

There are no item of Others including provisions under Other Liabilities and Provisions head exceeds one per cent of the total Assets during the year ended 31 March 2023 , 31 March 2022 and 31 March 2021

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20.15 Earnings Per Share (EPS)

(₹ in millions , except per share data)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
Basic			
Weighted average number of equity shares - Basic	895,624,973	878,110,556	765,128,330
Net profit after tax available for equity shareholders (₹)	4,045.02	614.62	1,118.15
Basic earnings per share	4.52	0.70	1.46
Diluted			
Weighted average number of equity shares	895,624,973	878,110,556	765,128,330
Add: Weighted average number of potential equity shares on account of employee stock options	2,175,340	2,097,153	-
Weighted average number of equity shares - Diluted	897,800,314	880,207,709	765,128,330
Net profit after tax available for equity shareholders (₹)	4,045.02	614.62	1,118.15
Diluted earnings per share	4.51	0.70	1.46
Face value per share	10	10	10

20.16 Employee Stock Option Plan (“ESOP”)

A. Options granted by Holding Company

The Holding Company has formulated an Employees 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 1,200,000 equity shares have been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 5,989,594 equity shares has been reserved by the Holding Company for the purpose of ESOP scheme.

During the year ended 31 March 2023, the Holding Company granted Nil options to the Bank's employees (for the year ended 31 March 2022 : Nil options , for the year ended 31 March 2021 : 21,59,575 options).

The options vested can be exercised within a period 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
Notes 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 year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
Number of equity shares:			
Outstanding at the beginning of the year	3,558,360	4,910,739	3,856,398
Granted during the year	-	-	1,659,575
Granted during the year with grant effective date pertaining to FY 2019-20	-	-	500,000
Lapsed/Cancel during the year	611,782	633,617	685,829
Exercised during the year	87,544	717,462	207,558
Previous year adjustments	-	-1,300	-211,847
Outstanding at the end of year	2,859,034	3,558,360	4,910,739
Exercisable at the end of year	1,850,571	1,291,488	1,118,318

The compensation cost is calculated based on the intrinsic value method, 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 recognised as compensation cost and amortised 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 year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
Profit after tax			
- As reported	4,045.02	614.62	1,118.15
- Proforma	4,022.55	568.40	1,069.30
Profit / Earnings per share	-		
Basic	-		
Weighted average number of shares	895,624,973	878,110,556	765,128,330
EPS as reported (₹)	4.52	0.70	1.46
Proforma EPS (₹)	4.49	0.65	1.40

Utkarsh Small Finance Bank Limited
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The following assumptions are used for calculation of fair value of grants issued.

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	61% to 47%	61% to 47%	61% to 47%
Risk free interest rate	4.39 % to 5.55%	4.39 % to 5.55%	4.39 % to 5.55%
Expected life in years	2 to 5	2 to 5	2 to 5

B. Out of options granted by Bank

During the FY2019-20, 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.

During the year the Bank has granted 18,082,976 option under the Utkarsh Small Finance Bank Limited (USFBL) Employee Stock Option Plan 2020, to employees as under :-

Date of Grant	For the year ended 31 March 2023		For the year ended 31 March 2022		For the year ended 31 March 2021	
	Number of Options	Exercise Price	Number of Options	Exercise Price	Number of Options	Exercise Price
28 December 2020 *	71,377	14.01	71,377	14.01	-	-
1 August 2021	15,611,500	27.00	15,611,500	27.00	-	-
1 October 2021	15,000	30.00	15,000	30.00	-	-
18 October 2021 to 1 January 2022	80,000	31.80	80,000	31.80	-	-
22 January 2022**	221,270	14.01	456,817	14.01	-	-
1 April 2022 to 16 July 2022	125,000	31.80	-	-	-	-
1 August 2022	16,771,750	27.00	-	-	-	-
17 September 2022***	626,226	31.80	-	-	-	-
30 September 2022	200,000	31.80	-	-	-	-
13 October 2022	120,000	27.00	-	-	-	-
01 January 2023 to 31 March 2023	240,000	31.80	-	-	-	-

Shares vested to the employees have an exercise period of two years.

*The bank received approval from RBI on 31st August 2021 for remuneration of MD & CEO for FY 2019-20 wherein non cash component of variable pay of ₹1 millions was approved and was paid by way of grant of 71,377 options out of banks shares with effect from 28 December 2020 being the date of approval of Banks ESOP Scheme.

**The Bank received approval for remuneration to MD & CEO for financial year 2020-21 from RBI on 12 January 2022 advising to defer non-cash component over next 3 years in 3 equal instalments of 33.33% each. Further, 50% of cash component to be paid upfront and remaining 50% to be deferred in next 3 years in equal instalments. Accordingly, the Bank has granted 456,817 ESOPs to MD & CEO at Rs. 14.01 per share w. e. f 12 January 2022 with vesting over next three years in equal proportion i.e. 33.33% each year. However, Bank has received another letter from RBI on 28 July 2022 wherein non cash component has been revised. It is also advised to adjust the excess grant of non-cash component in the next tranche itself. Accordingly, bank has revised the options granted to MD & CEO w.e.f 12 January 2022 to 221,270 options with vesting over next two year with the proportion of 69% and 31%.

***The bank received approval for remuneration to MD & CEO for financial year 2021-22 from RBI on 14 December 2022 including non cash variable pay of 6.0 millions and advised to defer it over next 3 years in 3 equal instalments. Accordingly, bank has granted 6,26,226 ESOPs to MD & CEO at ₹31.80 per share w.e.f 17 September 2022 being the date of Board approval for remuneration to MD & CEO with vesting over next three years in equal proportion i.e. 33.33% each year.

These options are vested on graded basis as follows:

Vesting details	Grant to employees	Grant to MD & CEO	
		Grant dated January 12, 2022	Other Grants
On completion of 1 year	25%	69.00%	33.33%
On completion of 2 years	25%	31.00%	33.33%
On completion of 3 years	25%	0.00%	33.33%
On completion of 4 years	25%	0.00%	0.00%

Stock option activity under ESOP Plan of the Bank is as below:

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
Number of equity shares:			
Outstanding at the beginning of the year	14,322,600	-	-
Granted during the year / year	18,082,976	16,163,317	-
Granted during the year / year with grant effective date pertaining to FY 2019-20	-	71,377	-
Lapsed/Cancel during the year / year	2,401,125	1,894,250	-
Exercised during the year / year	383,141	17,844	-
Previous year adjustments	235,546		
Outstanding at the end of year / year	29,385,764	14,322,600	-
Exercisable at the end of year / year	2,871,225	-	-

The compensation cost is calculated based on the fair value of the options under black scholes model and amortised over the grant period.

The following assumptions are used for calculation of fair value of grants issued.

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
Dividend yield	0.00%	0.00%	-
Expected volatility	46.3% to 49.3%	49.8% to 48.8%	-
Risk free interest rate	6.43% to 7.04%	4.48% to 5.80%	-
Expected life in years	2 to 5	2 to 5	-

20.17 Disclosures under AS -15 on employee benefits.

Defined Contribution Plans:

Employer's contribution recognized and charged off for the year with respect to defined contribution plans are as under:

(₹ in millions)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
Provident Fund (refer note below)	335.38	251.77	191.73
ESI	42.89	33.58	26.62

Note: The above amount is netted off with amount of ₹ Nil received under the scheme "Pradhan Mantri Rojgar Protsahan Yojana" for the year ended 31 March 2023, ₹4.70 millions for the year ended 31 March 2022, ₹13.2 millions for the year ended 31 March 2021.

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 ₹2.0 millions 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 31 March 2023	As at 31 March 2022	As at 31 March 2021
Opening defined benefit obligation	194.76	156.66	112.86
Current service cost	54.00	47.50	42.41
Past service costs	-	-	-
Interest cost	11.20	7.70	6.09
Actuarial losses/ (gains)	(5.30)	(4.30)	(1.10)
Benefits paid	(23.10)	(12.80)	(3.60)
Closing defined benefit obligation	231.56	194.76	156.66

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Notes forming part of the Restated Financial Information

Change in the plan assets (₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Opening fair value of plan asset	188.42	145.82	108.07
Expected return on plan assets	13.10	9.40	7.99
Employers Contributions	42.30	46.80	37.60
Benefit paid	(23.50)	(12.80)	(3.60)
Actuarial gains / (losses) on plan assets	0.30	(0.80)	(4.24)
Closing fair value of plan assets	220.62	188.42	145.82

Net liability / (asset) recognized in the balance sheet (₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Present value of funded obligation	231.56	194.76	156.66
Fair value of plan assets	220.62	188.42	145.82
Deficit/ (Surplus)	10.94	6.34	10.84
Net liability / (asset) recognized in the balance sheet	10.94	6.34	10.84

Net cost recognized in the profit and loss account (₹ in millions)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
Current service cost	54.00	47.50	42.41
Past service costs	-	-	-
Interest cost	11.20	7.70	6.09
Expected return on plan assets	(13.10)	(9.40)	(7.99)
Net actuarial losses / (gains)	(5.60)	(3.50)	3.14
Total cost of defined benefit plans included in Note 21 Payments to and provisions for employees	46.50	42.30	43.65

Reconciliation of opening and closing net liability / (asset) recognized in the balance sheet

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Opening net liability	6.34	10.84	4.79
Expenses as recognized in profit & loss account	46.50	42.30	43.65
Employers contribution	(42.30)	(46.80)	(37.60)
Net liability / (asset) recognized in balance sheet	10.54	6.34	10.84

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

Experience adjustment and details of obligations and assets (₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Present value of funded obligation	231.56	194.76	156.66
Fair value of plan assets	220.62	188.42	145.82
Deficit / (Surplus)	10.94	6.34	10.84
On Plan Liabilities (gains) / losses	(5.30)	(4.30)	8.49
On Plan Assets (losses) / gains	0.30	(0.80)	(4.24)

A breakup of Investments under plan assets of gratuity fund is as follows:

Category of assets	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Funds with LIC (through gratuity trust)	100%	100%	100%

Key Actuarial Assumptions

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Discount rate	7.25%	4.95%	5.40%
Expected rate of return on plan asset	7.25%	6.45%	5.40%
Salary escalation	8.50%	7.00%	7% for the first two years and 9% thereafter
Attrition rate	13.10% to 31.90%	13.10% to 31.90%	13.10% to 31.90%

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.

20.18 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.

Other Banking Operations: Includes other activities which are not covered under wholesale, retail or treasury activity.

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:

Part A: Business segments

(₹ in millions)

Particulars	For the year ended 31 March 2023				
	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
	31-Mar-23	31-Mar-23	31-Mar-23	31-Mar-23	31-Mar-23
Revenue	2,327.67	1,460.83	24,254.36	-	28,042.86
Result	210.08	-286.28	5,434.34	-	5,358.14
Unallocated expenses	-	-	-	-	-
Operating Profit/(Loss)	-	-	-	-	5,358.14
Income Taxes (including deferred tax)	-	-	-	-	1,313.12
Extraordinary Profit / Loss	-	-	-	-	-
Net Profit	-	-	-	-	4,045.02
Segment Assets	54,258.41	15,932.61	116,672.79	-	186,863.81
Unallocated Assets	-	-	-	-	4,311.61
Total Assets	-	-	-	-	191,175.42
Segment Liabilities	23,712.06	59,846.87	87,346.94	-	170,905.86
Unallocated Liabilities (including Capital & Reserves)	-	-	-	-	20,269.55
Total Liabilities	-	-	-	-	191,175.42

Part B: Geographic segments

(₹ in millions)

Particulars	For the year ended 31 March 2023		
	Domestic	International	Total
	31-Mar-23	31-Mar-23	31-Mar-23
(a) Revenue	28,042.86	-	28,042.86
(b) Assets	191,175.42	-	191,175.42

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following table sets forth the business segment results:

Part A: Business segments

(₹ in millions)

Particulars	For the year ended 31 March 2022									
	Treasury		Corporate / Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
Revenue	2,031.04	2,133.81	785.58	518.96	17,519.84	14,598.60	-	-	20,336.46	17,251.37
Result	326.97	270.77	-584.11	-438.36	1,054.27	1,681.94	-	-	797.13	1,514.35
Unallocated expenses	-	-	-	-	-	-	-	-	-	-
Operating Profit	-	-	-	-	-	-	-	-	797.13	1,514.35
Income Taxes (including deferred tax)	-	-	-	-	-	-	-	-	182.51	396.20
Extraordinary Profit / Loss	-	-	-	-	-	-	-	-	-	-
Net Profit	-	-	-	-	-	-	-	-	614.62	1,118.15
Segment Assets	42,585.97	35,338.93	9,269.61	5,037.43	94,279.02	77,989.00	-	-	146,134.60	118,365.36
Unallocated Assets									4,503.10	3,013.76
Total Assets									150,637.70	121,379.12
Segment Liabilities	25,959.46	26,283.01	47,910.51	36,342.22	60,676.70	44,914.54	-	-	134,546.67	107,539.77
Unallocated Liabilities (including Capital & Reserves)									16,091.03	13,839.35
Total Liabilities									150,637.70	121,379.12

Part B: Geographic segments

(₹ in millions)

Particulars	For the year ended 31 March 2022					
	Domestic		International		Total	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
(a) Revenue	20,336.46	17,251.37	-	-	20,336.46	17,251.37
(b) Assets	150,637.70	121,379.12	-	-	150,637.70	121,379.12

Notes:

- 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.
- 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.
- Unallocated items include Fixed Assets, Capital expenditure, realized gains/losses on their sale, income tax expense, deferred income tax assets/liabilities and advance tax.
- In computing the above information, certain estimates and assumptions have been made by the management and have been relied upon by the auditors.
- The above information is provided as per MIS for internal reporting purpose and relied upon by the auditors
- The RBI vide its circular dated April 7, 2022 on establishment of Digital Banking Units (DBUs), has prescribed reporting of Digital Banking

Utkarsh Small Finance Bank Limited
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20.19 Related Party Transactions

The Bank's related parties during the period 01 April 2020 to 31 March 2023 are disclosed below:

1. Holding Company

Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited)

2. Related Company

Utkarsh Welfare Foundation

Consequent to the disinvestment by Utkarsh Core-Invest Limited (UCL) on 26 February 2022, UWF is no longer a subsidiary of UCL and consequently fellow subsidiary of the Bank.

However, it continue to be the related party of the Bank due to common directorship and as relatives of the common director are the members in UWF

3. Key Management Personnel ('KMP')

Mr. Govind Singh- Managing Director and CEO

Mr. Mukund Barsagade- Chief Financial Officer (upto 22 September 2022)

Mr. Sarjukumar Pravin Simaria - Chief Financial Officer (w.e.f 31 October 2022)

Mr. Muthiah Ganapathy - Company Secretary

4. Enterprise where KMP exercise significant influence

RAAG Family Private Trust

5. Post-employment benefit plan

Utkarsh Small Finance Bank Employees' Gratuity Trust

6. Relatives of Key Management Personnel

Name of KMP	Father and Mother	Spouse and Children	Other relatives
Mr. Govind Singh	Father - deceased	Revati Govind Singh (Spouse)	Ramesh Chandra Singh (Brother)
	Parveti Devi (Mother)	Ankur Singh (Son)	Renu Singh (Sister in Law)
		Achin Singh (Son)	
Mr. Mukund Barsagade (upto 22 September 2022)	Both deceased	Sonali Barsagade (Spouse)	Vijay Barsagade – Brother
		Vedant Barsagade (Son)	Vidya Vijay Barsagade (Sister in law)
			Anil Barsagade (Brother)
			Kalpana Barsagade (Sister in Law)
			Shobha Kshirsagar (Sister)
Mr. Sarjukumar Pravin Simaria (w.e.f 31 October 2022)	Father-Pravin V. Simaria	Karuna S. Simaria (Spouse)	Bharat P. Simaria- Brother
	Mother-Nirmala P. Simaria	Malav S. Simaria (Son)	
		Bhakti S. Simaria (Daughter)	
Mr. Muthiah Ganapathy	Both deceased	Lakshmi Devi (Spouse)	Mukesh (Brother)
		Aarna (Daughter)	
		Arshini (Daughter)	

Utkarsh Small Finance Bank Limited
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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 2023.

(₹ 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: Sarjukumar Pravrin Simaria (CFO)	KMP: Nutan Rane (CS)	KMP: Muthiah Ganapathy (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	KMP Relative - Revati Govind Singh	KMP Relative -Ankur Singh	KMP Relative - Achin Singh	KMP Relative -Ramesh Chandra Singh	KMP Relative - Renu Singh	KMP Relative - Parvati Devi	KMP Relative - Nirmala Simaria	Total
Deposits Outstanding as on 31 March 2023	423.81	11.97	0.83	4.71	-	0.82	-	0.90	-	2.17	0.05	0.26	1.68	2.82	1.08	0.20	451.67
Amount deposited during the year (excluding CASA deposit)	453.10	-	-	-	-	-	-	-	-	-	-	-	0.63	4.06	0.91	0.20	458.90
Amount withdrawn during the year (excluding CASA deposit)	407.00	-	-	-	-	-	-	-	-	-	-	-	0.44	3.70	0.91	-	412.05
Maximum deposit outstanding during the year	419.91	33.98	15.52	10.51	1.92	1.75	-	0.96	-	2.75	1.74	4.08	1.78	2.79	1.02	0.20	498.91
Interest paid	29.21	1.34	0.06	0.45	*0.04	*0.02	-	*0.04	-	0.12	*0.02	0.10	0.20	0.35	0.19	*0.01	32.16
Remuneration	-	-	-	**26.22	6.92	7.20	-	4.61	-	-	-	-	-	-	-	-	44.95
Consultancy Charges	-	-	-	-	-	-	-	-	-	-	-	-	1.69	-	-	-	1.69
Equity shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution towards Gratuity Trust	-	-	38.86	-	-	-	-	-	-	-	-	-	-	-	-	-	38.86
Withdrawal from Gratuity Trust	-	-	26.63	-	-	-	-	-	-	-	-	-	-	-	-	-	26.63
Contribution towards CSR & CER	-	32.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32.20
ESOP cost cross charged (Refer Note 19-I)	-4.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-4.57
Service charge for collections	0.13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.13
Rent for office space	0.87	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.87
ESOP granted	-	-	-	6.00	-	2.45	-	-	-	-	-	-	-	-	-	-	8.45
Transactions (collection and payment) carried out on behalf of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Payable/(Recoverable)	1.39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.39

* Amount less than ₹ 50,000 is shown as Nil

** Includes arrear salary of FY 2021-22 of ₹ 6.2 millions. post revised approval of RBI vide letter dated 28 July 2022 for remuneration of MD & CEO for FY 2020-21 and Bonus ₹ 2.0 millions post approval of RBI vide letter dated 14 December 2022 for remuneration of MD & CEO for FY 2021-22.

\$ Except EL encashment and Bonus paid post exiting the bank, all other detail are upto 22 September 2022 only being the last date of working in Bank as CFO.

Note:

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 Note 20.16 on ESOP grant to MD & CEO

Utkarsh Small Finance Bank Limited
Notes 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 2022.

(₹ 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: Muthiah Ganapathy (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	KMP Relative - Revati Govind Singh	KMP Relative -Ankur Singh	KMP Relative - Achin Singh	KMP Relative -Ramesh Chandra Singh	KMP Relative - Renu Singh	KMP Relative - Parvati Devi	Total
Deposits Outstanding as on 31 March 2022	375.19	16.69	0.51	6.79	1.66	*0.00	0.08	-	2.75	*0.00	0.33	1.34	2.44	0.90	408.69
Amount deposited during the year (excluding CASA deposit)	207.90	-	-	-	-	-	-	-	-	-	-	0.74	-	0.39	209.03
Amount repaid during the year (excluding CASA deposit)	114.30	-	-	-	-	-	-	-	-	-	-	1.10	-	0.24	115.64
Maximum deposit outstanding during the year	376.37	25.24	17.74	13.07	2.92	0.19	0.08	*0.00	5.10	1.83	3.19	1.44	2.43	0.89	450.39
Interest paid	25.55	0.93	0.06	0.72	0.12	*0.00	*0.00	*0.00	0.28	*0.00	0.10	0.13	*0.00	*0.00	27.90
Remuneration to KMP	-	-	-	**20.20	11.31	2.69	0.40	-	-	-	-	-	-	-	34.61
Equity shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution towards CSR & CER	-	41.00	-	-	-	-	-	-	-	-	-	-	-	-	41.00
ESOP cost cross charged (Refer Note 19.1)	7.90	-	-	-	-	-	-	-	-	-	-	-	-	-	7.90
Service charge for collections	0.27	-	-	-	-	-	-	-	-	-	-	-	-	-	0.27
Rent for office space	0.82	-	-	-	-	-	-	-	-	-	-	-	-	-	0.82
ESOP granted	-	-	-	1.20	3.44	-	-	-	-	-	-	-	-	-	4.64
Transactions (collection and payment) carried out on behalf of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Payable/(Recoverable)	6.11	-	-	-	-	-	-	-	-	-	-	-	-	-	6.11

* Amount less than ₹ 50,000 is shown as Nil

** Includes annual bonus of ₹ 6.30 millions and reversal of salary paid in FY 2020-21 of ₹ 6.53 millions for the differential amount post approval of RBI vide letter dated 12 January 2022 for remuneration of MD & CEO for FY 2020-21.

Note:

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 Note 20.16 on ESOP grant to MD & CEO

Utkarsh Small Finance Bank Limited
Notes 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 2021.

(₹ 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	KMP Relative - Revati Govind Singh	KMP Relative -Ankur Singh	KMP Relative - Achin Singh	KMP Relative -Ramesh Chandra Singh	KMP Relative - Renu Singh	KMP Relative - Parvati Devi	Total
Deposits Outstanding as on 31 March 2021	315.40	18.30	0.94	12.49	2.30	0.00*	0.00*	5.30	1.20	3.20	1.50	2.50	0.80	363.93
Amount deposited during the year (excluding CASA deposit)	195.20	-	-	0.00*	-	-	-	-	-	-	0.20	4.00	0.50	199.90
Amount repaid during the year (excluding CASA deposit)	136.00	-	-	0.00*	-	-	-	-	-	-	0.10	4.10	-	140.20
Maximum deposit outstanding during the year	316.10	24.00	18.47	14.70	2.85	0.31	0.00*	5.30	9.40	7.30	1.50	2.50	0.80	403.23
Interest paid	21.12	0.75	0.00*	0.37	0.11	0.00*	0.00*	0.10	0.30	0.30	0.10	0.40	0.00*	23.55
Remuneration to KMP	-	-	-	23.8**	10.49	3.25	-	-	-	-	-	-	-	37.64
Equity shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution towards CSR & CER	-	23.00	-	-	-	-	-	-	-	-	-	-	-	23.00
ESOP cost cross charged (Refer Note 19.1)	14.02	-	-	-	-	-	-	-	-	-	-	-	-	14.02
Service charge for collections	0.12	-	-	-	-	-	-	-	-	-	-	-	-	0.12
Rent for office space	0.81	-	-	-	-	-	-	-	-	-	-	-	-	0.81
ESOP granted	-	-	-	-	5.53	-	-	-	-	-	1.70	-	-	7.23
Transactions (collection and payment) carried out on behalf of Bank	8.80	-	-	-	-	-	-	-	-	-	-	-	-	8.80
Amount Payable/(Recoverable)	6.22	-	-	-	-	-	-	-	-	-	-	-	-	6.22

* Amount less than ₹ 50,000 is shown as Nil

** Includes provision for annual bonus for FY 2019-20 for ₹2.5 millions and salary increment for FY2020-21 of ₹2.91 millions

Note:

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 Note 20.16 on ESOP grant to MD & CEO

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.20 Leases

Operating Lease

Lease payments made under cancellable operating lease amounting to ₹580.77 millions for the year ended 31 March 2023, ₹463.50 millions for the year ended 31 March 2022, ₹ 354.99 millions for the year ended 31 March 2021; disclosed as rent under Note 18 and the same have been recognized as an expense in the Restated Statement of Profit and Loss. There are one sublease agreement with Utkarsh CoreInvest Limited (“the Holding Company”).

