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DRAFT RED HERRING PROSPECTUS
Dated July 29, 2022
Please read section 32 of the Companies Act, 2013
(This Draft Red Herring Prospectus will be updated upon filing with the RoC)
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.

SHARE RESERVATIONS AMONGST QIBs, NIBs, RIBs, AND ELIGIBLE EMPLOYEES

QIBs	NIBs	RIBs	Eligible Employees
[•]	[•]	[•]	[•]

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 96 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 Draft Red Herring Prospectus. Specific attention of the investors is invited to “*Risk Factors*” beginning on page 24.

BANK’S ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Bank and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions, misleading in any material respect.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on BSE and NSE. We have received in-principle approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [•] and [•], respectively. For the purpose of this Issue, [•] 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. Shekher Asnani / Mr. Akhil Mohod	**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:** utkarshsfb.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	[●]*
BID/ISSUE OPENS ON	[●]
BID/ISSUE CLOSES ON	[●]**

** Our Bank may, in consultation with the BRLMs, consider participation by Anchor Investors, in accordance with the SEBI ICDR Regulations. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Issue Opening Date.*

*** 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.*

DRAFT RED HERRING PROSPECTUS
Dated July 29, 2022
Please read Section 32 of the Companies Act, 2013
(*This Draft Red Herring Prospectus will be updated upon filing with the RoC*)
100% Book Built Issue

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 198.

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 ₹[•] (CONSTITUTING UP TO 1% OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL), FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER 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.

OUR BANK, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS ("BRLMs"), MAY CONSIDER AN ISSUANCE OF SECURITIES AGGREGATING UP TO ₹1,000 MILLION TO ANY PERSON(S), INCLUDING OUR PROMOTER AND EXISTING SHAREHOLDERS, AT ITS DISCRETION (THE "PRE-IPO PLACEMENT"). THE PRE-IPO PLACEMENT WILL BE AT A PRICE TO BE DECIDED BY OUR BANK, IN CONSULTATION WITH THE BRLMs, AND THE PRE-IPO PLACEMENT, IF ANY, WILL BE UNDERTAKEN PRIOR TO FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, UTTAR PRADESH AT KANPUR ("RoC"). IF THE PRE-IPO PLACEMENT IS COMPLETED, THE ISSUE SIZE WILL BE REDUCED TO THE EXTENT OF SUCH PRE-IPO PLACEMENT, SUBJECT TO THE MINIMUM ISSUE SIZE CONSTITUTING AT LEAST [•]% 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 [•] EDITIONS OF [•], A WIDELY CIRCULATED ENGLISH NATIONAL DAILY NEWSPAPER AND [•] EDITIONS OF [•], A WIDELY CIRCULATED HINDI NATIONAL DAILY NEWSPAPER WITH A WIDE CIRCULATION IN VARANASI (HINDI ALSO BEING THE REGIONAL LANGUAGE OF VARANASI, UTTAR PRADESH WHERE OUR REGISTERED AND CORPORATE OFFICE IS LOCATED) AT LEAST TWO WORKING DAYS PRIOR TO THE BID/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 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 Members and by intimation to the Self Certified Syndicate Banks (the "**SCSBs**"), other Designated Intermediaries and the Sponsor Bank(s), 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 Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**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 408.

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 96 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 Draft Red Herring Prospectus. Specific attention of the investors is invited to "*Risk Factors*" beginning on page 24.

BANK'S ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Bank and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