Minimum lease payments (MLP) outstanding in respect of leased assets are as follows:

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Due within one year	622.19	426.48	374.40
Due later than one year and not later than five years	2,133.08	1,932.51	1,552.33
Due later than five years	804.66	955.00	558.95
Total	3,559.94	3,313.99	2,485.68

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 31 March 2023 are as follows:

(₹ in millions)

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	59.25	12.08	47.17
Due later than one year and not later than five years	57.32	17.76	39.56
Due later than five years	9.31	1.18	8.13
Total	125.88	31.02	94.86

Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2022 are as follows:

(₹ in millions)

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	54.20	13.00	41.20
Due later than one year and not later than five years	86.90	16.40	70.50
Due later than five years	5.10	0.60	4.50
Total	146.20	30.00	116.20

Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2021 are as follows:

(₹ in millions)

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	53.00	15.60	37.40
Due later than one year and not later than five years	127.40	23.20	104.20
Due later than five years	6.00	0.60	5.40
Total	186.40	39.40	147.00

20.21 Deferred Tax**a. Current Tax**

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Provision for Income tax	1,257.45	529.43	600.78
Provision for Deferred tax	55.68	(346.92)	(204.57)
MAT credit entitlement	-	-	-
Total	1,313.13	182.51	396.21

b. Deferred Tax

Major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Deferred tax assets:			
Provision for assets	490.41	634.73	374.49
Unamortized processing fees on advances	282.06	218.79	149.55
Finance lease	23.87	29.26	33.63
Provision against Lease Equalization	49.02	37.03	25.81
Provision on Casual Leave	11.71	9.92	8.21
Others	7.80	2.82	1.90
	864.87	932.55	593.59
Deferred tax liabilities:			
Depreciation on fixed assets	(9.08)	1.33	6.60
Gain on mark to mark on external commercial borrowings	-	-	-
Unamortized processing fee on borrowings	3.01	4.59	7.28
	(6.07)	5.92	13.88
Net deferred tax assets / (liability)	870.94	926.63	579.71

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.22 Disclosure Under The Micro, Small And Medium Enterprises Development Act, 2006

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 31 March 2023	As at 31 March 2022	As at 31 March 2021
a. Principal amount due to suppliers under MSMED Act, 2006	4.26	65.29	44.41
b. Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	-	-	-
c. Payment made to suppliers (other than interest) beyond the appointed day during the year	988.49	519.62	50.24
d. Interest paid to suppliers under MSMED Act (Section 16)	-	-	-
e. Interest due and payable towards suppliers under MSMED Act for payments already made	15.75	2.34	0.67
f. Interest accrued and remaining unpaid at the end of the period/year to suppliers under MSMED Act (including interest mentioned in (e) above)	15.75	2.34	0.67

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.23.1 Contingent liabilities

1. Description of nature of contingent liabilities is set out below:

- a. There is a capital commitment towards open purchase orders.
- b. Pending litigation against the Bank.
- c. Demands against tax assessments.
- d. Commitment towards irrevocable Undrawn Fund Based Credit facilities

Refer Note 14 for amounts relating to contingent liabilities.

20.23.2 Letter of comfort

Bank has not issued any letters of comfort during the year ended 31 March 2023 and previous years ended 31 March 2022 , 31 March 2021. Further, there are no outstanding comfort letters as at 31 March 2023 , 31 March 2022 , 31 March 2021.

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.24 The board of directors in their meeting dated 30 May 2022 decided to contribute towards corporate social responsibility up to ₹32.20 millions as required to be spent by Section 135 of the Companies Act, 2013.

The board of directors decided to contribute towards corporate social responsibility up to ₹37.00 millions for FY 2022 , ₹25.00 millions for FY 2021 which is higher than the amount required to be spent by Section 135 of the Companies Act, 2013.

(₹ in millions)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
a) Gross amount required to be spent by the Company during the year	32.20	37.00	20.29
b) Amount spent during the year on purposes other than construction/acquisition of any asset	-		
Paid in cash	32.20	37.00	25.00
Yet to be paid	-	-	-
Total of amount spent	32.20	37.00	25.00

20.25 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 31 March 2023	As at 31 March 2022	As at 31 March 2021
At cost at March 31 of preceding year	230.71	195.70	125.30
Additions during the year	150.71	158.01	142.23
Deductions during the year	-	-	-
Accumulated depreciation to date	138.58	123.00	71.83
Net block	242.84	230.71	195.70

20.26 In the year ended 31 March 2023, the impact of disruptions resulting from COVID -19 has eased substantially, however the Bank continues to monitor the developments/ ongoing impact resulting from COVID-19 Pandemic and any action to contain its spread or mitigate its impact. As at March 31 2023, Bank carries additional floating provision of Rs 800 millions (Rs 600 millions as at 31 December 2022) and additional contingency provision of Rs 130 millions (Rs 650 millions as at 31 December 2022). Further, the Bank was carrying an additional contingency provision of ₹650 millions as at 31 March 2022 which has been utilised to the extent of ₹520 millions in the current year and consequently the provision as at 31 March 2023 is ₹130 millions.

As at 31 March 2022, COVID-19 pandemic had an extraordinary impact on macroeconomic conditions in India and around the world during the previous financial years and which continued during the current financial with second and third wave year, though with comparatively less severity. The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to volatility in global and Indian financial markets and a decrease in global and local economic activities. The uptake of economic activity has since improved supported by relaxation of restrictions mainly due to among others administration of the COVID vaccines to a large population in the country. The extent to which the COVID-19 pandemic including subsequent waves, if any, may impact the Bank operations and asset quality will depend on the future developments, which are highly uncertain. Basis the bank's assessment towards unforeseen risk and stress emanating from certain portfolio of advances, the Bank, as a prudent measure, has made contingency provision of Rs. 650.0 millions. The Bank also holds adequate provisions towards Non-performing and restructuring assets as at 31 March 2022. The stress test was undertaken by the Bank from time to time and complying with regulatory requirements under IRAC & provisioning norms prescribed. The Bank is well capitalised to be able to face any further upheavals, which the Bank may face in times to come due to the various socio- economic conditions.

As at 31 March 2021, 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/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 31 March 2021 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 is given below:

(₹ in millions)

Items	As at 31 March 2021
Amounts of advances that are SMA or overdue as of 29 February 2020, where the moratorium/deferment was extended	280.23
Amount of advances where asset classification benefits was extended	229.79
Provisions made on above	28.02
Provisions adjusted against slippages /restructured assets	28.02
Residual provisions as on 31 March	-

The aforesaid RBI circular does not apply to year ended 31 March 2023 and year ended 31 March 2022

20.27 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.

20.28 The Bank, as part of its normal banking business, grants loans and advances, makes investments, provides guarantees, to and accepts deposits and borrowings from its customers and borrowing from entities. These transactions are part of Bank's normal banking business, which is conducted ensuring adherence to all regulatory requirements and banks internal policies as applicable.

Other than the transactions described above, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank (Ultimate Beneficiaries). The Bank has not received any fund from any parties (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

Utkarsh Small Finance Bank Limited
Notes forming part of the Restated Financial Information

20.29 Figures of the previous years have been regrouped / reclassified, wherever necessary to confirm current year classification.

As per our report of even date attached

for M/s Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration No. 117365W

for M/s Kirtane & Pandit LLP
Chartered Accountants
ICAI Firm Registration No. 105215W/W100057

For and on behalf of Board of Directors
Utkarsh Small Finance Bank Limited
CIN:U65992UP2016PLC082804

G.K. Subramaniam
Partner
Membership No. 109839

Sandeep D Welling
Partner
Membership No. 044576

Parveen Kumar Gupta
Chairman
DIN : 02895343

Nagesh Pinge
Director
DIN: 00062900

Govind Singh
Managing Director & CEO
DIN: 02470880

Sarju Simaria
Chief Financial Officer
FCA 046998

Muthiah Ganapathy
Company Secretary
FCS 5674

Place: Mumbai
Date : 28 April 2023

Place: Mumbai
Date : 28 April 2023

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 Year Ended March 31, 2023	As at and for Year Ended March 31, 2022	As at and for Year Ended March 31, 2021
Basic earnings per share (₹) [Refer Note (a)(i) below]	4.52	0.70	1.46
Diluted earnings per share (₹) [Refer Note (a)(ii) below]	4.51	0.70	1.46
Return on net worth [Refer Note (a)(iii) below]	20.22%	3.91%	8.17%
Earnings before tax, depreciation and amortisation (EBTDA) (₹ in million) [Refer Note (b) below]	5,944.70	1,205.97	1,810.13
Net asset value per equity share [Refer Note (a)(iv) below]	22.33	17.56	16.13
Net profit after tax, as restated, attributable to equity shareholders (₹ in million)	4,045.02	614.62	1,118.15
Net worth at the end of the years (₹ in million)*	20,003.21	15,722.97	13,683.53
Weighted average number of equity shares outstanding during the years, used for			
- Basic earnings per share (in million)	895.62	878.11	765.13
- Diluted earnings per share (in million)	897.80	880.21	765.13
Face value per share [Refer Note (c) below] (in ₹)	10.00	10.00	10.00
Total number of shares outstanding at the end of the years (Nos in million)	895.90	895.52	848.33

* *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 periods mentioned below:

Particulars	For the year ended March 31, 2023	For the Year ended March 31, 2022	For the year ended March 31, 2021
Net Profit	4,045.02	614.62	1,118.15
	-		
Add:			
Depreciation (On Bank's property)	586.55	408.84	295.77
Current tax (included in Provision and Contingencies)	1,257.45	529.43	600.78
Deferred tax (included in Provision and Contingencies)	55.68	(346.92)	(204.57)
EBTDA	5,944.70	1,205.97	1,810.13

(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 year ended March 31, 2023, March 31, 2022 and March 31, 2021, prepared in accordance with Indian GAAP (collectively, the “**Audited Financial Statements**”) are available on our website at <https://www.utkarsh.bank/audited-financial>.

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 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, 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 2023, 2022 and 2021 and as reported in the Restated Financial Statements, see "*Financial Statements - Related Party Transactions*" beginning on page 333.

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 on page 262. 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 66.

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 24 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" on pages 25 and 349, 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 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 Banks and various loan products" dated July, 2022 read with addendum dated May, 2023 (the "CRISIL Report") prepared and released by CRISIL MI&A and exclusively commissioned by and paid for by us pursuant to the appointment of CRISIL vide agreement dated September 30, 2020 read along with addendum no.1 dated July 25, 2022, in connection with the Issue. The data included herein includes excerpts from the CRISIL Report available on the website of the Bank at <https://www.utkarsh.bank/investors/> and may have been re-ordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the proposed issue), that has been left out or changed in any manner. The relevant industry sources are indicated at all relevant places within this section. Unless otherwise indicated, 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. Also see, "Certain Conventions, Presentations of Financial Industry and Market Data and Currency of Presentation – Industry and Market Data" on page 21.

OVERVIEW

We are an SFB in India and recorded the third fastest Gross Loan Portfolio growth between Fiscal 2019 and Fiscal 2023 among SFBs with Gross Loan Portfolio of more than ₹ 60 billion. (Source: CRISIL Report, page 133) Our Promoter, Utkarsh CoreInvest Limited, commenced its operations as a NBFC in Fiscal 2010 and was focused on providing microfinance to unserved and underserved segments and in particular in the states of Uttar Pradesh and Bihar. We have our headquarters located 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 Utkarsh CoreInvest Limited.

On October 7, 2015, Utkarsh CoreInvest Limited 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, Utkarsh CoreInvest Limited 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 26 States and Union Territories with 830 Banking Outlets and 15,424 employees, as of March 31, 2023. As of March 31, 2023, 27.35% 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 March 31, 2023, we had 3.59 million customers (both deposit and credit) majorly located in rural and semi-urban areas primarily in the states of Bihar and Uttar Pradesh that, in Fiscal 2022, are among the states with the best asset quality but with low and moderate credit penetration (*Source: CRISIL Report, page 147*). As of March 31, 2023, these states constituted 30.88% and 25.98% 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 in addition to existing states where we operate by entering into arrangements with business correspondents (“BCs”) and direct selling agents (“DSAs”) and as of March 31, 2023, we had tie-ups with 13 BCs to source customers and 321 DSAs to grow our asset portfolio.

Given the legacy of Utkarsh CoreInvest Limited as a non-banking finance company-microfinance institutions (“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 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, and individual loans; (ii) retail loans that includes unsecured loans, such as business loans and personal loans, and secured loans, such as loans against property (“LAP”) (iii) wholesale lending that includes short term and long-term loan facilities to SMEs, mid and large corporates and institutional clients; (iv) housing loans with a focus on affordable housing; (v) commercial vehicle / construction equipment loans; and (vi) gold loans that was launched in Fiscal 2022. 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 from ₹ 75,075.68 million as of March 31, 2021 to ₹ 100,741.83 million as of March 31, 2022 and further to ₹ 137,101.40 million as of March 31, 2023. Our total number of deposit customers, that include microbanking customers to whom we also offer ‘joint liability group’ (“JLG”) loans, were 0.88 million, 1.50 million and 2.04 million, as of March 31, 2021, 2022 and 2023, respectively. Our retail term deposits comprised 39.83%, 37.28% and 40.66% of our total deposits, as of March 31, 2021, 2022 and 2023, respectively, while CASA as a percentage of overall deposits was 17.68%, 22.37% and 20.89% as of March 31, 2021, 2022 and 2023, respectively. We have been focusing on growing a stable and sustainable CASA base and our CASA was ₹ 28,637.35 million as of March 31, 2023.

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 March 31, 2023, 15,797 employees used handheld devices/ digital services for onboarding 573,619 savings 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 of individuals having diverse experience across industries and our Independent Directors provide strategic guidance to help improve and grow our operations. Our senior management team has significant experience in the banking and financial services industry. Our Promoter, Utkarsh CoreInvest Limited, is an NBFC-CIC-NDSI in India and is backed by a number of institutional investors including British International Investment PLC (formerly, CDC Group PLC), RBL Bank Limited, International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, Faering Capital India Evolving Fund, Hero Enterprises Partner Ventures, responsAbility Participations Mauritius, Shriram Life Insurance Company Limited, and Aavishkaar Bharat 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,		
	2021	2022	2023
	(₹ million, except percentages)		
Gross Loan Portfolio	84,156.60	106,307.25	139,571.08
Disbursements	59,140.08	90,462.79	124,428.94
Deposits	75,075.68	100,741.83	137,101.40
Credit to Deposit Ratio ⁽¹⁾	109.45%	101.53%	95.32%
Capital & Reserves	13,683.53	15,722.97	20,003.21
Net Interest Income ⁽²⁾	8,392.46	10,608.51	15,290.31
Net Interest Margin ⁽¹⁾	8.20%	8.75%	9.57%

Metric	As of and for the years ended March 31,		
	2021	2022	2023
	(₹ million, except percentages)		
Profit before taxes	1,514.36	797.13	5,358.14
Net profit for the year	1,118.15	614.62	4,045.02
Return on Average Assets	1.05%	0.48%	2.42%
Return on Average Equity	9.99%	4.14%	22.84%
Average Yield	15.46%	15.24%	15.67%
Cost of Funds ⁽¹⁾	8.27%	7.47%	6.96%
CASA + Retail Term Deposit Ratio (as percentage of total deposits)	57.51%	59.64%	61.55%
CASA Ratio ⁽¹⁾	17.68%	22.37%	20.89%
Provision Coverage Ratio (including technical write off) ⁽¹⁾	80.42%	78.14%	95.78%
Cost to Income Ratio ⁽¹⁾	56.54%	58.90%	54.15%
Gross NPA as a percentage of Gross Advances (%)	3.75%	6.10%	3.23%
Net NPA as a percentage of Net Advances (%)	1.33%	2.31%	0.39%

Notes:

- (1) For further information on reconciliation of these measures, see “Selected Statistical Information – Reconciliation of non-GAAP measures” on page 258.
- (2) Net Interest Income is difference of Interest Earned and Interest Expended. For further information, see “Selected Statistical Information – Reconciliation of non-GAAP measures” on page 258.
- (3) 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). further information, see “Selected Statistical Information – Reconciliation of non-GAAP measures” on page 258.

As of March 31, 2021, 2022 and 2023, our CRAR was 21.88% (Tier I capital of 19.98%), 21.59% (Tier I capital of 18.08%) and 20.64% (Tier I capital of 18.25%), respectively. Our Bank’s provisioning and write-off policy is more stringent than norms prescribed by the RBI. As of March 31, 2021, 2022 and 2023, our gross NPAs were ₹ 3,152.89 million, ₹ 6,481.57 million and ₹ 4,315.04 million, respectively, and accounted for 3.75%, 6.10% and 3.23% of our Gross Advances, respectively. Our net NPAs were ₹ 1,088.14 million, ₹ 2,357.92 million and ₹ 505.12 million, and accounted for 1.33%, 2.31% and 0.39% of our Net Advances, as of March 31, 2021, 2022 and 2023, respectively.

As of March 31, 2021, gross NPAs in our microbanking, retail, wholesale and housing loan segments accounted for 4.13%, 3.22%, 0.00% and 0.72% of our Gross Advances, respectively, and as of March 31, 2022, gross NPAs in our microbanking, retail, wholesale and housing loan segments accounted for 7.53%, 1.85%, 0.00% and 4.61% of our Gross Advances, respectively. As of March 31, 2023, gross NPAs in our microbanking, retail, wholesale and housing loan segments accounted for 4.09%, 1.36%, 0.00% and 5.09% of our Gross Advances, respectively. Our certificate of deposits programme and subordinated non-convertible tier II bonds are rated by credit rating agencies; our certificate of deposit programme has a rating of “[ICRA] A1+” by ICRA and non-convertible tier II bonds have a rating of “CARE A (Positive)” by CARE and “[ICRA] A+ (Stable)” from ICRA.

Our endeavour is to be a retail focused bank with the aim to provide financial services that offer 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 the top 100 cities in terms of overall deposits, in addition to tapping metropolitan and urban areas by promoting our savings accounts along with 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 in addition to certain other digital channels. We 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 our product offerings, customer segments and geography supported by technology, process and data analytics.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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, CV / CE and gold loans. 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 (including covered by bank / government guarantees) have grown from ₹ 11,357.45 million as of March 31, 2021, to ₹ 22,491.59 million as of March 31, 2022 and further to ₹ 43,228.54 million (including those covered by bank/ government guarantees) as of March 31, 2023. Our liability product portfolio comprises deposits, savings and investment options for customers in areas across demographics. Our deposits have also grown consistently and were ₹ 75,075.68 million as of March 31, 2021, grew to ₹ 100,741.83 million as of March 31, 2022 and further to ₹ 137,101.40 million as of March 31, 2023. We also offer customers with ATM-cum-debit cards, mobile and internet banking, UPI 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, areas with high asset quality but low and moderate financial penetration such as Bihar and Uttar Pradesh (*Source: CRISIL Report, page 147*) present a huge untapped market and headroom for improvement and growth in the region. 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, 2023, 63.11% of our Gross Loan Portfolio was generated from 95 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 21.88%, 21.59% and 20.64%, as of March 31, 2021, 2022 and 2023, 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 4.50% 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. 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 March

31, 2023, 27.35% 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 benefit from the re-classification norms prescribed by the RBI which prescribed that from Fiscal 2022, our Banks’ incremental priority sector credit to certain districts was eligible for a PSL weightage of 125% and 100%, respectively. As of March 31, 2023, our loan portfolio towards these districts accounted for 50.81% and 40.56% of our JLG PSL 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 term deposits have significantly grown from ₹ 29,905.18 million as of March 31, 2021 to ₹ 37,553.56 million as of March 31, 2022, and further to ₹ 55,751.33 million as of March 31, 2023, and accounted for 48.39%, 48.02% and 51.40% of our total term deposits, as of March 31, 2021, 2022 and 2023, 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 8.27% in Fiscal 2021 to 7.47% in Fiscal 2022 and further to 6.96% in Fiscal 2023. 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*” on page 167. 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 2021, 2022 and 2023 was 56.54%, 58.90% and 54.15%, respectively.

Our network of Banking Outlets has grown from 558 Banking Outlets as of March 31, 2021 to 686 Banking Outlets as of March 21, 2022 and further to 830 Banking Outlets as of March 31, 2023. Of the total Banking Outlets, 227 outlets are present in URCs as of March 31, 2023, 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 2021 to Fiscal 2023, we have invested ₹ 941.43 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. In Fiscal 2023, our investment in technology infrastructure amounted to ₹ 388.08 million. 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 ₹ 150.82 million, ₹ 154.97 million and ₹ 168.16 million in Fiscal 2021, 2022 and 2023, respectively. Our number of customers (borrowers and depositors) per Banking Outlet were 4,327 as of March 31, 2023.

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. During Fiscal 2021, our Bank increased the provision requirement for substandard assets to 55-100% compared to earlier policy of 40-85% based on number of days in NPA. For secured loans also, during Fiscal 2021, our Bank followed similar provisioning norms for substandard assets compared to RBI requirement of 15%. However, in Fiscal 2022, our Bank reversed its provision requirement for sub-standard assets to 40-85% and reduced provisioning percentage for secured loans to 25% compared to RBI requirement of 15%. Our standard asset provisioning is also stringent at 0.50% of JLG advances compared with the regulatory requirement of 0.40%. In addition, we provide floating provision equivalent to 20% of standard asset provisioning. Additionally, our Bank has created additional floating provision of ₹ 800.00 million as on March 31, 2023. As of March 31, 2023, we have an outstanding floating provision of ₹ 126.50 million on our outstanding standard portfolio (excluding additional floating provision of ₹ 800.00 million). We have also provided for an additional contingency provision of ₹ 650.00 million for Fiscal 2022, out of which we have utilized ₹ 520.00 million in Fiscal 2023 and continue with an additional contingency provision of ₹ 130.00 million as on March 31, 2023.

The following table illustrates our asset quality ratios as of the dates indicated:

	As of March 31,		
	2021	2022	2023
NPAs			
Gross NPA/ Gross Advances (%)	3.75%	6.10%	3.23%
Net NPAs / Net Advances (%)	1.33%	2.31%	0.39%

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 65.49%, 63.62% and 88.29% in Fiscal 2021, 2022 and 2023, 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 92.68%, 90.91% and 89.33% of our total income in Fiscal 2021, 2022 and 2023, respectively. Our Net Interest Income is affected by our interest expense, which is largely dependent on our deposits and associated interest rates. In Fiscal 2021, 2022 and 2023, the total interest expended represented 46.53%, 39.95% and 40.67%, 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.

Impact of COVID-19 on our results of operations and financial condition

In late 2019, COVID-19 emerged and by March 11, 2020 it was declared as a global pandemic by The World Health Organization. By the end of March, the macroeconomic impacts became significant, exhibited by, among other things, a rise in unemployment and market volatility.

The Government of India initiated a nation-wide lockdown from March 25, 2020 for three weeks which was extended to May 31, 2020. In compliance with the lockdown orders announced by the Indian Government, as applicable to banks that were declared essential services, we temporarily closed certain of our Banking Outlets and initiated remote working for some of our employees. India also experienced a severe second wave of COVID-19 between March 2021 and June 2021, which resulted in partial or full lockdown in some of the states where our Bank is operating. Additionally, many of our customers and service providers temporarily ceased operating their respective enterprises. As a result, we experienced a decline in collections, reduced disbursements and deposit mobilization, and increased provisioning due to the impact of COVID-19 and various regulatory measures in response to COVID-19, including moratoriums availed by customers. The impact of the pandemic on our business, operations and future financial performance have included and may include 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 were imposed. While the cases of COVID-19 in India have reduced

and the restrictions have been removed, however, in the event of a new wave of COVID-19, additional restrictions can be placed which could impact our collection efficiency.

- decline in disbursements due to reduced economic activity in Fiscal 2021 and months of April and May in Fiscal 2022 due to the second wave of COVID-19 in India, particularly for our microbanking and retail loans portfolio. Our disbursements declined from Fiscal 2020 to Fiscal 2021, but improved from ₹ 59,140.08 million in Fiscal 2021 to ₹ 90,462.79 million in Fiscal 2022. As a result of the reduced impact of COVID-19, our disbursements were ₹ 124,428.94 million in Fiscal 2023.
- 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 during March 2020 to August 2020, there can be no assurance that our customers will be able to make timely repayments. As of March 31, 2021, 2022 and 2023, our percentage of gross NPAs to Gross Advances was 3.75%, 6.10% and 3.23%, respectively, while our percentage of net NPAs to Net Advances was 1.33%, 2.31% and 0.39%, respectively, reflecting the improvement in our NPAs in line with the declining of the COVID-19 pandemic. Our credit costs were ₹ 2,668.46 million in Fiscal 2021 and ₹ 4,226.92 million in Fiscal 2022, and thereafter reduced to ₹ 2,987.87 million in Fiscal 2023.
- 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.

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. In terms of these guidelines, we were granted a moratorium of up to six months on the payment of all instalments and/ or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers, in accordance with the policies approved by the Board. For further information, see “*Our Business – Impact of COVID – 19*” on page 169.

The RBI guidelines also required 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 was carrying additional COVID-19 related provisions amounting to ₹ 501.32 million as on March 31, 2021, additional contingency provision of ₹ 650.00 million as on March 31, 2022 and continuing with additional contingency provision of ₹ 130.00 million as on March 31, 2023 to address future impact of COVID-19 on the financial position of our Bank.

Our Bank made provision of ₹ 2,595.12 million during Fiscal 2021 and ₹ 4,100.02 million during Fiscal 2022 towards NPAs, write offs, restructured advances as well as additional COVID-19 related provisions. As of March 31, 2023, our Bank was carrying provisions for NPAs (excluding floating provisions) of ₹ 2,883.42 million, floating provision of ₹ 926.50 million, provision for restructured advances amounting to ₹ 70.78 million and additional contingency provision of ₹ 130.00 million 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 ₹ 1,118.15 million in Fiscal 2021, ₹ 614.62 million in Fiscal 2022. While our net profit has subsequently improved to ₹ 4,045.02 million in Fiscal 2023 with the decline of COVID-19, in the event of recurrence of COVID-19 or a similar 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.

While all the restrictions have been removed by the Government due to a decrease in the cases of COVID-19 in India, 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.

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 54.

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. The RBI has subsequently changed the frequency to submit such proforma Ind AS financial statements from Fiscal 2022 from every quarter to half yearly basis. 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. Further, the RBI on August 30, 2021, issued the “Master Direction on Financial Presentation and Disclosure” which requires scheduled commercial banks (including small finance banks) to disclose the strategy for the implementation of Ind AS, including the progress made for such implementation which has to be made until the implementation of Ind AS. Our Bank has included such strategy and progress made by it in the Restated Financial Statements. For further information, see *“Restated Financial Statements”* on page 265.

However, as a subsidiary of Utkarsh CoreInvest Limited, 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 Utkarsh CoreInvest Limited’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 Utkarsh CoreInvest Limited’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, Utkarsh CoreInvest Limited, is a ‘Core Investment Company’ (“CIC”), it is required to upload its annual report on its website which includes Utkarsh CoreInvest Limited’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 Utkarsh CoreInvest Limited.

The Restated Financial Statements included in this Red Herring Prospectus are based on our Indian GAAP audited financial statements for Fiscals 2021, 2022 and 2023 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 Utkarsh CoreInvest Limited'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, accounting for modification of contracts, 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 Utkarsh CoreInvest Limited'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 Utkarsh CoreInvest Limited as well as related investor presentations and investor interaction information made available publicly in the ordinary course by Utkarsh CoreInvest Limited 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 Red Herring Prospectus for an assessment of our financial position and any investment decision.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

- a) Interest income on performing assets is recognized on accrual basis. Interest income on non-performing assets is recognized on realization;
- b) For other than JLG, until September 24, 2021, recoveries in respect of all past due loan accounts including classified as NPA as appropriated towards charges, interest, overdue and thereafter towards principal. From September 25, 2021 onwards except for Micro Finance (JLG) Loans and Relationship Management based products, recoveries in respect of all EMI based performing assets is appropriated towards interest, principal of each EMI followed by penal interest and then charges. For non-performing assets, appropriation is made towards principal, interest of each EMI followed by oldest penal interest due and then oldest charges for the product defined;
- c) For microfinance (JLG) loans, recoveries would be appropriated towards instalment(s) outstanding and on partial collection, appropriation will be in the sequence of (i) first, interest component of oldest EMI, followed by (ii) principal component of oldest EMI, and so on both for standard and NPA accounts;
- d) For relationship management based products, recoveries are appropriated towards outstanding;
- e) Penal interest or overdue principal interest and charges are recognized on collection basis except in case of relationship management based products where such penal interest or charges are recognized on accrual basis;
- f) Loan processing fees collected from the borrowers is recognized over the tenure of the loan;
- g) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due;
- h) Recoveries in respect of debts written off are recognized in the year in which such amounts is recovered and the same as are disclosed under "*Other Income*";
- i) Fees paid / received for priority sector lending certificates ("**PSLC**") is recognized upfront;

- j) 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 there from 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;
- k) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate;
- l) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis;
- m) Dividend is accounted on an accrual basis when the right to receive the dividend is established;
- n) Income from distribution of third party products is recognised on the basis of business booked;
- o) Recoveries in respect of purchase of Direct Assignment pools are to be appropriated as per appropriation methodology followed by the originators; and
- p) All other fees are accounted for as and when they become due and when service is rendered.

Advances

Accounting and Classification

Advances are classified as performing and non-performing (“NPA”) as per RBI guidelines. Restructured assets are classified and provided for in accordance with the guidelines issued by the RBI from time to time. In respect of advances where resolution plan is under implementation or implemented under the RBI guidelines on “Resolution Framework for COVID 19-related Stress” and “Micro, Small and Medium Enterprises (MSME) Sector – Restructuring of Advances”.

Our Bank considers a restructured account as one where our Bank, for economic or legal reasons relating to the borrower’s financial difficulty, grants to the borrower concessions that our Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances/ 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 reasons). Restructured accounts are classified as such by our Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. In accordance with the RBI guidelines on the prudential framework for resolution of stressed assets and the resolution framework for COVID-19 related stress, our Bank in accordance with our Board-approved policy, carried out one-time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the relevant RBI guidelines.

Inter-bank Participation Certificate

Our Bank enters into inter-bank participation with risk sharing as the issuing bank and the aggregate amount of participation is reduced from the aggregate loan outstanding.

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. 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 ‘*Other Liabilities and Provisions*’.

Loans reported as fraud are classified appropriately as per relevant RBI guidelines and fully provided for immediately without considering the value of security.

Floating Provision

The Bank recognises floating provision as per the Board approved policy, which is in addition to the specific, contingent and general provisions made by the Bank. The floating provision will be 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 for NNPA Ratio and is included in ‘*Other Liabilities and Provisions*’.

Investments

Classification and valuation of Bank’s investments is carried out in accordance with relevant RBI guidelines/directions 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 value 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 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 Rs. 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 and Reverse 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.

Investment Fluctuation Reserve

Out of net profits earned during the year, transfer is made to Investment Fluctuation Reserve, for an amount not less than the lower of the (a) net profit on sale of investments during the year (b) net profit for the year less mandatory appropriations, till the balance in such Investment Fluctuation Reserve reaches a level of at least 2% of the aggregate HFT and AFS portfolio. Draw down, if any, from the Investment Fluctuation Reserve shall be in accordance with the applicable RBI guidelines

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.

Capital work in progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. For assets purchased/ sold during the year, depreciation is being provided on pro rata basis by the Bank. 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 the 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. The cost of an intangible asset comprises its purchase price including after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. 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. For assets purchased/ sold during the year, amortisation is being provided on pro rata basis by the Bank.

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. Depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

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 and the resultant exchange differences are recognized in the Restated Summary Statement of Profit and Loss.

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.

Employee benefits

Defined contribution plan

Our Bank makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. Our Bank's contribution is recognised as an expense in the Restated Summary Statement of Profit and Loss during the period in which the employee renders the related service.

Defined benefit plan and compensated absences

Our 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 and the contributions made by our Bank to the scheme is recognised in the Restated Summary Statement of Profit and 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 our 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.

Share issue expenses

Share issue expenses are adjusted from share premium in terms of Section 52 of the Companies Act, 2013.

Employee stock option scheme

The holding company of our Bank has formulated the Employees Stock Option Scheme. The scheme provides that subject to continued employment with our Bank, employees of our 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 ICAI.

The Bank has formulated Employees Stock Option Schemes, and the policy will be applicable to all scheme. The Bank measures compensation cost relating to employee stock options using the Fair value method as per the Guidance Note on 'Accounting for Employee Share based Payments' issued by the ICAI and same is charged to Restated Summary Statement of Profit and Loss.

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.

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 our 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. Our 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 our Bank will pay normal income tax during the specified period.

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.

Earnings per share

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.

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.

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 our Bank are segregated.

Segment reporting

The disclosures relating to segment reporting is done 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 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 recognised upfront and is treated as 'Miscellaneous Income'.

For further information, see "*Financial Statements – Note 19 – Significant Accounting Policies*" on page 277.

CHANGES IN ACCOUNTING POLICIES

The following have been the changes in our Bank's accounting policies in the last three Fiscals:

Fiscal 2023

For microfinance (JLG) loans, recoveries would be appropriated towards installment outstanding and on partial collection appropriation will be in the sequence of first interest component of oldest EMI followed by the principal component of oldest EMI and so on both for standard and NPA accounts.

Fiscal 2022

- With effect from September 25, 2021, except for microfinance (JLG) loans and relationship management based products, recoveries in respect of all EMI based performing assets is appropriated towards interest, principal of each EMI followed by penal interest and then charges. For NPAs, appropriation is made towards principal, interest of each EMI followed by oldest penal interest due and then oldest charges for the product defined. Till September 24, 2021, for other than microfinance (JLG) products, recoveries in respect of all past due loan accounts including those classified as NPA was appropriated towards charges, interest, overdue and thereafter toward principal.
- Penal interest or overdue principal interest and charges are recognized on collection basis except in case of newly launched relationship management products where such penal interest or charges are recognized on accrual basis.
- Recoveries in respect of purchase of direct assignment pools are to be appropriated as per appropriation methodology followed by the originator's.

Fiscal 2021

Interest income on loan portfolio is recognized in the restated summary statement of profit and loss on accrual basis, however interest on delayed payment of principal for microfinance (JLG) customers is 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 and on restructuring where uncollected interest income has been capitalized and income is recognized based on accrual till the date of moratorium and restructuring as applicable, taking into account the amount outstanding and rate applicable, except in the case of interest on NPAs where it will be recognized upon realization as per prudential norms of RBI.

Except as disclosed above, there have been no changes in our accounting policies during Fiscal 2021, 2022 and 2023 except for the changes as necessitated by applicable laws.

PRINCIPAL COMPONENTS OF INCOME AND EXPENDITURE

Income

Interest Earned

Interest earned consists of interest/ discount on advances/ bills, 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) including provision / reversal of provision for mark to market losses on investments portfolio; 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/ subordinated debt, interest on finance lease obligations, 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, service charges for core banking software and ATM, traveling and other expenses.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision made towards NPAs (including advances and technical write off), (ii) other provisions and contingencies, (iii) provision for income tax, (iv) technical write-off, (v) provision for standard assets, (vi) provision on restructured assets, (vii) floating provision, (viii) provisions made towards deferred tax (net), (ix) provision against fraud, and (x) provision for COVID-19, contingency provisions, and provision on SMA due to COVID-19 and other provisions.

RESULTS OF OPERATIONS

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income
Income						
Interest earned	15,809.87	92.68%	18,488.13	90.91%	25,049.80	89.33%
Other income	1,248.49	7.32%	1,848.33	9.09%	2,993.06	10.67%
Total	17,058.36	100.00%	20,336.46	100.00%	28,042.86	100.00%
Expenditure						
Interest expended	7,417.41	43.48%	7,879.62	38.75%	9,759.49	34.80%
Operating expenses	5,450.57	31.95%	7,337.49	36.08%	9,900.13	35.30%
Provisions and contingencies	3,072.23	18.02%	4,504.73	22.02%	4,338.22	15.47%
Total	15,940.21	93.45%	19,721.84	96.98%	23,997.84	85.58%
Profit						

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income
Net profit for the year	1,118.15	6.55%	614.62	3.02%	4,045.02	14.42%

FISCAL 2023 COMPARED TO FISCAL 2022

Income

Total income increased by 37.89% from ₹ 20,336.46 million in Fiscal 2022 to ₹ 28,042.86 million in Fiscal 2023 primarily due to an increase in interest earned, as well as other income, due to the reasons discussed below.

Interest Earned

Interest earned increased by 35.49% from ₹ 18,488.13 million in Fiscal 2022 to ₹ 25,049.80 million in Fiscal 2023, primarily due to an increase in interest / discount on advances / bills by 38.39% from ₹ 16,461.26 million in Fiscal 2022 to ₹ 22,781.21 million in Fiscal 2023, primarily on account of increase in gross loan portfolio by 31.29% from ₹ 106,307.25 million as of March 31, 2022 to ₹ 139,571.08 million as of March 31, 2023. Interest on balances with RBI and other inter-bank funds increased by 59.85% from ₹ 477.25 million in Fiscal 2022 to ₹ 762.90 million in Fiscal 2023, primarily due to increase in repo and standing facility interest rates and higher balance parked with RBI. Income on investments decreased marginally by 2.83% from ₹ 1,549.25 million in Fiscal 2022 to ₹ 1,505.35 million in Fiscal 2023, as a result of as our Bank parked liquidity towards standing deposit facility with RBI, instead of Available for Sale government securities.

Other Income

Other income increased by 61.93% from ₹ 1,848.33 million in Fiscal 2022 to ₹ 2,993.06 million in Fiscal 2023, primarily due to increase in commission, exchange and brokerage income and miscellaneous income.

Commission, exchange and brokerage increased by 50.01% from ₹ 568.63 million in Fiscal 2022 to ₹ 853.00 million in Fiscal 2023 on account of higher processing fee income as disbursements increased by 37.55% from ₹ 90,462.79 million in Fiscal 2022 to ₹ 124,428.94 million in Fiscal 2023. Further, profit on sale/ redemption of investments (net) was ₹ 0.50 million in Fiscal 2023, compared to loss on sale / redemption of investments (net) of ₹ 28.36 million in Fiscal 2022 on account of our Bank's investments in dated government securities, primarily in the Held to Maturity category. Miscellaneous income, primarily comprising income from sale of PSLC, recovery from written-off accounts, ATM and debit card related income, general banking and transaction fees and income from sale of third party products increased by 63.57% from ₹ 1,308.06 million in Fiscal 2022 to ₹ 2,139.56 million in Fiscal 2023 due to higher recovery from written off accounts, PSLC income and increase in income from cross sale of third party products and general banking and transaction fees.

Expenditure

Total expenditure increased by 21.68% from ₹ 19,721.84 million in Fiscal 2022 to ₹ 23,997.84 million in Fiscal 2023, primarily on account of an increase in interest expensed and operating expenses.

Interest Expended

Interest expended increased by 23.86% from ₹ 7,879.62 million in Fiscal 2022 to ₹ 9,759.49 million in Fiscal 2023, primarily due to an increase in interest on deposits of the Bank by 36.25% from ₹ 5,756.67 million in Fiscal 2022 to ₹ 7,843.63 million in Fiscal 2023 on account of increase in our deposits by 36.09% from ₹ 100,741.83 million as of March 31, 2022 to ₹ 137,101.40 million as of March 31, 2023; interest on RBI / inter-bank borrowings that increased from ₹ 66.64 million in Fiscal 2022 to ₹ 106.37 million in Fiscal 2023 on account of increase in treasury bills repurchase repo borrowings from RBI against the security of excess SLR with our Bank. Other interest decreased by 12.00% from ₹ 2,056.31 million in Fiscal 2022 to ₹ 1,809.49 million in Fiscal 2023 primarily due to decline in borrowings excluding borrowings from RBI.

Operating Expenses

Operating expenses increased by 34.93% from ₹ 7,337.49 million in Fiscal 2022 to ₹ 9,900.13 million in Fiscal 2023 primarily due to an increase in payments to and provisions for employees by 32.63% from ₹ 4,298.26 million in Fiscal 2022 to ₹ 5,700.57 million in Fiscal 2023 on account of increase in number of employees from 12,617

employees as of March 31, 2022 to 15,424 employees as of March 31, 2023. Rent, taxes and lighting increased by 25.30% from ₹ 463.50 million in Fiscal 2022 to ₹ 580.77 million in Fiscal 2023 primarily due to increase in the number of Banking Outlets from 686 as March 31, 2022 to 830 as of March 31, 2023. Correspondingly, depreciation on Bank's property increased by 43.47% from ₹ 408.84 million in Fiscal 2022 to ₹ 586.55 million in Fiscal 2023 and repairs and maintenance expense also increased from ₹ 126.91 million in Fiscal 2022 to ₹ 197.08 million in Fiscal 2023. Our advertisement and publicity expenses increased from ₹ 50.39 million in Fiscal 2022 to ₹ 141.67 million in Fiscal 2023 as we increased our marketing efforts following the decreasing effects of the COVID-19 pandemic. Law charges increased from ₹ 125.56 million in Fiscal 2022 to ₹ 180.31 million on account of increase in disbursements for MSME and housing loans, as well as new Banking Outlets. Further, expenses on postage, telegrams, telephones, etc. increased from ₹ 198.14 million in Fiscal 2022 to ₹ 235.45 million in Fiscal 2023.

In addition, other expenditure, primarily comprising professional charges, service charges for core banking software and ATM, business correspondent commission, electricity expenses, security expenses, traveling and other expenses, increased by 38.29% from ₹ 1,437.55 million in Fiscal 2022 to ₹ 1,987.94 million in Fiscal 2023, on account of increase in software expenses, business correspondent commission, security expenses, increase in payment to credit bureaus and fees for ATM interchange fees.

Provisions and Contingencies

Provisions and contingencies decreased by 3.70% from ₹ 4,504.73 million in Fiscal 2022 to ₹ 4,338.22 million in Fiscal 2023, primarily improvement in our asset quality in Fiscal 2023 as the effects of COVID-19 decreased, and as a result of which our Gross NPAs percentage decreased from 6.10% in as of March 31, 2022 to 3.23% as of March 31, 2023. Further, our Bank had provided additional contingency provision of ₹ 650.00 million in Fiscal 2022 to address future impact of COVID-19 on the financial position of our Bank, which was utilised to the extent of ₹ 520.00 million in Fiscal 2023, resulting in additional contingency provision as of March 31, 2023 being ₹ 130.00 million. Our Bank has created additional floating provision of ₹ 800.00 million in Fiscal 2023, which resulted in higher provisions in Fiscal 2023, and offset the decline in overall provisions to that extent.

Profit

For the reasons discussed above, net profit for the year was ₹ 4,045.02 million in Fiscal 2023 as compared to ₹ 614.62 million in Fiscal 2022.

FISCAL 2022 COMPARED TO FISCAL 2021

Income

Total income increased by 19.22% from ₹ 17,058.36 million in Fiscal 2021 to ₹ 20,336.46 million in Fiscal 2022 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 16.94% from ₹ 15,809.87 million in Fiscal 2021 to ₹ 18,488.13 million in Fiscal 2022, primarily due to an increase in interest / discount on advances / bills by 18.79% from ₹ 13,857.44 million in Fiscal 2021 ₹ 16,461.26 million in Fiscal 2022 on account of increase in gross advances by 26.32% during Fiscal 2022, partly offset by decline in yield on advances from 20.64% in Fiscal 2021 to 19.57% in Fiscal 2022. Income on investments also increased by 4.19% from ₹ 1,486.92 million in Fiscal 2021 to ₹ 1,549.25 million in Fiscal 2022, as a result of increase in investments to meet SLR requirements and surplus liquidity maintained. Interest on balances with RBI and other inter-bank funds increased by 2.59% from ₹ 465.18 million in Fiscal 2021 to ₹ 477.25 million in Fiscal 2022, primarily due to increase in the interest in the liquidity adjustment facility ("LAF") with RBI.

Other Income

Other income increased by 48.05% from ₹ 1,248.49 million in Fiscal 2021 to ₹ 1,848.33 million in Fiscal 2022, primarily due to increase in commission, exchange and brokerage income and miscellaneous income.

Commission, exchange and brokerage increased by 55.27% from ₹ 366.23 million in Fiscal 2021 to ₹ 568.63 million in Fiscal 2022 on account of higher processing fee income as disbursements increased by 52.96% from ₹ 59,140.07 million in Fiscal 2021 to ₹ 90,462.79 million in Fiscal 2022. Further, loss on sale / redemption of investments (net) was ₹ 28.36 million in Fiscal 2022 on account of continuing adverse movement in interest rates

as compared to loss of ₹ 41.38 million in Fiscal 2021. Miscellaneous income, primarily comprising 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 41.62% from ₹ 923.64 million in Fiscal 2021 to ₹ 1,308.06 million in Fiscal 2022.

Expenditure

Total expenditure increased by 23.72% from ₹ 15,940.21 million in Fiscal 2021 to ₹ 19,721.84 million in Fiscal 2022 primarily on account of an increase in interest expensed, operating expenses and provision and contingencies.

Interest Expended

Interest expended increased by 6.23% from ₹ 7,417.41 million in Fiscal 2021 to ₹ 7,879.62 million in Fiscal 2022, primarily due to an increase in interest on deposits of the Bank by 20.04% from ₹ 4,795.46 million in Fiscal 2021 to ₹ 5,756.67 million in Fiscal 2022; interest on RBI / inter-bank borrowings that increased from ₹ 64.17 million in Fiscal 2021 to ₹ 66.64 million in Fiscal 2022 on account of increase in LTRO / SLTRO borrowings from RBI. Other interest decreased by 19.61% from ₹ 2,557.78 million in Fiscal 2021 to ₹ 2,056.31 million in Fiscal 2022 primarily due to decline in borrowings excluding borrowings from RBI.

Operating Expenses

Operating expenses increased by 34.62% from ₹ 5,450.57 million in Fiscal 2021 to ₹ 7,337.49 million in Fiscal 2022 primarily due to an increase in payments to and provisions for employees by 31.77% from ₹ 3,262.04 million in Fiscal 2021 to ₹ 4,298.26 million in Fiscal 2022 on account of increase in number of employees from 10,361 employees as of March 31, 2021 to 12,617 employees as of March 31, 2022. Rent, taxes and lighting increased by 30.57% from ₹ 354.99 million in Fiscal 2021 to ₹ 463.50 million in Fiscal 2022 primarily due to increase in the number of Banking Outlets from 558 as of March 31, 2021 to 686 as March 31, 2022. Depreciation on bank's property increased from ₹ 295.77 million in Fiscal 2021 to ₹ 408.84 million in Fiscal 2022. In addition, other expenditure, primarily comprising service charges for core banking software and ATM, traveling and conveyance, power and electricity, commission to Banking Outlets and other expenses, increased by 37.65% from ₹ 1,044.37 million in Fiscal 2021 to ₹ 1,437.55 million in Fiscal 2022, on account of increase in software expenses, travelling and conveyance expenses, increase in payment to credit bureaus, fees for ATM interchange fees and commission to BCs, and contribution to CSR.

Provisions and Contingencies

Provisions and contingencies increased by 46.63% from ₹ 3,072.23 million in Fiscal 2021 to ₹ 4,504.73 million in Fiscal 2022, primarily due to impact of COVID-19 which caused weakness in our asset quality in Fiscal 2022 and as a result our Gross NPAs percentage increased from 3.75% as of March 31, 2021 to 6.10% as of March 31, 2022. Our Bank also provided additional contingency provision of ₹ 650 million in Fiscal 2022 to address future impact of COVID-19 on the financial position of our Bank.

Profit

For the reasons discussed above, net profit for the year was ₹ 614.62 million in Fiscal 2022 as compared to ₹ 1,118.15 million in Fiscal 2021.

FINANCIAL CONDITION

Assets

The table below sets out the principal components of our assets as of the dates indicated:

	As of March 31,		
	2021	2022	2023
	(₹ million)		
Cash and balances with the Reserve Bank of India	11,049.38	17,978.97	11,920.57
Balance with banks and money at call and short notice	648.78	737.52	13,243.06
Investments	23,139.35	23,479.24	28,594.22
Advances	82,168.58	102,281.47	130,687.66

	As of March 31,		
	2021	2022	2023
	(₹ million)		
Fixed assets	1,811.71	2,865.34	3,033.24
Other assets	2,561.32	3,295.16	3,696.67
Total	121,379.12	150,637.70	191,175.42

Total assets increased by 26.91% from ₹ 150,637.70 million as of March 31, 2022 to ₹ 191,175.42 million as of March 31, 2023, primarily due to increase in advances. In addition, balance with banks and money at call and short notice, as well as investments increased from March 31, 2022 to March 31, 2023.

Total assets increased by 24.11% from ₹ 121,379.12 million as of March 31, 2021 to ₹ 150,637.70 million as of March 31, 2022. This increase was primarily due to an increase in advances, balances with banks, and fixed assets (on account of the construction of the new Registered and Corporate Office located at Varanasi).

Advances

The following table sets forth a breakdown of total advances as of the dates indicated, where total advances is the aggregate of bills purchased and discounted, cash credits, overdrafts and loans repayable on demand and term loans:

	As of March 31,		
	2021	2022	2023
	(₹ million)		
Bills, purchased and discounted	-	-	-
Cash credits, overdrafts and loans repayable on demand	668.32	1,123.30	4,112.67
Term loans	81,500.26	1,01,158.17	126,574.99
Total	82,168.58	102,281.47	130,687.66
Secured by tangible assets (includes advances against fixed deposits and book debts)	11,355.94	22,490.42	43,227.99
Covered by bank/ government guarantees	1.51	1.17	0.55
Unsecured	70,811.13	79,789.88	87,459.11
Total	82,168.58	102,281.47	130,687.65
Advances in India			
Priority sector	70,592.07	84,393.07	113,253.39
Public sector	-	-	-
Banks	-	75.00	569.90
Others	11,576.51	17,813.40	16,864.36
Total	82,168.58	102,281.47	130,687.65

Advances comprise microbanking loans, retail loans, wholesale loans, housing loans, loans originated through business correspondents, CV and CE loans and others loans, such as gold loans, overdrafts and staff loans.

Total net advances increased by 27.77% from ₹ 102,281.47 million as of March 31, 2022 to ₹ 130,687.66 million as of March 31, 2023 owing to increase in microbanking loans, retail assets, housing loans, wholesale lending and CV and CE loan portfolio. Our Bank issued IBPC of ₹ 6,000.00 million (nil as on March 31, 2022), which reduced growth in net advances of our Bank in Fiscal 2023.

Total net advances increased by 24.48% from ₹ 82,168.58 million as of March 31, 2021 to ₹ 102,281.47 million as of March 31, 2022 on account of increase in the opening of new Banking Outlets as well as higher growth in retail assets, housing, wheels and wholesale lending portfolio on low base.

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 increased by 21.79% from ₹ 23,479.24 million as of March 31, 2022 to ₹ 28,594.22 million as of March 31, 2023 primarily owing to increase in government securities from ₹ 20,484.53 million as of March 31, 2022 to ₹ 25,603.57 million as of March 31, 2023 in order to meet an increased SLR requirement following

increase in NDTL of our Bank, in addition to liquidity management. Investment in others (certificate of deposits and mutual funds) remained stable at ₹ 2,990.65 million as of March 31, 2023 compared to ₹ 2,994.71 million as of March 31, 2022.

Investments increased by 1.47% from ₹ 23,139.35 million as of March 31, 2021 to ₹ 23,479.24 million as of March 31, 2022, primarily due to increase in investment in others (certificate of deposits and mutual funds) by 519.11% from ₹ 483.71 million as of March 31, 2021 to ₹ 2,994.71 million as of March 31, 2022. This was partially offset by a decrease in debentures and bonds from ₹ 1,168.30 million as of March 31, 2021 to nil as of March 31, 2022 and a decrease in government securities from ₹ 21,487.34 million as of March 31, 2021 to ₹ 20,484.53 million as of March 31, 2022.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice increased from ₹ 737.52 million as of March 31, 2022 to ₹ 13,243.06 million as of March 31, 2023. This was primarily due to an increase in money at call and short notice with other institutions from nil as of March 31, 2022 to ₹ 12,095.52 million as of March 31, 2023 owing to treasury bills repurchase repo lending of ₹ 11,495.52 million.

Balances with banks and money at call and short notice increased by 13.68% from ₹ 648.78 million as of March 31, 2021 to ₹ 737.52 million as of March 31, 2022. The increase as of March 31, 2022 was primarily driven by an increase in balance with other banks in current accounts from ₹ 620.21 million as of March 31, 2021 to ₹ 702.88 million as of March 31, 2022 primarily due to increase in the number of Banking Outlets as we scaled up operations.

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 increased by 12.18% from ₹ 3,295.16 million as of March 31, 2022 to ₹ 3,696.67 million as of March 31, 2023, primarily due to increase in interest accrued from ₹ 931.85 million as of March 31, 2022 to ₹ 1,251.64 million as of March 31, 2023. In addition, others increased from ₹ 1,436.68 million as of March 31, 2022 to ₹ 1,574.08 million as of March 31, 2023.

Other assets increased by 28.65% from ₹ 2,561.32 million as of March 31, 2021 to ₹ 3,295.16 million as of March 31, 2022. The increase as of March 31, 2022 was primarily driven by an increase in others by 57.37% from ₹ 912.95 million as of March 31, 2021 to ₹ 1,436.68 million as of March 31, 2022 primarily on account of increase in advances recoverable in cash or in kind or for value to be received. In addition, interest accrued increased from ₹ 743.58 million as of March 31, 2021 to ₹ 931.85 million as of March 31, 2022 and deferred tax asset (net) increased from ₹ 579.71 million as of March 31, 2021 to ₹ 926.63 million as of March 31, 2022. This increase was offset by a decrease in tax paid in advance/ tax deducted at source (net of provision) which decreased from ₹ 325.08 million as of March 31, 2021 to nil as of March 31, 2022.

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,		
	2021	2022	2023
	(₹ million)		
Capital	8,483.34	8,955.22	8,959.05
Reserves and surplus	5,200.19	6,767.75	11,044.16
Deposits	75,075.68	100,741.83	137,101.40
Borrowings	26,078.25	25,719.35	23,494.75
Other liabilities and provisions	6,541.66	8,453.55	10,576.06
Total	121,379.12	150,637.70	191,175.42

Total capital and liabilities increased by (i) 26.91% from ₹ 150,637.70 million as of March 31, 2022 to ₹ 191,175.42 million as of March 31, 2023, primarily due to an increase in reserves and surplus, deposits and other liabilities and provisions; (ii) 24.11% from ₹ 121,379.12 million as of March 31, 2021 to ₹ 150,637.70 million as

of March 31, 2022, primarily due to an increase in deposits, reserves and surplus and other liabilities and provisions.

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,					
	2021		2022		2023	
	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)
Demand Deposits						
(i) from banks	60.16	0.08%	380.01	0.38%	874.88	0.64%
(ii) from others	1,537.56	2.05%	3,244.78	3.22%	2,965.15	2.16%
Saving Bank Deposits	11,672.20	15.55%	18,908.06	18.77%	24,797.32	18.09%
Term Deposits						
(i) from banks	22,261.62	29.65%	28,229.16	28.02%	36,660.15	26.74%
(ii) from others	39,544.14	52.67%	49,979.82	49.61%	71,803.89	52.37%
Total	75,075.68	100.00%	100,741.83	100.00%	137,101.40	100.00%

Deposits mainly comprise term deposits, savings bank deposits and demand deposits.

Deposits increased by (i) 36.09% from ₹ 100,741.83 million as of March 31, 2022 to ₹ 137,101.40 million as of March 31, 2023; and (ii) 34.19% from ₹ 75,075.68 million as of March 31, 2021 to ₹ 100,741.83 million as of March 31, 2022, primarily due to increase in 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 finance lease obligations.

Our borrowings decreased by 8.65% from ₹ 25,719.35 million as of March 31, 2022 to ₹ 23,494.75 million as of March 31, 2023, primarily on account of decrease in borrowings from RBI from ₹ 2,370.00 million as of March 31, 2022 to ₹ 1,500.00 million as of March 31, 2023 on account of repayment of borrowings of ₹ 870.00 million from RBI at the scheduled maturity date and reduction of unsecured redeemable debentures from ₹ 1,500.00 million as of March 31, 2022 to nil as of March 31, 2023, as these were redeemed on scheduled maturity. Our other borrowings, which represent payables under lease obligations, also decreased from ₹ 116.25 million as of March 31, 2022 to ₹ 94.85 million as of March 31, 2023.

Our borrowings decreased by 1.38% from ₹ 26,078.25 million as of March 31, 2021 to ₹ 25,719.35 million as of March 31, 2022, primarily attributable to a decrease in borrowings in India on account of decrease in term loans from institutions others than banks from ₹ 21,019.90 million as of March 31, 2021 to ₹ 19,383.10 million as of March 31, 2022. Borrowings in India from other banks also decreased from ₹ 100.00 million as of March 31, 2021 to nil as of March 31, 2022.

Other Liabilities and Provisions

Other liabilities and provisions represent bills payable, interest accrued and others (including provisions), comprising contingent provisions against standard assets, and other liabilities.

Other liabilities and provisions increased by 25.11% from ₹ 8,453.55 million as of March 31, 2022 to ₹ 10,576.05 million as of March 31, 2023, primarily due to (i) increase in bills payable from ₹ 436.45 million as of March 31, 2022 to ₹ 1,472.28 million as of March 31, 2023, (ii) increase in interest accrued from ₹ 3,822.47 million as of March 31, 2022 to ₹ 4,081.13 million as of March 31, 2023, and (iii) increase in others (including provisions) from ₹ 4,194.63 million as of March 31, 2022 to ₹ 5,022.64 million as of March 31, 2023, on account of increase in floating and standard asset provision, increase in unamortized processing fees and other liabilities.

Other liabilities and provisions increased by 29.23% from ₹ 6,541.66 million as of March 31, 2021 to ₹ 8,453.55 million as of March 31, 2022, primarily due to an increase in (i) others (including provisions) from ₹ 3,272.27 million as of March 31, 2021 to ₹ 4,194.63 million as of March 31, 2022 on account of increase in un-amortised

processing fee, standard asset provision, contingency / COVID-19 provisioning and provisioning against fraud and other liabilities; (ii) interest accrued from ₹ 2,881.99 million as of March 31, 2021 to ₹ 3,822.47 million as of March 31, 2022; and (iii) bills payable from ₹ 387.40 million as of March 31, 2021 to ₹ 436.45 million as of March 31, 2022.

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, 2021, 2022 and 2023, we had cash and cash equivalents available for use in our operations of ₹ 11,698.16 million, ₹ 18,716.49 million and ₹ 25,163.63 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 49.

CASH FLOWS

The following table sets forth certain information relating to our cash flows in the periods indicated:

Particulars	Fiscal		
	2021	2022	2023
	(₹ million)		
Net cash flow (used in)/ generated from operating activities	(834.63)	13,291.56	15,590.00
Net cash flow from/ (used in) investing activities	(5,324.48)	(7,386.72)	(6,931.53)
Net cash flow (used in)/ generated from financing activities	1,716.74	1,113.49	(2,211.33)
Net increase/ (decrease) in cash and cash equivalents	(4,442.37)	7,018.33	6,447.14
Cash and cash equivalents as at the beginning of the period/ year	16,140.53	11,698.16	18,716.49
Cash and cash equivalents at the end of the period/ year	11,698.16	18,716.49	25,163.63

Operating Activities

Fiscal 2023

In Fiscal 2023, net cash flow from operating activities was ₹ 15,590.00 million. Profit before taxes was ₹ 5,358.14 million in Fiscal 2023 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of write-off of non-performing advances of ₹ 3,827.81 million on account of stress to asset quality caused by COVID-19 and unsecured accounts which remained in NPA category were written off by our Bank. Operating profit before working capital changes was ₹ 9,265.91 million in Fiscal 2023. The main working capital adjustments in the relevant period primarily included increase in deposits of ₹ 36,359.58 million on account of increase in the number of depositors and Banking Outlets. This was significantly offset by increase in advances of ₹ 31,091.65 million, as a result of increase in microfinance, retail assets, housing loans, wholesale lending, CV and CE and other loans portfolio. The increase in our advances was offset to an extent by the issuance of IBPC of ₹ 6,000.00 million in Fiscal 2023 compared to nil in Fiscal 2022

Fiscal 2022

In Fiscal 2022, net cash flow from operating activities was ₹ 13,291.56 million. Profit before taxes was ₹ 797.13 million in Fiscal 2022 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of write-off of non-performing advances of ₹ 2,193.84 million on account of increase in NPAs due to the impact of COVID-19; and provision for non-performing advances (net of reversal) of ₹ 2,024.26 million. As per our Bank's write-off policy, all accounts which remain in NPA classification for more than 365 days and their recent collections are low are written off by our Bank. As fresh NPA addition increased

significantly in Fiscal 2021 owing to the pressures induced on account of the COVID-19 pandemic, accounts which remained in NPA category exceeding the 12 month period in Fiscal 2022 were written off by our Bank during Fiscal 2022. This led to increase in write-off from ₹ 352.37 million as of March 31 2021 to ₹ 2,193.84 million as of March 31, 2022. Operating profit before working capital changes was ₹ 5,593.61 million in Fiscal 2022. The main working capital adjustments in Fiscal 2022, included increase in deposits of ₹ 25,666.14 million on account of increase in Banking Outlets and new customer acquisition and decrease in investments of ₹ 5,563.63 million. This was significantly offset by an increase in advances of ₹ 24,344.48 million.

Fiscal 2021

In Fiscal 2021, net cash flow from operating activities was ₹ (834.63) million. Profit before taxes was ₹ 1,514.36 million in Fiscal 2021 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of provision for standard advances and other contingencies of ₹ 601.56 million on account of restructuring provision, standard provision and COVID-19 provision and provision for non-performing advances (net of reversal) of ₹ 1,714.53 million and write-off of non-performing advances of ₹ 352.37 million. Operating profit before working capital changes was ₹ 4,632.78 million in Fiscal 2021. The main working capital adjustments in Fiscal 2021, included increase in deposits of ₹ 22,723.56 million on account of increase in deposits. This was significantly offset by an increase in advances of ₹ 21,419.51 million and a decrease in investments of ₹ 6,832.88 million. Income taxes paid (net) amounted to ₹ 963.02 million in Fiscal 2021.

Investing Activities

Fiscal 2023

Net cash used in investing activities was ₹ 6,931.53 million in Fiscal 2023, primarily on account of purchase of held to maturity securities of ₹ 6,177.08 million, primarily to meet an increased SLR requirement following increase in NDTL of our Bank, and purchase of fixed assets including capital work in progress of ₹ 758.47 million on account of increase in Banking Outlets and investments towards IT hardware and software.

Fiscal 2022

Net cash used in investing activities was ₹ 7,386.72 million in Fiscal 2022, primarily on account of purchase of held to maturity securities of ₹ 5,924.89 million and purchase of fixed assets including capital work in progress of ₹ 1,466.73 million (including investments in the construction of our new Registered and Corporate Office located at Varanasi).

Fiscal 2021

Net cash used in investing activities was ₹ 5,324.48 million in Fiscal 2021, primarily on account of purchase of held to maturity securities of ₹ 4,530.97 million and purchase of fixed assets including capital work in progress of ₹ 793.68 million.

Financing Activities

Fiscal 2023

Net cash flow used in financing activities was ₹ 2,211.33 million in Fiscal 2023, primarily on account of repayments from borrowings of ₹ 2,224.60 million.

Fiscal 2022

Net cash flow generated from financing activities was ₹ 1,113.49 million in Fiscal 2022, on account of proceeds from issue of share capital (net of share issue expenses) of ₹ 1,466.35 million.

Fiscal 2021

Net cash flow generated from financing activities was ₹ 1,716.74 million in Fiscal 2021 primarily attributable to proceeds from issue of share capital (net of share issue expenses) of ₹ 2,370.38 million.

CAPITAL ADEQUACY

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of March 31, 2023, 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,		
	2021	2022	2023
	(₹ million, except percentages)		
Common Equity Tier I Capital	12,565.15	14,207.60	18,448.22
Tier I Capital	12,565.15	14,207.60	18,448.22
Tier II Capital	1,192.53	2,757.01	2,412.29
Total Capital	13,757.68	16,964.61	20,860.51
Total Credit Risk Weighted Assets	62,877.17	78,570.51	101,058.93
Capital Adequacy Ratio			
Common Equity Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	19.98%	18.08%	18.25%
Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	19.98%	18.08%	18.25%
Tier II Capital Ratio (as a percentage of Credit Risk Weighted Assets)	1.90%	3.51%	2.39%
Total Capital Ratio* (CRAR) (%)	21.88%	21.59%	20.64%

Note:

*Total Capital to Risk Weighted Asset Ratio (as a percentage of Credit Risk Weighted Assets)

CREDIT RATING

The following table sets forth our credit ratings, as of March 31, 2023:

Particulars/ Instrument	Amount (₹ million)	Rating	Rating Agency
Subordinate debt	400.00	CARE A; Positive (Single A; Outlook: Positive)	CARE
	2,000.00	[ICRA]A (Positive)*	ICRA
Certificate of deposit	10,000.00	[ICRA] A1+	ICRA

* On April 10, 2023, ICRA has upgraded our Bank's long term credit rating for subordinated debt to [ICRA]A+ (Stable) from [ICRA]A (Positive).

INDEBTEDNESS

As of March 31, 2023, our total borrowings were ₹ 23,494.75 million, representing a Debt Equity Ratio (calculated as deposits plus borrowings divided by capital plus reserves) of 8.03. For further information regarding our indebtedness, see "Financial Statements" and "Financial Indebtedness" on pages 262 and 381, respectively.

The following table sets forth certain information relating to our outstanding indebtedness as of March 31, 2023, and our repayment obligations in the periods indicated:

Particulars	As of March 31, 2023				
	Payment due by period				
	(₹ million)				
	Total	Not later than 1 year	1-3 years	3 -5 years	More than 5 years
Long Term Borrowings					
Refinance (Unsecured)	19,549.90	8,698.26	10,425.36	278.16	148.12
Subordinate Debt (unsecured)	2,350.00	-	400.00*	1,950.00	-
Repo	1,500.00	-	1,500.00	-	-
Financial lease obligation	94.85	47.17	23.73	15.82	8.13
Total long-term borrowings	23,494.75	8,745.43	12,349.09	2,243.98	156.25
Total Borrowings	23,494.75	8,745.43	12,349.09	2,243.98	156.25

Our Bank vide its letter dated June 16, 2023 has requested for RBI's approval for an early redemption of the 2,500 NCDs (ISIN: INE735W08012), subject to compliance with the requirements of applicable law and regulatory instructions. Subsequently, the RBI through its letter dated July 4, 2023 has indicated that it has no-objection to the redemption of the aforementioned 2,500 NCDs (ISIN: INE735W08012) post-completion of five years (i.e. on or after July 9, 2023) from a regulatory perspective, subject to our Bank complying with the SEBI guidelines and other laws/ regulations/ contracts/ terms of issue. Upon receipt of the relevant regulatory approvals, the maturity profile of the subordinated debt (unsecured) linked to these NCDs would be 'Not later than 1 year', instead of '1-3 years', as disclosed in this Red

Herring Prospectus. For further details, see “Risk Factors – We have received a show cause notice from SEBI regarding alleged non-compliance of provisions of Companies Act 2013 and erstwhile SEBI (Issue and Listing of Debt Securities) Regulations, 2008 relating to public offering of securities which may result in penal actions.”, “Issue Document Summary – Exemption from complying with any provisions of securities laws granted by the SEBI” and “Capital Structure – Non-Convertible Debentures” on pages 29, 20 and 88, respectively.

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 49.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth certain information relating to future payments due under known contractual commitments as of March 31, 2023, aggregated by type of contractual obligation:

Particulars	As of March 31, 2023				
	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance)	52.09	52.09	-	-	-
IT related	254.49	115.32	139.18	-	-
Total Contractual Obligations	306.59	167.41	139.18	-	-

Operating Lease

Lease payments made under cancellable operating lease amounted to ₹ 354.99 million, ₹ 463.50 million and ₹ 580.77 million in Fiscal 2021, 2022 and 2023, respectively, and have been recognized as an expense in the profit and loss account. There was one sublease agreement with Utkarsh CoreInvest Limited.

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, 2021	As of March 31, 2022	As of March 31, 2023
	(₹ million)		
Due within one year	374.40	426.48	622.19
Due later than one year and not later than five years	1,552.33	1,932.51	2,133.08
Due later than five years	558.95	955.00	804.66
Total	2,485.68	3,313.99	3,559.94

For further information, see “Financial Statements – Note 20.20 – Leases” on page 337.

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 March 31, 2023:

Sr. No.	Particulars	Contingent liabilities as at March 31, 2023 (₹ million)
1.	Guarantees given on behalf of constituents	
	i) In India	255.11
	ii) Outside India	-
2.	Other items for which the bank is contingently liable (refer note 2)	3,160.94
	Total	3,416.05

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: (i) Includes capital commitment of ₹ 306.59 million (March 31, 2022: ₹ 378.11 million; March 31, 2021: ₹ 392.65 million); (ii) includes pending tax litigation of ₹ 68.68 million (March 31, 2022: ₹ 12.64 million, March 31, 2021: ₹ 14.99 million); (iii) includes commitment towards irrevocable undrawn fund based credit facilities of ₹ 2,782.51 million (March 31, 2022: nil, March 31, 2021: nil).

For further information, see “Financial Statements – Note 14 – Contingent Liabilities” on page 273.

Except as disclosed in this 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 2021, 2022 and 2023, we incurred ₹ 451.68 million, ₹ 2,016.49 million and ₹ 749.35 million, respectively, as capital expenditure. In Fiscals 2021, 2022 and 2023, additions made to software amounted to ₹ 142.23 million, ₹ 158.01 million and ₹ 150.71 million, respectively. Further, in Fiscal 2022 our capital expenditure included ₹ 1,503.27 million towards the construction of our new Registered and Corporate Office located at Varanasi.

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 KMPs, rent received from our holding company, deposits made, and others. For further information relating to our related party transactions, see “Financial Statements” on page 262.

AUDITOR’S OBSERVATIONS

Except as set out below, there have been no matters of emphasis highlighted by our Previous Statutory Auditors in their auditor’s reports on the audited financial statements as of and for the years ended March 31, 2021 and 2022:

Fiscal 2022

“We draw attention to Note 18.27 of Schedule 18 of the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank’s operations and financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.”

Fiscal 2021

“We draw attention to Note 18.47 of Schedule 18 of the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank’s operations and financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.”

Other than as stated above, there are no adverse reservations/ qualifications/ adverse remarks/ made by our Previous Statutory Auditors in their auditor’s reports on the audited financial statements as of and for the years

ended March 31, 2021 and 2022, and by our Joint Statutory Auditors in their auditor's report on the audited financial statements as of and for the year ended March 31, 2023.

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 management 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 management 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 weekly 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 March 31, 2023, we maintained excess liquidity of ₹ 23,724.65 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 foreign exchange, 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

Reputational 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 188.

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 122, and for information on segment reporting for Fiscals 2021, 2022 and 2023, see “*– Segment Reporting*” on page 363.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

Except as described in this 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 349 and 25, respectively. To our knowledge, except as discussed in this 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 349 and 25, respectively.

NEW PRODUCTS OR BUSINESS SEGMENTS

Except as described in this 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 25, 160 and 347, 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, 2023, our top five, ten and twenty depositors accounted for 9.32%, 14.33% and 21.04%, 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 and union territory of Maharashtra, NCT of Delhi, Uttar Pradesh and Haryana 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.*” 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 160, 122, 54 and 349, respectively.

SEASONALITY/ CYCLICALITY OF BUSINESS

We experience seasonal activity to an extent in our business. For further information, see “*Risk Factors - Our business activities are subject to seasonality, which may contribute to fluctuations in our results of operations and financial condition*” on page 63.

SIGNIFICANT DEVELOPMENTS AFTER MARCH 31, 2023 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

Other than as disclosed in this Red Herring Prospectus, to our knowledge no circumstances have arisen since March 31, 2023 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 March 31, 2023, on the basis of our Restated Financial Statements, and as adjusted for the Issue. 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" beginning on pages 347, 262 and 25, respectively.

Particulars	Pre-Issue (₹ in million) as at March 31, 2023	Post-Issue*
Debt#		
Short term debt (A)	-	[•]
Long term debt (B)	23,494.75	[•]
Total debt (C = A+B)	23,494.75	[•]
Shareholders' Funds		
Share Capital (D)	8,959.05	
Reserves & Surplus (E)	11,044.16	[•]
Total Shareholder's Funds (F = D+E)	20,003.21	[•]
Long Term Debt/ Total Shareholder's Fund (G = B/F)	1.17	[•]
Total Debt/ Total Shareholder's Fund (H = C/F)	1.17	[•]

*Note: The corresponding post-Issue 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 on March 31, 2023:

Category of borrowing	Sanctioned Amount (₹ in million)*	Outstanding Amount (₹ in million) as on March 31, 2023*^
Borrowing in India – Financial Institutions***	35,500.00	19,549.90
Borrowings in the form of bonds and debentures (subordinated debt qualifying as Tier 2 capital) #	2,350.00@	2,350.00
Borrowings in India - Reserve Bank of India****	1,500.00	1,500.00
Other Borrowings**	-	94.85
Total	39,350.00	23,494.75

* Figures rounded off to the nearest decimal.

**Represents payable under lease obligation.

@ Our Bank has availed a bank guarantee of ₹ 385,000 which has been submitted to BSE on March 26, 2021 towards recovery expense fund. The bank guarantee will expire on December 25, 2027.

Our Bank vide its letter dated June 16, 2023 has requested for RBI's approval for an early redemption of the 2,500 NCDs (ISIN: INE735W08012), subject to compliance with the requirements of applicable law and regulatory instructions. Subsequently, the RBI through its letter dated July 4, 2023 has indicated that it has no-objection to the redemption of the aforementioned 2,500 NCDs (ISIN: INE735W08012) post-completion of five years (i.e. on or after July 9, 2023) from a regulatory perspective, subject to our Bank complying with the SEBI guidelines and other laws/ regulations/ contracts/ terms of issue. For further details, see "Risk Factors – We have received a show cause notice from SEBI regarding alleged non-compliance of provisions of Companies Act 2013 and erstwhile SEBI (Issue and Listing of Debt Securities) Regulations, 2008 relating to public offering of securities which may result in penal actions.", "Issue Document Summary – Exemption from complying with any provisions of securities laws granted by the SEBI" and "Capital Structure – Non-Convertible Debentures" on pages 29, 20 and 88, respectively.

***Refinance Borrowing (Unsecured)

**** Special Long Term Repo Operation (Secured)

^ As certified by JHS & Associates LLP, Chartered Accountants pursuant to their certificate dated July 6, 2023.

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 4% per annum to 12.50% per annum. The interest rate on the special long-term repo operation (SLTRO) availed by our Bank is linked to the repo rate.

Our Bank has issued (i) 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 ₹100,000 each at a coupon rate of 10.58% p.a. payable quarterly; and (ii) 1,950 unsecured, subordinated, rated, listed, redeemable, non-convertible debentures of face value of ₹1,000,000 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 ranges between 36 months and 84 months (*approximately*). Further, the tenor of the NCDs issued by us is 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 Government securities, both past and future, current account maintained by our Bank with their sponsor bank.

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 of 2.50% for 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 under certain conditions; 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 Issue, our Bank has obtained necessary consents from its lenders and debenture trustees, as required under the relevant facility documentations for undertaking activities relating to the Issue 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. 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*” beginning on page 49.

Except as disclosed in this Red Herring Prospectus, there is no other covenant in the documentation governing our loan facilities which is prejudicial or adverse to the interests of the public shareholders of the Bank.

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 (disclosed 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 June 1, 2023 has considered and adopted a policy on materiality for identification of material litigation involving the Relevant Parties and identification of 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 ₹40.45 million, as per the Restated Financial Statements for the Financial Year ended March 31, 2023; or
- b) 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 ₹40.45 million; or
- c) 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
- d) 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 ₹20.94 million, which is 5 % of the total outstanding dues to creditors as at March 31, 2023, shall be considered as ‘material’.

I. Litigation involving our Bank

- a) **Criminal litigation by our Bank**
 - i. Our Bank, in the ordinary course of its business, has filed 169 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. The total amount involved in these matters is ₹48.75 million.

- ii. Our Bank, in the ordinary course of its business, has submitted 78 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. The total amount involved in these matters is ₹320.83 million.
- iii. Our Bank, in the ordinary course of its business, has filed 1,957 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 ₹236.75 million. These matters are currently pending before various courts in India.

b) *Actions by regulatory and statutory authorities involving our Bank*

- i. 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. The matter has been subsequently transferred to Labour Court, Gorakhpur.
- ii. Our Bank received a show cause notice dated May 4, 2022 ("SCN") from the RBI expressing their displeasure (a) on the non-compliance of the RBI circular on "Automation of Income Recognition, Asset Classification and Provisioning processes in banks" dated September 14, 2020 by our Bank pertaining to, among other things, non-availability of system based computation of provisioning, non-availability of automation/ STP between separate applications and Core Banking Solution (CBS) and absence of audit logs for STP; and (b) on the non-compliance of the RBI letter dated September 16, 2021 ("RBI Letter") by our Bank. The RBI advised our Bank to carry out an audit of its systems and processes relating to automation of income recognition, asset classification and provisioning process through the statutory central auditor and submit a certificate on the status of compliance by our Bank. Our Bank responded to the RBI *vide* its letters dated May 23, 2022 and June 3, 2022 wherein it provided the RBI with an updated status of the major gaps in compliance with the provisions of the RBI circular listed in the SCN and ensured full compliance to the RBI circular and the September 16, 2021 letter at the earliest. Further, our Bank *vide* its email dated June 21, 2022, also submitted the audit certificate from its then statutory auditors as advised by RBI in its SCN and in compliance with the RBI Letter. Thereafter, the officials from RBI conducted an on-site verification from August 18, 2022 to August 20, 2022, of the compliance status of our Bank with the RBI Circular mentioned above.
- iii. Our Bank received a show cause notice dated November 3, 2022 under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rule, 1995 read with Section 15I of the SEBI Act ("SEBI SCN I") from SEBI in relation to the *suo moto* settlement application dated February 25, 2021 (*as mentioned below under c) (i)*) filed with SEBI alleging that in the matter of downselling of the NCDs allotted to Karvy Capital Limited ("KCL") by it to 355 investors (*details of which are mentioned under c(i) below*), (a) our Bank had received the beneficiary position statement dated July 20, 2018 from its registrar and share transfer agent which indicated that 355 investors were holding the NCDs and that our Bank was aware that the NCDs were being allotted to KCL in the capacity of portfolio management services for its clients; (b) that from the debenture trust deed between the debenture trustee and our Bank, it was observed that KCL was the debenture holder representative for liaising with the debenture trustee on behalf of the investors (debenture holders); and (c) the NCDs were issued with a view to offer to the public in accordance with Sections 25 and 42 of the Companies Act, 2013 and was thus treated as a deemed public issue.

In light of the above, our Bank was called upon to show cause the reason for non-commencement of inquiry against it under the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with the SEBI Act and non-imposition of penalty under the SEBI Act for the alleged contravention of the provisions of the erstwhile SEBI (Issue and Listing of Debt Securities) Regulations, 2008 read with Section 59 of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021.

Our Bank had filed a settlement application dated November 25, 2022 (“**SCN Settlement Application I**”) in terms of Regulation 3(1) of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018, as amended (“**SEBI Settlement Regulations**”), stating that (a) it had intended to issue the NCDs to KCL only, on a private placement basis, as was authorised by the resolution of our Bank’s Stakeholders’ Relationship Committee and was not aware of KCL’s intention to down-sell the NCDs allotted to it, to more than 200 persons prior to listing of such NCDs; (b) while filing the application form with BSE for the listing of the said NCDs also, our Bank was not in receipt of any information or data (including the BENPOS) indicating that the NCDs were down-sold to over 200 persons, as the BENPOS was received by our Bank only after the listing of the NCDs and our Bank did not have any constructive knowledge of down-selling of NCDs by KCL to over 200 persons prior to their listing; (c) it did not have any prior relation with KCL and was introduced to KCL as a potential subscriber to the NCDs through our Bank’s arranger; and (d) the RoC vide its order dated November 10, 2022, pursuant to the adjudication application filed by our Bank, has indicated that our Bank, its directors or promoter have not violated the provisions of Companies Act pertaining to private placement and issuance of prospectus and also indicated that it is the security holder which is at default in the present matter. Our Bank further submitted that it has not undertaken any actions/omissions which have had any market wide impact or affected the investors’ interest, not made any unlawful gains, nor has it avoided any losses with respect to the issued NCDs. Our Bank also submitted that it has not undertaken any actions/omission which have had any market wide impact or affected the interest of the investors in the securities market at large. In relation to the above, our Bank proposed to settle the allegations made against it under the SEBI SCN I and requested SEBI to take a lenient view and accept the terms of settlement as proposed in the SCN Settlement Application I. SEBI in its Internal Committee meeting on February 2, 2023 asked our Bank to elaborate on the decision of the RoC adjudication matter dated November 10, 2022 and inform SEBI on the status of the compounding applications filed with the Regional Director at New Delhi and the National Company Law Tribunal at Allahabad on May 31, 2022 and June 1, 2022, respectively. Our Bank *vide* its e-mail dated February 9, 2023 has responded to the aforesaid clarifications sought by SEBI, and informed SEBI about the status of the compounding applications. Our Bank *vide* its e-mail dated May 31, 2023 has intimated SEBI about the disposal off the compounding applications by the Regional Director, Northern Region, New Delhi. SEBI has rejected the SCN Settlement Application I through its letter dated June 8, 2023.

Subsequently, our Bank *vide* its letter dated June 16, 2023 (“**RBI Request Letter**”) has requested for RBI’s approval regarding early redemption of 2,500 NCDs issued to KCL (ISIN: INE735W08012), subject to compliance with the requirements of applicable law and regulatory instructions. Further, our Bank *vide* its letter June 16, 2023 has intimated SEBI regarding the RBI Request Letter and its proposed plan of early cancellation / redemption of 2,500 NCDs issued to KCL. In relation to the SEBI SCN I, the SEBI Adjudicating Officer through its letter dated June 12, 2023 scheduled a personal hearing on June 22, 2023, which our Bank has requested to reschedule.

Further, in order to enable our Bank to undertake early redemption / cancellation of the aforementioned 2,500 NCDs by making requisite material modifications to the redemption related terms of such NCDs, our Bank also filed an application under Regulation 102 of the Listing Regulations seeking an exemption from obtaining (i) prior consent of BSE; and (ii) written consent of at least three-fourth holders of aforementioned 2,500 NCDs by value, as required under Regulation 59 of the Listing Regulations. SEBI, pursuant to its letter dated June 22, 2023 has acceded to our Bank’s request for the exemption from compliance with Regulation 59 of the Listing Regulations for alteration of the terms of the aforementioned 2,500 NCDs.

The RBI has responded to the RBI Request Letter through its letter dated July 4, 2023 and has indicated that it has no-objection to the redemption of the aforementioned 2,500 NCDs post-completion of five years (*i.e.* on or after July 9, 2023) from a regulatory perspective, subject to

our Bank complying with the SEBI guidelines and other laws/ regulations/ contracts/ terms of issue. Accordingly, our Bank has deposited the full principal amount outstanding on such 2,500 NCDs along with the interest due (i.e. ₹263.26 million) for two quarters in a dedicated bank account and initiated the process of early redemption of the aforementioned 2,500 NCDs. Further, in relation to the aforesaid 2,500 NCDs, there are no continued violations by our Bank except this nor investor complaints against the Bank.

- iv. Our Bank received a show cause notice dated March 16, 2023 (“**SEBI SCN II**”) from SEBI in relation to the alleged violations of certain provisions of the Listing Regulations and SEBI circular dated June 30, 2017 (“**SEBI June Circular**”). The SEBI SCN II alleged, among others, the following violations of the provisions of the Listing Regulations against our Bank: (a) non-appointment of a share transfer agent and failure to manage the share transfer facility in-house in non-compliance of Regulation 7 (1) (for the financial year 2017-2018); (b) non-submission of compliance certificate to BSE in non-compliance of Regulation 7 (3) (for the financial years 2017-2018 and 2018-2019) and delayed submission of compliance certificate for half year ended September 2020; (c) non-submission of quarterly statement on investor complaints for the financial years 2017-2018, 2018-2019, and delayed submission for quarters ended June, 2019, September, 2019, and December 31, 2020 in non-compliance with Regulation 13(3) (d) failure to place the quarterly statements before the Board for the financial years 2017-2018, 2018-2019, 2019-2020 and for quarters ended June, 2020, September, 2020, March 2021 and June 2021 in non-compliance of Regulation 13 (4); (e) failure to furnish prior intimation to BSE for payment of interest at several instances between 2017 and 2019 in non-compliance of Regulation 50 (1); (f) failure to furnish intimation to BSE of its intention to raise funds through non-convertible debt securities or non-convertible redeemable preference shares in financial year 2020-21 in non-compliance of Regulation 50(2); (g) failure to furnish prior intimation to BSE of the meeting of its Board in which the recommendation/ declaration of issue of non- convertible debt securities or matters were taken up affecting the rights and interests of holders of non- convertible debt securities in financial year 2020-21 in non compliance of Regulation 50(3); (h) failure to or delay in promptly informing BSE of all the information having bearing on the performance/operation of our Bank, price sensitive information or action that shall affect the redemption of NCDs (for the financial years 2017-2018, 2018-2019 and 2019-2020) in non-compliance of Regulation 51 (1) and (2); (i) non-submission of the advance intimation and also failure to file un-audited financial results along with limited review report for half-year ended March, 2018, March, 2019 and March, 2020 in non-compliance of Regulation 52 (1) and (2); (j) non-submission of the declaration of unmodified auditor’s opinion (for the financial years 2017-2018, and 2018-2019) in non-compliance of Regulation 52 (3); (k) non-submission of advance notice to BSE of the record date at several instances between 2017 and 2020 in non-compliance of Regulation 60 (2). Further, it was alleged that our Bank had not submitted or delayed in the submission of the half yearly reports to BSE for both the half years of the financial years 2017-2018, 2018-2019 and 2019-2020 in non-compliance of SEBI June Circular.

In light of the above, our Bank was called upon to show cause the reason for non-commencement of inquiry against it under the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with the SEBI Act and non-imposition of penalty under the SEBI Act for the alleged contravention of the provisions of the Listing Regulations and SEBI June Circular.

On account of the SEBI SCN II, our Bank has filed a settlement application dated April 27, 2023 (“**SCN Settlement Application II**”) in terms of Regulation 3(1) SEBI Settlement Regulations, stating that (a) it had filed three separate *suo-moto* settlement applications self-identifying its inadvertent lapses in complying with certain applicable reporting requirements under the Listing Regulations and has made good the contraventions by filing the relevant disclosures with BSE; (b) it had complied with most of the alleged provisions in the SEBI SCN II and majority of the allegations seems to have been either incorrectly made or have been alleged in ignorance of the Settlement Application I (*as mentioned under d (i) below*); (c) in the last two years, it had actively engaged with various advisors to enhance its internal controls and compliance systems, to ensure that such inadvertent lapses are not repeated and had also onboarded additional experienced members in its compliance team for the said purpose; (d) there has been no event of default or delay on our Bank’s part in discharging its financial obligations with respect to the NCDs (pertaining to payment/ repayment of interest and principal amounts); (e) it had not received any complaints as regards non-receipt of relevant information from the NCD holders or the debenture trustee appointed in respect of the NCDs and had not made any unlawful gains, nor has it avoided

any losses as a result of its inadvertent errors in making the relevant disclosures within the time period prescribed under the Listing Regulations; and (f) its actions/inactions did not have any market wide impact nor did it adversely affected the interests of the investors in the securities market. In relation to the above, our Bank proposed to settle the allegations made against it under the SEBI SCN II and requested SEBI to take a lenient view and accept the terms of settlement as proposed in the SCN Settlement Application II.

- v. Our Bank received a notice dated March 28, 2023 (“**Notice**”) under the provisions of Municipal Corporation act, 1959 for illegal and unauthorized advertisement of our Bank (100 boards/wall wraps) by our Bank without obtaining the permission of the Municipal Corporation. The Notice levied a penalty of ₹ 0.50 million on our Bank to be paid by it within one week of receipt of the Notice and failure to do so by our Bank would result in an FIR being filed against it. Our Bank *vide* its letter dated April 24, 2023 has responded to the said Notice requesting the Municipal Corporation to waive-off the penalty levied on it and further submitted that it has taken note of the instructions of the Municipal Corporation for future compliance.

c) *Other matters involving our Bank*

- i. Our Bank had *suo moto* filed a settlement application dated February 25, 2021 (“**Settlement Application I**”) with SEBI under Regulation 3(1) of the SEBI Settlement Regulations, 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 regarding (i) half yearly reporting of compliance certificate for Fiscals 2018 and 2019; (ii) quarterly reporting of statement of investor complaints for Fiscals 2018 and 2019; (iii) quarterly intimation of payment of interest and record date for Fiscals 2018, 2019 and 2020; (iv) annual advance intimation of submission of financial results for Fiscals 2018 and 2019; (v) submission of half-yearly and annual certificate by debenture trustee for Fiscal 2018; (vi) intimation of payment of interest for Fiscals 2018, 2019 and 2020; (vii) annual intimation to stock exchange for submission of all documents to debenture trustee for Fiscals 2018 and 2019; and (viii) half yearly reporting of ISIN for Fiscals 2019 and 2020, 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 I, 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 on February 24, 2021 along with the documents pertaining to the inadvertent lapses as required under the applicable reporting requirements under the Listing Regulations.

Thereafter, our Bank received several e-mail communications from SEBI wherein SEBI had requested for certain documents/clarifications related to the non-convertible debentures of our Bank. Our Bank, in due course, submitted the requested documents and responded to the clarifications sought by SEBI. SEBI in its Internal Committee (“**IC**”) meeting on September 16, 2021, informed our Bank regarding a separate examination being conducted on it, in relation to the NCDs issued to KCL, as a result of which the Settlement Application I was returned to our Bank with a leave to re-file the application after the examination on the KCL NCDs was concluded. During the course of the examination, it came to light that the 2,500 NCDs issued to KCL, on a private placement basis, were subsequently downsold by KCL to 355 investors after allotment but prior to the date of the listing of the KCL NCDs, *i.e.* July 27, 2018, thereby allegedly constituting a public offer in terms of Section 25(2) of the Companies Act, 2013 and therefore our Bank was alleged to be in violation of Section 42 of the Companies Act, 2013 as the number of investors to whom the KCL NCDs were downsold was in excess of 200. Thereafter, SEBI *vide* its letter dated October 14, 2021, returned the Settlement Application I as the examination on the KCL NCDs was still under process and requested our Bank to file the application once the examination was complete. After the conclusion of the examination on the KCL NCDs, SEBI *vide* its letter dated November 10, 2021, advised our Bank to file a compounding application with the NCLT for the contravention of provisions of the Companies Act, 2013 and submit the evidence of the filing to SEBI.

Pursuant to discussions with SEBI, our Bank filed a fresh *suo moto* settlement application dated December 24, 2021 with SEBI under Regulation 3(1) of the SEBI Settlement Regulations (“**Settlement Application II**”) in relation to the inadvertent delays covered under the Settlement

Application I and the violations pertaining to the KCL NCDs. Pursuant to further subsequent discussions with SEBI, our Bank filed the compounding applications with the respective forums (contingent on the quantum of fine and nature of punishment under Companies Act, 2013), namely, NCLT, Allahabad Bench, Regional Director, Northern Region, New Delhi (“RD”) and RoC and intimated SEBI of the same on June 3, 2022.

Further, in accordance with the recommendation of the IC, in its meeting held on May 30, 2022, SEBI *vide* its letter dated June 30, 2022 has returned the Settlement Application II to our Bank with leave to file a fresh application post disposal of the compounding applications by the competent authorities. As on the date of the RHP, the three compounding applications filed by our Bank before the RoC, NCLT, Allahabad Bench and RD have been disposed off. With respect to the application before the RoC, the RoC by way of its order dated November 10, 2022 stated that the penal provisions under Section 42 of the Companies Act read with Rule 14(2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014 are applicable on the promoter and directors of a company but not the securityholder and disposed off the application with no further action on part of the RoC. With respect to applications before the NCLT, Allahabad Bench and RD, the RD by way of its orders each dated May 9, 2023 stated that the pre-requisite for compounding is an admission of an offence which is absent in the matters concerned and therefore, the applications are not maintainable under Companies Act, 2013.

- ii. Pursuant to SEBI letter dated October 14, 2021, our Bank has filed a fresh *suo moto* settlement application dated November 25, 2022 in terms of Regulation 3(1) of the SEBI Settlement Regulations for an inadvertent delay by our Bank in making certain disclosures and regulatory filings to BSE (*details disclosed above under (i)*) under the Listing Regulations with respect to the NCDs listed on BSE. In relation to the above, our Bank proposed to settle any present or future specified proceedings that may be initiated against our Bank with respect to the inadvertent lapses under the Listing Regulations by our Bank and requested SEBI to take a lenient view and accept the terms of settlement as proposed in this settlement application. Thereafter, SEBI *vide* its letter dated December 22, 2022, returned the said settlement application as the examination in the matter (Settlement Application I) was still pending and requested our Bank to file the application once the examination was complete.

II. Litigation involving our Promoter

a) Criminal litigation against our Promoter

- i. A notice dated April 19, 2023 was issued under Section 91 of Code of Criminal Procedure, 1973 against our Promoter pertaining to an FIR registered with Cantonment, Police Station, Commissionerate, Varanasi for offences under sections 419, 420, 409 of IPC. The investigating authority has alleged that our Promoter availed ₹250 million loan from Micro Units Development & Refinance Agency Limited (“MUDRA”) and distributed the amount amongst themselves and their associates. The investigating authority has asked our Promoter, among others, to furnish complete details of ₹250 million received from MUDRA. Our Promoter *vide* its reply dated May 23, 2023 has submitted *inter alia* that (a) it had availed ₹250 million refinance facility from MUDRA in the Fiscal 2017 which is extended only to eligible financial institutions, and has disbursed the loans to eligible borrowers, i.e. 20,000 women beneficiaries under the Pradhan Mantri Mudra Yojana Scheme; and (b) the refinance facilities have been closed by repaying the principal and interest in full and a ‘No Dues Certificate’ dated March 30, 2019 to that effect has also been issued by MUDRA and (c) the three financial years’ i.e. financial years 2016-17, 2017-18 and 2018-19 audited balance sheets along with the independent auditor’s (as approved by the RBI) report was provided for clarity on the funds utilization by our Bank. With respect to furnishing details on loans and customers, to whom loans were disbursed, our Promoter has requested the investigating authority to instruct under the signature of appropriate authority for sharing details of the customers as Our promoter would be unable to disclose this information as mandated by various acts. The matter is currently pending.

b) 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. The order in the matter has been reserved.

III. Litigation involving our Directors

As on the date of this 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 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 the Relevant Parties:

Sr. No.	Particulars	Number	Aggregate amount involved (in ₹ million)
Our Bank			
1.	Direct Tax	4	100.58 [^]
2.	Indirect Tax	1	4.47
Our Promoter			
1.	Direct Tax	2	127.19 [*]
Total		7	232.24

^{*}An appeal has been filed against the order determining an income tax refund of ₹2.49 million for assessment year 2017-2018 and a demand of ₹10.39 million for assessment year 2018-19

[^]An appeal has been filed against the order determining an income tax demand of ₹ 3.36 million against refund claimed by our Bank for ₹ 9.24 million for assessment year 2017-2018, a demand of ₹3.19 million for assessment year 2017-18, two separate appeals have been filed by our Bank against the same income tax demand of ₹ 56.54 million for reduction of demand from ₹ 56.54 million to ₹ 0.46 million for assessment year 2020-21 and an appeal dated June 21, 2023 has been filed by our Bank against the reassessment order dated May 24, 2023 for assessment year 2017-2018

Outstanding dues to creditors

In terms of the Materiality Policy, the creditors of our Bank to whom the amount due by our Bank exceeds 5% of the total outstanding dues to creditors as on March 31, 2023, have been considered ‘material’ creditors of our Bank. As per the Restated Financial Statements, our total outstanding dues to creditors as at March 31, 2023 was ₹418.87 million and accordingly, creditors to whom outstanding dues exceeds ₹20.94 million have been considered as material creditors for the purposes of disclosure in this 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 March 31, 2023, by our Bank are set out below:

Type of Creditors	Number of Creditors	Amount involved (in ₹ million)
Micro, small and medium enterprises	148	93.62
Other creditors	561	325.25
Total	709	418.87

As of March 31, 2023, there was one material creditor to whom our Bank owed an aggregate amount of ₹73.81 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://utkarsh.bank/investors>.

It is clarified that such details available on our website do not form a part of this 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 titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” beginning on page 347, there have not arisen, to our knowledge, since the date of the last financial information disclosed in this Red Herring Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our operations, our profitability or the value of our 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 Issue 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 195.

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 Issue

For details regarding the approvals and authorisations obtained by our Bank in relation to the Issue, see “Other Regulatory and Statutory Disclosures – Authority for the Issue” beginning on page 395.

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 ₹3,000.50 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, authorized 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 authorized 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 15, 2023 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'.

28. The RBI has, pursuant to its e-mail dated August 4, 2022, granted our Bank approval to undertake credit card business in accordance with the Master Direction – Credit Card and Debit Card – Issuance and Conduct Directions, 2022 issued by RBI.
29. The SEBI has issued a certificate of registration to act as a banker to the issue under the SEBI (Bankers to an Issue) Regulations, 1994, with effect from January 31, 2023, bearing registration code INBI00001258.

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 material Banking Outlets in the following States and Union Territory:

Sr. No.	State	No. of branches
1.	Goa	1
2.	Jammu and Kashmir	1
Total		2

3. Our Bank has made applications for obtaining a shops and establishments license for material Banking Outlets in the following States:

Sr. No.	State	No. of branches
1.	Meghalaya	1
2.	Rajasthan	1
Total		2

VI. Approvals for which no application has been made

1. Our Bank, in its normal course of business, is in the process of making applications for trade licenses for material Banking Outlets in the following States:

Sr. No.	State	No. of branches
1.	Bihar	21
2.	Madhya Pradesh	1
Total		22

2. Our Bank, in its normal course of business, is in the process of making applications for shops and establishments licenses for material Banking Outlets in the following States and Union Territory:

Sr. No.	State	No. of branches
1.	Goa	1
Total		1

VII. Intellectual property

Our Bank has 44 trademark registrations under various classes including 16 and 36 of the Trade Marks Act, 1999, as amended. Further, our Bank has made 91 applications including for registration of the wordmarks ‘AAPKI UMMEED KA KHAATA’, ‘UTKARSH MITRA’, ‘EK NAYA NAZARIYA NAYE NAZAREIN’, ‘NAYA NAZARIYA BADALTE NAZAREIN’, ‘EK NAYA NAZARIYA BADALTE NAZAREIN’ and for device marks comprising these wordmarks which are pending. Of the 91 applications for registration of trademarks, 3 applications have been objected to or opposed while 2 applications have been accepted and advertised. 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.*” beginning on pages 191 and 59, respectively.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by our Board of Directors pursuant to the resolution passed at its meeting dated July 15, 2022 and by our Shareholders pursuant to the resolution passed at their EGM dated July 19, 2022. The DRHP had been approved by our Board pursuant to a resolution passed on July 28, 2022 and a resolution passed by the CSFR Committee on July 29, 2022.

Our Board has approved and adopted this Red Herring Prospectus for filing with the RoC, SEBI and the Stock Exchanges pursuant to its resolution dated July 6, 2023.

Our Bank has received the in-principle approval from BSE and NSE for the listing of the Equity Shares pursuant to the letters each dated September 27, 2022.

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, 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. Except for Mr. Parveen Kumar Gupta who is associated with National Securities Depository Limited, Mr. Nagesh Dinkar Pinge who is associated with Multi Commodity Exchange Clearing Limited and WhiteOak Capital Trustee Limited (trustee to WhiteOak Capital Mutual Fund), and Mr. Muralidharan Rajamani who is associated with PGIM India Asset Management Private Limited, each as a director, 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.

Neither our Bank nor the Promoter or the Directors has been declared a Fraudulent Borrower.

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 and our Promoter are in compliance with the Companies (Significant Beneficial Owner) Rules, 2018, to the extent applicable, as on the date of this Red Herring Prospectus.

Eligibility for the Issue

Our Bank is eligible for the Issue 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 Issue 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.

Since the monetary assets of our Bank for Fiscals 2021, 2022 and 2023 comprise more than 50% of net tangible assets for Fiscals 2021, 2022 and 2023, calculated on a restated basis, our Bank does not satisfy the eligibility requirements prescribed under Regulation 6(1) (a) of the SEBI ICDR Regulations. Therefore, the Issue is being

undertaken under Regulation 6(2) of 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 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 ISSUE 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 ISSUE.

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 JULY 29, 2022 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 ISSUE. 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.

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, and the BRLMs

Our Bank, our Directors, and the BRLMs accept no responsibility for statements made otherwise than in this 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, 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 Issue Agreement and the Underwriting Agreement.

All information shall be made available by our Bank, 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, 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 Banks 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, 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, 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, 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, and its 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 Issue 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 (subject to applicable law), 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 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 Red Herring Prospectus comes is required to inform him or herself about, and to observe, any such restrictions.

Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, Maharashtra, India only.

Invitations to subscribe to the Equity Shares in the Issue will be made only pursuant to this Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Issue, which comprises this Red Herring Prospectus and the preliminary international wrap for the Issue, if the recipient is outside India.

No action has been, or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus was filed with SEBI for its observations. The Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus, nor any offer or sale hereunder, shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date. The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and 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 in the United States. Accordingly, the Equity Shares are being offered and sold outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made. 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.

No person outside India is eligible to Bid for Equity Shares in the Issue unless that person has received the preliminary offering memorandum for the Issue, which contains the selling restrictions for the Issue outside India.

Eligibility and Transfer Restrictions

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and 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 in the United States. Accordingly, the Equity Shares are being offered and sold outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made.

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 the Issue, an offer or sale of the Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the U.S. Securities Act unless made pursuant to available exemptions from the registration requirements of the U.S. Securities Act and in accordance with applicable state securities laws in the United States.

Bidders are advised to ensure that any Bid from them does not exceed investment limits or the 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 in accordance with applicable laws.

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 the Draft Red Herring Prospectus has been submitted to BSE. The disclaimer clause as intimated by BSE to our Bank, through its in-principle approval dated September 27, 2022, is set forth below:

“BSE Limited (“the Exchange”) has given vide its letter dated September 27, 2022, permission to this Company to use the Exchange’s name in this offer document as one of the stock exchanges on which this company’s securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner: -

- a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or*
- b) warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or*
- c) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company*

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection

with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever”.

Disclaimer Clause of NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. The disclaimer clause as intimated by NSE to our Bank, through its in-principle approval dated September 27, 2022, is set forth below:

“As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref.: NSE/LIST/1785 dated September 27, 2022, permission to the Issuer to use the Exchange’s name in this Offer Document as one of the Stock Exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer’s securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.”

Listing

The Equity Shares issued through this 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. NSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by the Stock Exchanges, our Bank shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus in accordance with applicable law. Our Bank shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading of Equity Shares at the Stock Exchanges are taken within six Working Days from the Bid/Issue Closing Date or such period as may be prescribed by SEBI. If our Bank does not Allot Equity Shares pursuant to the Issue within such timeline as prescribed by SEBI, it shall repay without interest all monies received from Bidders, failing which interest shall be due to be paid to the Bidders at the rate of 15% per annum for the delayed period.

Consents

Consents in writing of: (a) our Directors, our Company Secretary and Compliance Officer, Joint Statutory Auditors, legal counsel to our Bank, Banker to the Bank, the BRLMs, the Registrar to the Issue, in their respective capacities, CRISIL, the Syndicate Member and the Bankers to the Issue, to act in their respective capacities, have been 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 for filing with the RoC.

Expert to the Issue

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

Our Bank has received joint written consent dated May 31, 2023 from Deloitte Haskins & Sells, Chartered Accountants and Kirtane & Pandit LLP, Chartered Accountants to include their names as required under Section 26(5) of the Companies Act read with SEBI ICDR Regulations in this Red Herring Prospectus as “experts” as defined under Section 2(38) of the Companies Act to the extent and in their capacity as independent joint statutory auditors and in respect of their (i) examination report dated April 28, 2023 on our Restated Financial Statements; and (ii) the statement of special tax benefits dated May 31, 2023 in this Red Herring Prospectus and such joint consent has not been withdrawn as on the date of this 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 associates during the last three years

Other than as disclosed in “*Capital Structure*” beginning on page 85, our Bank has not made any capital issues during the three years preceding the date of this Red Herring Prospectus. Our Group Company is not listed on any stock exchange and our Bank does not have any subsidiary or associate.

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

Other than as disclosed in “*Capital Structure*” beginning on page 85, our Bank has not undertaken any rights issue in the five years preceding the date of this Red Herring Prospectus. Our Bank has not undertaken any public issue in the five years preceding the date of this Red Herring Prospectus.

Performance vis-à-vis objects – Public/ rights issue of the listed subsidiaries/listed Promoter of our Bank

Our Bank does not have any subsidiary. Further, 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

Sr. No.	Issue Name	Issue Size (Rs. Mn.)	Issue Price (Rs.)	Listing Date	Opening Price on Listing Date	+/- % 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	Vedant Fashions Limited^^	31,491.95	866.00	16-FEB-22	935.00	+3.99%, [-0.20%]	+14.53%, [-8.54%]	+37.67%, [+2.17%]
2	Life Insurance Corporation of India^	2,05,572.31	949.00 ⁽¹⁾	17-MAY-22	867.20	-27.24%, [-3.27%]	-28.12%, [+9.47%]	-33.82%, [+13.76%]
3	Prudent Corporate Advisory Services Limited^	4,282.84	630.00 ⁽²⁾	20-MAY-22	660.00	-20.71%, [-5.46%]	-2.10%, [+10.92%]	+26.23%, [+13.89%]
4	Paradeep Phosphates Limited^	15,017.31	42.00	27-MAY-22	43.55	-10.24%, [-3.93%]	+27.50%, [+7.65%]	+31.19%, [+11.91%]
5	Syrma SGS Technology Limited^	8,401.26	220.00	26-AUG-22	262.00	+31.11%, [-1.25%]	+29.20%, [+4.55%]	+20.66%, [+3.13%]
6	Fusion Micro Finance Limited^^	11,039.93	368.00	15-NOV-22	359.50	+9.86%, [+1.40%]	+12.84%, [-2.97%]	+25.52%, [-0.48%]
7	Five Star Business Finance Limited^^	15,885.12	474.00	21-NOV-22	468.80	+29.72%, [+1.24%]	+19.20%, [-1.19%]	+11.72%, [+0.24%]
8	Archean Chemical Industries Limited^^	14,623.05	407.00	21-NOV-22	450.00	+25.42%, [+1.24%]	+56.87%, [-1.19%]	+32.68%, [+0.24%]
9	Landmark Cars Limited^	5,520.00	506.00 ⁽³⁾	23-DEC-22	471.30	+22.83%, [+1.30%]	+1.16%, [-2.72%]	+35.06%, [+5.82%]
10	KFIN Technologies Limited^^	15,000.00	366.00	29-DEC-22	367.00	-13.55%, [-3.22%]	-24.56%, [-6.81%]	-4.48%, [+2.75%]

[^]BSE as designated stock exchange

^{^^}NSE as designated stock exchange

- (1) Discount of Rs. 45 per equity share offered to eligible employees and Retail Individual Bidders. Discount of Rs. 60 per equity share offered to eligible policyholders. All calculations are based on Issue Price of Rs. 949.00 per equity share
- (2) Discount of Rs. 59 per equity share offered to eligible employees. All calculations are based on Issue Price of Rs. 630.00 per equity share
- (3) Discount of Rs. 48 per equity share offered to eligible employees. All calculations are based on Issue Price of Rs. 506.00 per equity share.

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 (Rs. Mn.)	No. of IPOs trading at discount - 30 th calendar days from listing			No. of IPOs trading at premium - 30 th calendar days from listing			No. of IPOs trading at discount - 180 th calendar days from listing			No. of IPOs trading at premium - 180 th calendar days from listing		
			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%
2023-24*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022-23	9	2,95,341.82	-	1	3	-	3	2	-	1	1	-	5	2
2021-22	26	7,43,520.19	-	3	6	6	4	7	3	4	5	5	4	5

* This data covers issues up to YTD

Notes:

1. Data is sourced either from www.nseindia.com or www.bseindia.com, as per the designated stock exchange disclosed by the respective Issuer Company.
2. Similarly, benchmark index considered is "NIFTY 50" where NSE is the designated stock exchange and "S&P BSE SENSEX" where BSE is the designated stock exchange, as disclosed by the respective Issuer Company.
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

B. Kotak Mahindra Capital Company Limited

1. Price information of past issues (during the current Financial Year and two Financial Years preceding the current Financial Year) handled by Kotak Mahindra Capital Company Limited

S. No.	Issue name	Issue size (₹ million)	Issue price (₹)	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.	Mankind Pharma Limited	43,263.55	1080	May 09, 2023	1300.00	37.61%, [2.53%]	Not Applicable	Not Applicable
2.	KFin Technologies Limited	15,000.00	366	December 29, 2022	367.00	-13.55%, [-3.22%]	-24.56%, [-6.81%]	-4.48%, [+2.75%]
3.	Sula Vineyards Limited	9,603.49	357	December 22, 2022	358.00	+18.59%, [-0.55%]	-4.87%, [-5.63%]	27.87%, [+3.46%]
4.	Five-Star Business Finance Limited	15,934.49	474	November 21, 2022	468.80	+29.72%, [+1.24%]	+19.20%, [-1.19%]	11.72%, [+0.24%]
5.	Bikaji Foods International Limited	8,808.45	300 ¹	November 16, 2022	321.15	+28.65%, [-0.29%]	+44.58%, [-2.00%]	24.17%, [+0.08%]
6.	Global Health Limited	22,055.70	336	November 16, 2022	401.00	+33.23%, [0.03%]	+35.94%, [-3.47%]	61.67%, [-0.52%]
7.	Aether Industries Limited	8,080.44	642	June 03, 2022	706.15	+21.00%, [-5.13%]	+34.54%, [+6.76%]	+40.15%, [+12.40%]
8.	Delhivery Limited	52,350.00	493 ²	May 24, 2022	493.00	+3.49%, [-4.41%]	+17.00%, [+10.13%]	-27.99%, [+13.53%]
9.	Life Insurance Corporation Of India	205,572.31	949 ³	May 17, 2022	867.20	-27.24%, [-3.27%]	-28.12%, [+9.47%]	-33.82%, [+13.76%]
10.	Rainbow Children's Medicare Limited	15,808.49	542 ⁴	May 10, 2022	510.00	-13.84%, [+0.72%]	-12.80%, [+7.13%]	+49.20%, [+11.56%]

Source: www.nseindia.com; www.bseindia.com

Notes:

1. In Bikaji Foods International Limited, the issue price to eligible employees was ₹ 285 after a discount of ₹ 15 per equity share
2. In Delhivery Limited, the issue price to eligible employees was ₹ 468 after a discount of ₹ 25 per equity share
3. In Life Insurance Corporation of India, the issue price to retail investors and eligible employees was ₹ 904 after a discount of ₹ 45 per equity share and the issue price to eligible policyholders was ₹ 889 after a discount of ₹ 60 per equity share
4. In Rainbow Children's Medicare Limited, the issue price to eligible employees was ₹ 522 after a discount of ₹ 20 per equity share
5. In the event any day falls on a holiday, the price/index of the immediately preceding trading day has been considered.
6. The 30th, 90th, 180th calendar days from listed day have been taken as listing day plus 29, 89 and 179 calendar days.
7. Designated Stock Exchange as disclosed by the respective Issuer at the time of the issue has been considered for disclosing the price information.
8. Restricted to last 10 equity initial public issues.

2. Summary statement of price information of past issues (*during the current Financial Year and two Financial Years preceding the current Financial Year*) handled by Kotak Mahindra Capital Company Limited

Financial Year	Total no. of IPOs	Total amount of funds raised (Rs. Mn.)	No. of IPOs trading at discount - 30 th calendar days from listing			No. of IPOs trading at premium - 30 th calendar days from listing			No. of IPOs trading at discount - 180 th calendar days from listing			No. of IPOs trading at premium - 180 th calendar days from listing		
			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%
2023-24	1	43,263.55	-	-	-	-	1	-	-	-	1	-	-	-
2022-23	10	367,209.37	-	1	2	-	3	4	-	2	-	2	3	2
2021-22	19	624,047.99	-	-	5	5	5	4	1	4	2	8	2	2

Notes:

1. The information is as on the date of this 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.	Kotak	https://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 Issue 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 Issue for redressal of their grievances.

All grievances in relation to the Bidding process may be addressed to the Registrar to the Issue 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, ASBA Account number in which the amount equivalent to the Bid Amount was blocked or the UPI ID (for UPI Bidders who make the payment of Bid Amount through the UPI Mechanism), and the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder.

All grievances relating to Bids submitted through Registered Brokers may be addressed to the Stock Exchanges with a copy to the Registrar to the Issue. In case of any grievance/ concerns, the Syndicate Member or the investors may also reach out to the Book Running Lead Managers on their dedicated email-ids mentioned on the cover page.

The Registrar to the Issue 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 Issue accept no responsibility for errors, omissions, commission or any acts of Designated Intermediaries 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 Issue in case of any pre-Issue or post-Issue 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.

In terms of the Master Circular bearing reference number SEBI/HO/CFD/PoD-2/P/CIR/2023/00094 dated June 21, 2023 issued by SEBI and subject to applicable law, any ASBA Bidder whose Bid has not been considered for Allotment, due to failure on the part of any SCSB, shall have the option to seek redressal of the same by the concerned SCSB within three months of the date of listing of the Equity Shares. SCSBs are required to resolve these complaints within 15 days, failing which the concerned SCSB would have to pay interest at the rate of 15% per annum for any delay beyond this period of 15 days. Further, under the SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, as amended pursuant to SEBI circular SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and the SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, investors shall be compensated by the SCSBs in the events of delayed unblock for cancelled/withdrawn/deleted applications, blocking of multiple amounts for the same ASBA application, blocking of more amount than the application amount, delayed unblocking of amounts for non-allotted/partially-allotted applications within the stipulated period. The SCSBs shall be liable to compensate investors at a rate higher of ₹100 per day or 15% per annum of the specified amount for the period of such delay. In an event there is a delay in redressal of investor grievances in relation to unblocking of amounts beyond the date of receipt of the complaint, subject to and in accordance with the provisions of the SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, as amended pursuant to SEBI circular SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021. Further, in terms of SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, the payment of processing fees to the SCSBs shall be undertaken pursuant to an application made by the SCSBs to the Book Running Lead Managers, and such

application shall be made only after (i) unblocking of application amounts for each application received by the SCSB has been fully completed, and (ii) applicable compensation relating to investor complaints has been paid by the SCSB.

Our Bank has obtained the authentication on the SCORES in terms of the SEBI circular no. CIR/OIAE/1/2014 dated December 18, 2014, the SEBI circular no. SEBI/HO/OIAE/IGRD/CIR/P/2019/86 dated August 2, 2019, and the SEBI circular no. SEBI/HO/OIAE/IGRD/CIR/P/2021/642 dated October 14, 2021 issued by SEBI in relation to redressal of investor grievances through SCORES.

Anchor Investors are required to address all grievances in relation to the Issue 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 Issue 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 this Red Herring Prospectus and there are no outstanding investor complaints as on the date of this Red Herring Prospectus.

Our Bank has appointed Mr. Muthiah Ganapathy, as the Company Secretary and Compliance Officer for the Issue and he may be contacted in case of any pre-Issue or post-Issue related problems. For details, see “*General Information*” beginning on page 77.

Our Bank has also constituted a Stakeholders’ Relationship Committee comprising Mr. Muralidharan Rajamani (*chairperson*), Ms. Kalpana Prakash Pandey, Mr. Ajay Kumar Kapur 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 212.

Exemption from complying with any provisions of securities laws granted by the SEBI

Our Bank intends to undertake cancellation / early redemption of the 2,500 NCDs bearing ISIN INE735W08012 in respect of which SEBI has issued a show cause notice dated November 3, 2022 (“**Exemption NCDs**”) and restore *status quo ante*.

Accordingly, our Bank filed an exemption application under Regulation 102 of the Listing Regulations seeking an exemption from obtaining (i) prior consent of BSE; and (ii) written consent of at least three-fourth holders of Exemption NCDs by value, as required under Regulation 59 of the Listing Regulations, in order to enable our Bank to make requisite material modifications to the redemption related terms of Exemption NCDs. SEBI, pursuant to its letter bearing reference number SEBI/HO/DDHS/DDHS-SEC-1/P/OW/2023/0000025667/1 dated June 22, 2023 has acceded to our Bank’s request for the exemption from compliance with Regulation 59 of the Listing Regulations for alteration of the terms of the Exemption NCDs.s

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being Allotted pursuant to the Issue 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 this 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 Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, rules, notifications and regulations relating to the issue of capital 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 Issue 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 Issue.

Ranking of the Equity Shares

The Allottees upon Allotment of Equity Shares under the Issue 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 Issue 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 438.

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 237 and 438, respectively.

Face Value, Issue Price and Price Band

The face value of each Equity Share is ₹10 and the Issue Price at Floor Price is ₹ [•] per Equity Share and at Cap Price is ₹ [•] per Equity Share. The Anchor Investor Issue Price is ₹ [•] per Equity Share.

The Price Band, the minimum Bid Lot size will be decided by our Bank, in consultation with the BRLMs, and will be advertised, at least two Working Days prior to the Bid/ Issue Opening Date, in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and the Varanasi edition of Gyanshikha Times, a Hindi 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 438.

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 Issue:

- 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 Issue will be in multiples of one Equity Share subject to a minimum Allotment of [•] Equity Shares. For the method of basis of allotment, see “*Issue Procedure*” beginning on page 417.

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 Issue 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/ Issue Programme

BID/ ISSUE OPENS ON⁽¹⁾	Wednesday, July 12, 2023
BID/ ISSUE CLOSES ON⁽²⁾	Friday, July 14, 2023

(1) Our Bank may, in consultation with the BRLMs, consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Issue Opening Date in accordance with the SEBI ICDR Regulations

(2) Our Bank may, in consultation with the BRLMs, consider closing the Bid/Issue Period for QIBs one day prior to the Bid/Issue Closing Date in accordance with the SEBI ICDR Regulations. UPI mandate end time and date shall be at 5.00 p.m. on the Bid/Issue Closing Date

An indicative timetable in respect of the Issue is set out below:

Event	Indicative Date
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about Wednesday, July 19, 2023
Initiation of refunds (if any, for Anchor Investors)/ unblocking of funds from ASBA Account***	On or about Thursday, July 20, 2023
Credit of Equity Shares to demat accounts of Allottees	On or about Friday, July 21, 2023
<u>Commencement of trading of the Equity Shares on Stock Exchanges</u>	<u>On or about Monday, July 24, 2023</u>

*** In case of any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) exceeding four Working Days from the Bid/Issue Closing Date, the Bidder shall be compensated at a uniform rate of ₹100 per day or 15% per annum of the Bid Amount, whichever is higher, for the entire duration of delay exceeding four Working Days from the Bid/Issue Closing Date by the intermediary responsible for causing such delay in unblocking. The BRLMs shall, in their sole discretion, identify and fix the liability on such intermediary or entity responsible for such delay in unblocking. Further, investors shall be entitled to compensation in the manner specified in the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, the SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, and the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022 in case of delays in resolving investor grievances in relation to blocking/unblocking of funds, which for the avoidance of doubt, shall be deemed to be incorporated in the deemed agreement of our Bank with the SCSBs, to the extent applicable.

The processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the remitter banks (SCSBs) only after such banks provide a written confirmation on compliance with SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.

The above timetable, is indicative and does not constitute any obligation or liability on our Bank or the BRLMs.

While 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/ Issue Closing Date, the timetable may be extended due to various factors, such as extension of the Bid/ Issue Period by our Bank, 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 Registrar to the Issue shall submit the details of cancelled/withdrawn/deleted applications to the SCSBs on a daily basis within 60 minutes of the Bid closure time from the Bid/ Issue Opening Date till the Bid/Issue Closing Date by obtaining the same from the Stock Exchanges. The SCSBs shall unblock such applications by the closing hours of the same Working Day and submit the confirmation to the Book Running Lead Managers and the Registrar to the Issue not later than the next Working Day from the finalization of basis of allotment by the Registrar to the Issue, as per the format prescribed in SEBI circular no.

SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.

In terms of the UPI Circulars, in relation to the Issue, the BRLMs will be required to submit reports of compliance with listing timelines and activities, identifying non-adherence to timelines and processes and an analysis of entities responsible for the delay and the reasons associated with it.

SEBI is in the process of streamlining and reducing the post issue timeline for initial public offerings. Any circulars or notifications from SEBI after the date of this Red Herring Prospectus may result in changes to the above-mentioned timelines. Further, the offer procedure is subject to change basis any revised circulars to this effect from SEBI.

Submission of Bids (other than Bids from Anchor Investors):

Bid/ Issue Period (except the Bid/ Issue Closing Date)	
Submission and Revision in Bids	Only between 10.00 a.m. and 5.00 p.m. IST
Bid/ Issue Closing Date*	
Submission and Revision in Bids	Only between 10.00 a.m. and 3.00 p.m. IST

**UPI mandate end time and date shall be at 5.00 pm on Bid/Issue Closing Date.*

On the Bid/ Issue Closing Date, the Bids shall be uploaded until (except Bids by Anchor Investors):

- (i) 4.00 p.m. IST in case of Bids by QIBs and Non-Institutional Bidders where the Bid Amount is in excess of ₹ 500,000, and
- (ii) until 5.00 p.m. IST or such extended time as permitted by the Stock Exchanges, in case of Bids by UPI Bidders, where the Bid Amount is up to ₹ 500,000.

On Bid/Issue 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.

The Registrar to the Issue shall submit the details of cancelled/withdrawn/deleted applications to the SCSB's on daily basis within 60 minutes of the Bid closure time from the Bid/ Issue Opening Date till the Bid/Issue Closing Date by obtaining the same from the Stock Exchanges. The SCSB's shall unblock such applications by the closing hours of the Working Day and submit the confirmation to the BRLMs and the Registrar to the Issue on a daily basis.

It is clarified that Bids shall be processed only after the application monies are blocked in the ASBA Account and 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.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date, and in any case no later than 3:00 p.m. IST on the Bid/Issue Closing Date. Any time mentioned in this Red Herring Prospectus is IST. Bidders are cautioned that, in the event a large number of Bids are received on the Bid/Issue 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 Issue. Bids will be accepted only during Working Days, during the Bid/Issue Period. Bids and revisions shall not be accepted on Saturdays and public holidays.

The Designated Intermediaries shall modify select fields uploaded in the Stock Exchange platform during the Bid/Offer Period till 5.00 pm on the Bid/Issue Closing Date after which the Stock Exchange(s) send the bid information to the Registrar to the Issue for further processing.

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.

To avoid duplication, the facility of re-initiation provided to Syndicate Member shall preferably be allowed only once per bid/batch and as deemed fit by the Stock Exchanges, after closure of the time for uploading Bids.

Investors may please note that as per letter no. List/SMD/SM/2006 dated July 3, 2006 and letter no. NSE/IPO/25101-6 dated July 6, 2006 issued by BSE and NSE, respectively. Bids and any revision in Bids shall not be accepted on Saturdays and public holidays as declared by the Stock Exchanges. Bids by ASBA Bidders shall be uploaded by the relevant Designated Intermediary in the electronic system to be provided by the Stock Exchanges.

Neither the 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 Banks 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, in consultation with the Book Running Lead Managers, reserves the right to revise the Price Band during the Bid/Issue Period, in accordance with the SEBI ICDR Regulations, provided that the Cap Price will be at least 105% of the Floor Price and less than or equal to 120% of the Floor Price and the Floor Price will not be less than the face value of the Equity Shares. Subject to compliance with the foregoing, the Floor Price may move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly

In case of revision in the Price Band, the Bid/Issue Period shall be extended for at least three additional Working Days after such revision, subject to the Bid/Issue Period not exceeding 10 Working Days. In cases of force majeure, strike or similar circumstances, our Bank may in consultation with the BRLMs, for reasons to be recorded in writing, extend the Bid/Issue Period for a minimum of three Working Days, subject to the Bid/Issue Period not exceeding 10 Working Days. Any revision in Price Band, and the revised Bid/Issue 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 Member and by intimation to the Designated Intermediaries and the Sponsor Banks, as applicable. 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 Issue 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/ Issue Closing Date; or the minimum subscription of 90% of the Issue on Bid/ Issue 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 in accordance with applicable law including the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, the SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022. If there is a delay beyond four days after our Bank becomes liable to pay the amount, our Bank and our Directors, who are officers in default, shall pay interest at the rate of 15% per annum or such other rate as prescribed under applicable law.

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.

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.

New Financial Instruments

Our Bank is not issuing any new financial instruments through the Issue.

Restrictions, if any on Transfer and Transmission of Equity Shares

Except for lock-in of the pre-Issue capital of our Bank, lock-in of our Promoter's minimum contribution and the Anchor Investor lock-in as provided in "*Capital Structure*" beginning on page 85 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 438.

In accordance with Section 12B of the Banking Regulation Act read with the Master Direction on Acquisition and Holding of Shares or Voting Rights and the Guidelines on Acquisition and Holding of Shares or Voting Rights, 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 "*Issue Procedure*" beginning on pages 195 and 417, respectively.

Withdrawal of the Issue

The Issue shall be withdrawn in the event the requirement of the minimum subscription as prescribed under Regulation 45 of the SEBI ICDR Regulations is not fulfilled. Our Bank, in consultation with the BRLMs, reserve the right not to proceed with the Issue after the Bid/Issue Opening Date but before the Allotment. In such an event, our Bank would issue a public notice in the newspapers in which the pre-Issue advertisements were published, within two days of the Bid/Issue Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Issue and inform the Stock Exchanges promptly on which the Equity Shares are proposed to be listed. The BRLMs, through the Registrar to the Issue, shall notify the SCSBs and the Sponsor Banks, 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 Issue 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-Issue advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Bank, in consultation with the BRLMs withdraws the Issue after the Bid/ Issue 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 Issue 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.

ISSUE STRUCTURE

Initial public offering of up to [•] Equity Shares for cash at price of ₹[•] per Equity Share (including a premium of ₹[•] per Equity Share) aggregating up to ₹5,000 million. The Issue includes a reservation of up to [•] Equity Shares aggregating to ₹[•] million for subscription by Eligible Employees.

The Issue and the Net Issue shall constitute at least [•]% and [•]%, respectively, of the post- Issue paid-up Equity Share capital of our Bank. The face value of each Equity Share is ₹10 each.

The Issue 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 allocation ^{*(2)}	Up to [•] Equity Shares	Not less than [•] Equity Shares	Not more than [•] Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and RIBs	Not more than [•] Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Non Institutional Bidders
Percentage of Issue Size available for allocation	The Employee Portion shall not exceed 1% of the size of the Issue.	Not less than 75% of the Net Issue 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 Issue or the Net Issue less allocation to QIB Bidders and RIBs shall be available for allocation. Further, one-third of the Non-Institutional Portion will be made available for allocation to Bidders with an application size of more than ₹200,000 and up to ₹1,000,000 and two-thirds of the Non-Institutional Portion will be available for allocation to Bidders with an application size of more than ₹1,000,000 and under-subscription in either of these two subcategories of the Non-Institutional Portion category may be allocated to Bidders in the other subcategory of the Non-Institutional Portion in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price	Not more than 10% of the Net Issue or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders shall be available for allocation
Basis of Allotment 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	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;	The allotment to each Non-Institutional Bidder shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Non-Institutional Portion and the remaining available Equity Shares, if any, shall be allotted on a proportionate basis, in accordance with	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 allotted on a proportionate basis. For further details, see the “ <i>Issue Procedure</i> ” beginning on page 417.

Particulars	Eligible Employees [#]	QIBs ⁽¹⁾	Non Institutional Bidders	Retail Individual Bidders
	Employee Reservation Portion, the 2. unsubscribed portion may be Allotted, on a proportionate basis, to Eligible Employees for value exceeding ₹200,000, subject to total Allotment to an Eligible Employee not exceeding ₹500,000.	and [•] Equity Shares shall be available for allocation on a proportionate basis to all other QIBs, including Mutual Funds receiving allocation as per 1. above Up to 60% of the QIB Portion 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.	Schedule XIII of the SEBI ICDR Regulations	
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 Issue, subject to applicable limits	Such number of Equity Shares and in multiples of [•] Equity Shares not exceeding the size of the Net Issue (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 (including the UPI Mechanism)	Through ASBA process only except for Anchor Investors (excluding the UPI Mechanism)	Through ASBA process only (including the UPI Mechanism for an application size of up to ₹500,000)	Through ASBA process only (including the UPI Mechanism)
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	Resident individuals, NRIs, HUFs (in the name of the <i>karta</i>), companies, corporate bodies, scientific institutions societies and trusts, FPIs who are individuals, corporate	Resident Indian individuals, Eligible NRIs and HUFs (in the name of <i>karta</i>).

Particulars	Eligible Employees [#]	QIBs ⁽¹⁾	Non Institutional Bidders	Retail Individual Bidders
		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 registered with the PFRDA, 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 managed by the Department of Posts, India and Systemically Important NBFCs.	bodies and family offices.	
Terms of Payment	<p>In case of Anchor Investors: Full Bid Amount shall be payable by the Anchor Investors at the time of submission of their Bids⁽³⁾</p> <p>In case of all other Bidders: Full Bid Amount shall be blocked by the SCSBs in the bank account of the ASBA Bidder or by the Sponsor Banks in case of UPI Bidders Bidding through the UPI Mechanism that is specified in the ASBA Form at the time of submission of the ASBA Form</p>			

* Assuming full subscription in the Issue.

** SEBI vide its circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, has mandated that ASBA applications in Public Issues shall be processed only after the application monies are blocked in the investor's bank accounts. Accordingly, Stock Exchanges shall, for all categories of investors viz. QIB, NIB and RIB and also for all modes through which the applications are processed, accept the ASBA applications in their electronic book building platform only with a mandatory confirmation on the application monies blocked.

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 Issue 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 Issue. In case of under-subscription in the Net Issue, spill-over to the extent of such under-subscription shall be permitted from the Employee Reservation Portion.

(1) Our Bank 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. 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 "Issue Procedure" beginning on page 417.

(2) Subject to valid Bids being received at or above the Issue Price. This Issue 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 Issue 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, 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 Issue 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 the BRLMs and the Designated Stock Exchange. 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 Issue*” beginning on page 407.

The unsubscribed portion if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of such under-subscription shall be permitted from the Employee Reservation Portion, subject to the Net Issue constituting [\bullet] % of the post-Issue Equity Share capital of our Bank.

In terms of the Banking Regulation Act read with the Master Direction on Acquisition and Holding of Shares or Voting Rights and the Guidelines on Acquisition and Holding of Shares or Voting Rights, every person who intends to make an acquisition which is likely to result in major shareholding in a banking company, i.e., aggregate holding of five per cent or more of the paid-up share capital or voting rights of a banking company, held by him, his relatives, associates, enterprises or persons acting in concert with him, shall seek prior approval of RBI. For further details, see “*Key Regulations and Policies*” beginning on page 195. 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- Issue 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- Issue paid-up share capital of our Bank.

Our Bank, the BRLMs and the Registrar to the Issue 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- Issue 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 Issue 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-Issue 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 Issue 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 Issue, the aggregate shareholding of the Bidder and the Other Persons in the pre- Issue 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 ©) 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.

ISSUE 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 Issue.

Additionally, all Bidders may refer to the General Information Document for information in relation to (i) category of investors eligible to participate in the Issue; (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 Issue; (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 UPI Bidders (“UPI Phase III”), as may be prescribed by SEBI. The Issue 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. Accordingly, the Issue will be made under UPI Phase II of the UPI Circulars, subject to any circulars, clarification or notification issued by SEBI from time to time. Further, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022 has introduced certain additional measures for streamlining the process of initial public offers and redressing investor grievances. This circular shall come into force for initial public offers opening on or after May 1, 2021 except as set out in circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and the provisions of this circular are deemed to form part of this Red Herring Prospectus.

Furthermore, pursuant to circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022, all individual Bidders in initial public offerings (opening on or after May 1, 2022) whose application sizes are up to ₹500,000 shall use the UPI Mechanism. This circular has come into force for initial public offers opening on or after May 1, 2022 and the provisions of this circular are deemed to form part of this Red Herring Prospectus.

The BRLMs shall be the nodal entity for any issues arising out of the public issuance process. In terms of Regulation 23(5) and Regulation 271 of SEBI ICDR Regulations, the timelines and processes mentioned in SEBI circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 shall continue to form part of the agreements being signed between the intermediaries involved in the public issuance process and lead managers shall continue to coordinate with intermediaries involved in the said process.

Our Bank 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 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 this Red Herring Prospectus and the Prospectus.

Further, our Bank and the Syndicate do not accept any responsibility for any adverse occurrences consequent to the implementation of the UPI Mechanism for application in the Issue.

Book Building Procedure

The Issue 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 Issue shall be allocated on a proportionate basis to QIBs, provided that our Bank 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 Issue Price. Further, not more than 15% of the Net Issue shall be available for allocation to Non-Institutional Bidders of which one-third of the Non-Institutional Portion shall be available for allocation to Bidders with an application size of more than ₹200,000 and up to ₹1,000,000 and two-thirds of the Non-Institutional Portion shall be available for allocation to Bidders with an application size of more than ₹1,000,000 provided that under-subscription in either of these two sub-categories of Non-Institutional Portion may be allocated to Bidders in the other sub-category of Non-Institutional Portion in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price. Further, not more than 10% of the Net Issue 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 Issue Price. Furthermore, up to [•] Equity Shares, aggregating approximately 1% of the size of the Issue 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 Issue 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 in consultation with the BRLMs and the Designated Stock Exchange, subject to receipt of valid Bids received at or above the Issue 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 UPI 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.

Bidders must ensure that their PAN is linked with Aadhaar and are in compliance with the notification dated February 13, 2020 issued by the Central Board of Direct Taxes and the press release dated June 25, 2021.

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 UPI Bidders 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 UPI Bidders 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.

Pursuant to the UPI Circular, SEBI has set out specific requirements for redressal of investor grievances for applications that have been made through the UPI Mechanism. The requirements of the UPI Circular include, appointment of a nodal officer by the SCSB and submission of their details to SEBI, the requirement for SCSBs to send SMS alerts for the blocking and unblocking of UPI mandates, the requirement for the Registrar to submit details of cancelled, withdrawn or deleted applications, and the requirement for the bank accounts of unsuccessful Bidders to be unblocked no later than one day from the date on which the Basis of Allotment is finalised. Failure to unblock the accounts within the timeline would result in the SCSBs being penalised under the relevant securities law. Additionally, if there is any delay in the redressal of investors' complaints in this regard, the relevant SCSB as well as the post – Issue BRLM will be required to compensate the concerned investor.

All SCSBs offering facility of making application in public issues shall also provide facility to make application using UPI. Our Bank has appointed two of the SCSBs as sponsor banks to act as a conduit between the Stock Exchanges and NPCI in order to facilitate collection of requests and / or payment instructions of the UPI Bidders.

The processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the remitter banks (SCSBs) only after such banks make an application as prescribed in Annexure I of SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and provide a written confirmation on compliance with SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021.

Further, pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/45 dated April 5, 2022, all UPI Bidders applying in public issues where the application amount is up to ₹500,000 shall use the UPI Mechanism and shall also provide their UPI ID in the Bid cum Application Form submitted with any of the entities mentioned herein below:

- i. a Syndicate Member;
- ii. a stock broker registered with a recognised stock exchange (and whose name is mentioned on the website of the stock exchange as eligible for this activity);
- iii. a Depository Participant (whose name is mentioned on the website of the stock exchange as eligible for this activity);
- iv. a registrar to an issue and share transfer agent (whose name is mentioned on the website of the stock exchange as eligible for this activity).

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 relevant Bidding Centres and at the Registered and Corporate Office. The electronic copy of the Bid cum Application Forms 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/Issue Opening Date.

For Anchor Investors, the Bid cum Application Forms will be available at the offices of the Book Running Lead Managers.

Bidders (other than Anchor Investors) must compulsorily use the ASBA process to participate in the Issue. Anchor Investors are not permitted to participate in this Issue through the ASBA process.

All ASBA Bidders must provide either, (i) bank account details and authorisation to block funds in the ASBA Form, or (ii) the UPI ID (in case of UPI Bidders), as applicable, in the relevant space provided in the ASBA Form and the ASBA Forms that do not contain such details will be rejected. Applications made by the UPI Bidders using third party bank account or using third party linked bank account UPI ID are liable for rejection.

UPI Bidders Bidding using the UPI Mechanism must provide the UPI ID in the relevant space provided in the Bid cum Application Form. Bid cum Application Forms that do not contain the UPI ID are liable to be rejected. UPI Bidders Bidding using the UPI Mechanism may also apply through the SCSBs and mobile applications using the UPI handles as provided on the website of SEBI.

Further, Bidders shall ensure that the Bids are submitted at the Bidding Centres only on Bid cum Application Forms bearing the stamp of a Designated Intermediary (except in case of electronic Bid cum Application Forms) and Bid cum Application Forms not bearing such specified stamp maybe liable for rejection.

The ASBA Bidders, including UPI Bidders shall ensure that they have sufficient balance in their bank accounts to be blocked through ASBA for their respective Bids as the application made by a Bidder shall only be processed after the Bid amount is blocked in their ASBA accounts pursuant to the SEBI circular number SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022. In order to ensure timely information to investors, SCSBs are required to send SMS alerts to investors intimating them about Bid Amounts blocked/ unblocked including details as prescribed in Annexure II of SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.

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 UPI Bidders using the UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Banks on a continuous basis to enable the Sponsor Banks to initiate UPI Mandate Request to UPI Bidders 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 UPI Bidders Bidding using UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Banks on a continuous basis through API integration to enable the Sponsor Banks to initiate

UPI Mandate Request to UPI Bidders, for blocking of funds. The Sponsor Banks shall initiate request for blocking of funds through NPCI to UPI Bidders, 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 Banks shall initiate requests for blocking of funds in the ASBA Accounts of relevant Bidders with a confirmation cut-off time of 5:00 pm on the Bid/Issue Closing Date (“**Cut-Off Time**”). Accordingly, UPI Bidders 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 UPI Bidders 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 the Master Direction – RBI (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 and the Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies issued by the RBI, 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- Issue 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-Issue paid-up share capital of our Bank.

Our Bank, the BRLMs and the Registrar to the Issue 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- Issue 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 Issue 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- Issue 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 Issue 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 Issue, the aggregate shareholding of the Bidder and the Other Persons in the pre- Issue 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 Issue, 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 Issue, 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-Issue paid-up Equity Share capital of our Bank.

Participation by Promoter and Promoter Group of our Bank, the BRLMs and the Syndicate Member

The BRLMs and the Syndicate Member shall not be allowed to purchase Equity Shares in this Issue in any manner, except towards fulfilling their respective underwriting obligations. However, the associates and affiliates of the BRLMs and the Syndicate Member may Bid for Equity Shares in the Issue, either in the QIB Portion, where the allocation is on a proportionate basis or in the Non-Institutional Portion as may be applicable to such Bidders 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 Member, 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 which are associates of the BRLMs) nor; (ii) any “person related to the Promoter/ Promoter Group” shall apply in the Issue 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.

Further, the Promoter and members of the Promoter Group (if any) shall not participate by applying for Equity Shares in the Issue.

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, 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 195.

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 UPI 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 Issue 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-Issue 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 Issue 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 Issue 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.

Further, 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.

Further, the shareholding of VCFs, Category I AIFs or Category II AIFs and FVCIs in a company prior to an initial public offering being undertaken by such company, shall be exempt from lock-in requirements, provided that such equity shares shall be locked in for a period of at least six months from the date of purchase by the VCF or AIF or FVCI. However, if such VCFs, Category I AIFs or Category II AIFs and FVCIs hold individually or with persons acting in concert, more than 20% of the pre-offer shareholding of such company, this exemption from lock-in requirements will not be applicable. There is no reservation for Eligible NRIs, AIFs, FPIs and FVCIs.

All such Bidders will be treated on the same basis with other categories for the purpose of allocation. Participation of VCFs, AIFs or FVCIs in the Issue shall be subject to the FEMA Rules.

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 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 “*Issue Structure*” beginning on page 413. 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 under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue.

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 Issue under the Employee Reservation Portion.
- (d) Only those Bids, which are received at or above the Issue 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) 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. The unsubscribed portion if any, in the Employee Reservation Portion (after allocation up to ₹500,000), shall be added back to the Net Issue.
- (g) Eligible Employees should mention their employee number at the relevant place in the Bid cum Application Form.
- (h) Eligible Employees can apply at Cut-off Price.
- (i) Bid by Eligible Employees can be made also in the “Net Issue 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 Issue 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 Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of Allotment, see “*Issue Procedure*” beginning on page 417.

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 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 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 the Guidelines on Acquisition and Holding of Shares or Voting Rights, see "*Key Regulations and Policies*" beginning on page 195.

Bids by SCSBs

SCSBs participating in the Issue 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 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 Issue 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 (registered with PFRDA), 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 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 registered with the PFRDA, 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 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 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 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 in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof. Systemically Important NBFCs participating in the Issue 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.

Bids by Anchor Investors

In accordance with the SEBI ICDR Regulations, in addition to details and conditions mentioned in this section the key terms for participation by Anchor Investors are provided below. Anchor Investor Application Forms will be made available for the Anchor Investor Portion at the offices of the BRLMs.

Except for Mutual Funds, AIFs or FPIs (other than individuals, corporate bodies and family offices) sponsored by entities which are associates of the BRLMs, or insurance companies promoted by entities which are associates of the BRLMs, no BRLM or its respective associates can apply in the Issue under the Anchor Investor Portion.

Further, an Anchor Investor shall be deemed to be an “associate of the Book Running Lead Manager” if: (i) 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 (ii) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or (iii) there is a common director, excluding nominee director, among the Anchor Investors and any BRLM.

The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount exceeds ₹ 100 million. A Bid cannot be submitted for over 60% of the QIB Category. In case of a Mutual Fund, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of ₹ 100 million.

One-third of the Anchor Investor Portion will be reserved for allocation to domestic Mutual Funds.

Our Bank, in consultation with the BRLMs, may finalise allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allottees in the Anchor Investor Portion will not be less than:

- maximum of two Anchor Investors, where allocation under the Anchor Investor Portion is up to ₹ 100 million;
- minimum of two and maximum of 15 Anchor Investors, where the allocation under the Anchor Investor Portion is more than ₹ 100 million but up to ₹ 2,500 million, subject to a minimum Allotment of ₹ 50 million per Anchor Investor; and
- in case of allocation above ₹ 2,500 million under the Anchor Investor Portion, a minimum of five such investors and a maximum of 15 Anchor Investors for allocation up to ₹ 2,500 million, and an additional 10 Anchor Investors for every additional ₹ 2,500 million, subject to minimum Allotment of ₹ 50 million per Anchor Investor.

Allocation to Anchor Investors will be completed on the Anchor Investor Bid/Issue Period. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, will be made available in the public domain by the BRLMs, before the Bid/Issue Opening Date, through intimation to the Stock Exchanges.

Anchor Investors cannot withdraw or lower the size of their Bids at any stage after submission of the Bid.

If the Issue Price is greater than the Anchor Investor Allocation Price, the additional amount being the difference between the Issue Price and the Anchor Investor Issue Price will be payable by the Anchor Investors on the Anchor Investor pay-in date specified in the CAN. If the Issue Price is lower than the Anchor Investor Issue Price, Allotment to successful Anchor Investors will be at the higher price.

50% Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion shall be locked-in for a period of 90 days from the date of Allotment and the remaining 50% shall be locked-in for a period of 30 days from the date of Allotment.

Bids made by QIBs under both the Anchor Investor Portion and the QIB Category will not be considered multiple Bids.

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 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 Red Herring Prospectus or as will be specified in the Prospectus.

In accordance with existing regulations issued by the RBI, OCBs cannot participate in this Issue.

Information for Bidders

The relevant Designated Intermediary will enter a maximum of three Bids at different price levels opted in the Bid cum Application Form and such options are not considered as multiple Bids. It is the Bidder's responsibility to obtain the acknowledgment slip from the relevant Designated Intermediary. The registration of the Bid by the Designated Intermediary does not guarantee that the Equity Shares shall be allocated/Allotted. Such Acknowledgement Slip will be non-negotiable and by itself will not create any obligation of any kind. When a

Bidder revises his or her Bid, he /she shall surrender the earlier Acknowledgement Slip and may request for a revised acknowledgment slip from the relevant Designated Intermediary as proof of his or her having revised the previous Bid.

In relation to electronic registration of Bids, the permission given by the Stock Exchanges to use their network and software of the electronic bidding system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Bank and/or the BRLMs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements, nor does it take any responsibility for the financial or other soundness of our Bank, the management or any scheme or project of our Bank; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus or this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

General Instructions

Do's:

1. Check if you are eligible to apply as per the terms of this 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 (for all Bidders other than UPI Bidders Bidding using the UPI Mechanism) in the Bid cum Application Form and such ASBA account belongs to you and no one else. Further, UPI Bidders using the UPI Mechanism must also mention their UPI ID and shall use only their own bank account which is linked to their UPI ID;
5. UPI Bidders Bidding using the UPI Mechanism shall ensure that the bank, with which they have their bank account, where the funds equivalent to the application amount are available for blocking is UPI 2.0 certified by NPCI before submitting the ASBA Form to any of the Designated Intermediaries;
6. UPI Bidders Bidding using the UPI Mechanism through the SCSBs and mobile applications shall ensure that the name of the bank appears in the list of SCSBs which are live on UPI, as displayed on SEBI website. UPI bidders shall ensure that the name of the app and the UPI handle which is used for making the application appears on the list displayed on SEBI website. An application made using incorrect UPI handle or using a bank account of an SCSB or bank which is not mentioned on SEBI website is liable to be rejected;
7. 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. UPI Bidders using UPI Mechanism, may submit their ASBA Forms with Syndicate Member, Registered Brokers, RTAs or CDPs and should ensure that the ASBA Form contains the stamp of such Designated Intermediary;
8. 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;
9. 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;
10. Ensure that the signature of the First Bidder in case of joint Bids, is included in the Bid cum Application Forms. Further, PAN of the First Bidder is required to be specified in the case of joint Bids;
11. 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;

12. 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;
13. Ensure that you submit the revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised acknowledgment;
14. UPI Bidders not using the UPI Mechanism, should submit their Bid cum Application Form directly with SCSBs and not with any other Designated Intermediary;
15. 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 Banks, 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 UPI Bidders submitting their Bids and participating in the Issue through the UPI Mechanism, ensure that you authorise the UPI Mandate Request raised by the Sponsor Banks for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment;
16. 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;
17. Ensure that the Demographic Details are updated, true and correct in all respects;
18. 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;
19. Ensure that the category and the investor status is indicated;
20. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust, etc., relevant documents are submitted;
21. Ensure that Bids submitted by any person resident outside India is in compliance with applicable foreign and Indian laws;
22. 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;
23. Ensure that when applying in the Issue 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 Issue is also appearing in the "list of mobile applications for using UPI in public issues" displayed on the SEBI website;
24. UPI Bidders who wish to revise their Bids using the UPI Mechanism, should submit the revised Bid with the Designated Intermediaries, pursuant to which the UPI Bidders should ensure acceptance of the UPI Mandate Request received from the Sponsor Banks to authorise blocking of funds equivalent to the revised Bid Amount in the RIB's ASBA Account;

25. Ensure that you have accepted the UPI Mandate Request received from the Sponsor Banks prior to 5:00 p.m. of the Bid/Issue Closing Date;
26. UPI Bidders Bidding using the UPI Mechanism shall ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorise the UPI Mandate Request using their UPI PIN. Upon the authorisation of the mandate using their UPI PIN, the UPI Bidder may be deemed to have verified the attachment containing the application details of the UPI Bidder Bidding using the UPI Mechanism in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorised the Sponsor Banks to issue a request to block the Bid Amount mentioned in the Bid cum Application Form in their ASBA Account;
27. Ensure that while Bidding through a Designated Intermediary, the Bid cum Application Form (other than for Anchor Investors and UPI Bidders 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);
28. 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 Portion for the purposes of allocation and Bids for a Bid Amount exceeding ₹ 200,000 would be considered under the Non-Institutional Portion for allocation in the Issue; and
29. 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 UPI Bidder 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 Issue;
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/Issue Closing Date;
20. If you are a QIB, do not submit your Bid after 3.00 p.m. on the QIB Bid/Issue 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 Issue 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/Issue 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 UPI Bidders using the UPI Mechanism;
28. Do not submit more than one Bid cum Application Form for each UPI ID in case of UPI Bidders 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 UPI Bidders using the UPI Mechanism)
30. UPI Bidders 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-Issue or post Issue 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*” beginning on page 77.

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 Issue 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 Issue 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, Non-Institutional 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 Equity Shares in the Retail Portion, and the remaining available Equity Shares, if any, shall be allotted on a proportionate basis.

The Allotment of Equity Shares to each Non-Institutional Bidder shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Non-Institutional Portion, and the remaining available Equity Shares, if any, shall be allotted in accordance with the conditions specified in the SEBI ICDR Regulations.

Payment into Escrow Account(s) for Anchor Investors

Our Bank 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: “*UTKARSH SMALL FINANCE BANK LIMITED -IPO - ANCHOR ESCROW ACCOUNT-R*”
- (b) In case of Non-Resident Anchor Investors: “*UTKARSH SMALL FINANCE BANK LIMITED – IPO - ANCHOR ESCROW ACCOUNT-NR*”

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Bank, the Syndicate, the Escrow Collection Bank and the Registrar to the Issue to facilitate collections of Bid amounts from Anchor Investors.

Pre-Issue 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-Issue advertisement, in the form prescribed by the SEBI ICDR Regulations, in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and the Varanasi edition of Gyanshikha Times, a Hindi 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-Issue advertisement state the Bid/Issue Opening Date, the Bid/Issue 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 all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and the Varanasi edition of Gyanshikha Times, a Hindi 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 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 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 and the Syndicate intend to enter into an Underwriting Agreement on or immediately after the finalisation of the Issue 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 Issue Price, the Anchor Investor Issue Price, Issue 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 Issue 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/Issue 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 Issue 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/Issue 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.

Utilisation of Issue Proceeds

Our Board of Directors certifies and declares that:

- all monies received out of the Issue 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 Issue shall be disclosed, and continue to be disclosed till the time any part of the Issue 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 Issue, 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 Issue.

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 Issue. 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 Issue Period.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and 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 in the United States. Accordingly, the Equity

Shares are being offered and sold outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made.

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 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. The Bank has received a letter dated March 25, 2021 from the RBI wherein the RBI has taken on record the amended Articles of Association of the Bank. 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.

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 Red Herring Prospectus) which are or may be deemed material will be attached to the copy of this Red Herring Prospectus which will be delivered to the RoC for filing. Copies of the contracts and documents for inspection referred to hereunder, (i) may be inspected at the Registered and Corporate Office between 10 a.m. and 5 p.m. IST on all Working Days; and (ii) will also be available for inspection on the website of our Bank at <https://utkarsh.bank/investors> from the date of this Red Herring Prospectus until the Bid/Issue Closing Date (except for such agreements executed after the Bid/Issue Closing Date).

Any of the contracts or documents mentioned in this 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 Issue

1. Issue Agreement dated July 29, 2022 entered into between our Bank and the Book Running Lead Managers.
2. Registrar Agreement dated July 28, 2022 entered into between our Bank, and the Registrar to the Issue.
3. Cash Escrow and Sponsor Bank Agreement dated July 6, 2023 entered into between our Bank, the Syndicate Member, the Registrar to the Issue, the Book Running Lead Managers and the Bankers to the Issue.
4. Syndicate Agreement dated July 6, 2023 entered into between our Bank, Book Running Lead Managers, the Syndicate Member and the Registrar to the Issue.
5. Underwriting Agreement dated [•], 2023 entered into between our Bank, and the Underwriter(s).

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 2023, 2022 and 2021.
4. Resolution of our Board of Directors dated July 15, 2022 authorising the Issue and other related matters.
5. Resolution of our Shareholders dated July 19, 2022 authorising the Issue and other related matters.
6. Resolution of our Board of Directors dated July 28, 2022 and CSFR Committee dated July 29, 2022 approving the Draft Red Herring Prospectus.
7. Resolution of the Board of Directors dated July 6, 2023 approving this Red Herring Prospectus for filing with RoC, SEBI and Stock Exchanges.
8. Joint consent letter dated May 31, 2023 from the Joint Statutory Auditors, Deloitte Haskins & Sells LLP, Chartered Accountants and Kirtane & Pandit LLP, Chartered Accountants, respectively.
9. Consent letter dated May 31, 2023 from the Previous Statutory Auditors, Haribhakti & Co. LLP.
10. The statement of special tax benefits available to our Bank and its Shareholders dated May 31,

2023 issued by the Joint Statutory Auditors.

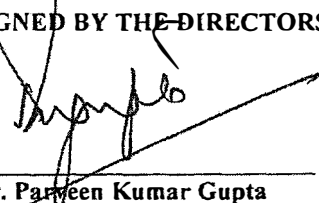
11. Examination report dated April 28, 2023 by the Joint Statutory Auditors in relation to the Restated Financial Statements included in this Red Herring Prospectus.
12. Business Transfer Agreement.
13. Promoter SHA.
14. Investment Agreement.
15. RBI In-Principle Approval.
16. RBI Licence
17. RBI letter dated November 16, 2017, pursuant to which RBI intimated our Bank of its inclusion in the second schedule to the RBI Act, 1934.
18. RBI letter bearing reference no. CO.DOS.RPD.No.S202/08-60-005/2021-2022 dated June 21, 2021 approving the appointment of Haribhakti & Co. LLP, Chartered Accountants as the statutory auditors of our Bank for the year 2021-22 for their third year.
19. RBI letter bearing no. DoR.GOV. No.62359/29.44.010/2021-22 dated June 29, 2021 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, 2021. Board and Shareholders resolutions dated July 6, 2021 and July 30, 2021, respectively, and appointment letter dated September 2, 2021 approving the re-appointment of Mr. Govind Singh as our managing Director and chief executive officer.
20. Memorandum of understanding dated October 19, 2019 along with an addendum to the memorandum of understanding dated December 17, 2019, the first renewal agreement dated December 9, 2020, the second renewal agreement dated October 22, 2021 and the third renewal agreement dated September 16, 2022 between our Bank and Utkarsh CoreInvest Limited.
21. Service agreement between our Bank and Utkarsh CoreInvest Limited, our Promoter, dated October 19, 2019.
22. Memorandum of understanding dated December 17, 2019 between our Bank and Utkarsh CoreInvest Limited.
23. Order dated July 6, 2021 issued by RBI imposing a penalty of ₹ 10 million on our Bank.
24. Resolution of the Board of Directors of our Promoter passed at its meeting held on May 31, 2017, approving the write-off of ₹608 million.
25. Document comprising the details of the employees retained by Utkarsh CoreInvest Limited pursuant to the Business Transfer Agreement, along with the reasons for their retention.
26. Final SEBI observation letter no. SEBI//CFD/RAC-DIL1/53701/2022 dated October 21, 2022.
27. Document comprising the details of the customers that form part of the technical write off in Fiscal 2017 as of March 31, 2023.
28. Press release dated November 26, 2021 on the Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks.
29. Provisional unaudited financial statements and audited financial statements of Utkarsh CoreInvest Limited as on the closing date, January 21, 2017.
30. Minutes of the meetings of our Board dated August 28, 2019 and board of directors of Utkarsh CoreInvest Limited dated June 11, 2019, approving the service agreement between our Bank and Utkarsh CoreInvest Limited, our Promoter, dated October 19, 2019.

31. Trademark licence agreement entered into between our Bank and Utkarsh CoreInvest Limited dated December 24, 2020.
32. Trademark licence agreement entered into between our Bank and Utkarsh Welfare Foundation dated December 24, 2020.
33. Press release dated October 12, 2021 and e-mails dated May 30, 2022, June 30, 2022, July 7, 2022 and September 8, 2022, each issued/ shared by the RBI in relation to the matter with respect to our previous statutory auditors, Haribhakti & Co. LLP, Chartered Accountants.
34. RBI letter bearing reference no. DOS.CO.RPD.No.S483/08.60.005/2022-2023 dated April 29, 2022 approving the appointment of Deloitte Haskins & Sells, Chartered Accountants and Kirtane & Pandit, LLP, Chartered Accountants, as the joint statutory auditors of our Bank for the year 2022-23 for their first year.
35. Show cause notice dated May 4, 2022 issued by the RBI to the Bank with respect to non-compliance of the RBI circular on “Automation of Income Recognition, Asset Classification and Provisioning processes in banks” dated September 14, 2020 along with the audit certificate dated June 21, 2022 submitted by our Bank to RBI in response thereto.
36. Consents in writing of our Directors, our Company Secretary and Compliance Officer, legal counsel to the Bank, the Book Running Lead Managers, Syndicate Member, Banker to the Bank, the Bankers to the Issue and the Registrar to the Issue, to act in their respective capacities.
37. Report titled “*Report on Small Finance Banks and various loan products*” dated July, 2022 along with addendum dated May 2023 issued by CRISIL and consent letter dated June 1, 2023 from CRISIL.
38. Certificate dated July 6, 2023 issued with respect to KPIs from JHS & Associates LLP, Chartered Accountants.
39. Tripartite agreement dated February 17, 2017 amongst our Bank, NSDL and Registrar to the Issue.
40. Tripartite agreement dated February 14, 2017 amongst our Bank, CDSL and Registrar to the Issue.
41. Due diligence certificate dated July 29, 2022 addressed by the Book Running Lead Managers to SEBI.
42. In-principle approval letters each dated September 27, 2022 from BSE and NSE.

DECLARATION

I 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 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 Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK



Mr. Parveen Kumar Gupta
*(Part time non – executive chairman and
Independent Director)*

Place: Mumbai

Date: July 6, 2023

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 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 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: July 6, 2023

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 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 Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK



Mr. Kaja Ghose
(Independent Director)

Place: Mumbai

Date: July 6, 2023

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 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 Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK



Mr. Ajay Kumar Kapur
(Independent Director)

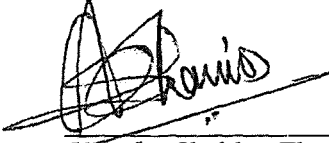
Place: Delhi

Date: July 6, 2023

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 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 Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK




Chandra Shekhar Thanvi
(Nominee Director - SIDBI)

Place: Mumbai

Date: July 6, 2023

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 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 Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK



Ms. Kalpana Prakash Pandey
(Independent Director)

Place: Mumbai

Date: July 6, 2023

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 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 Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK



Mr. Nagesh Dinkar Pinge
(Independent Director)

Place: Mumbai

Date: July 6, 2023

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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 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 Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Mr. Muralidharan Rajamani
(Non-executive Director)

Place: [•] Mumbai

Date: [•] July 06, 2023

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 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 Red Herring Prospectus are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER



Mr. Sarjukumar Pravin Simaria
(Chief Financial Officer)

Place: Mumbai

Date: July 6, 2023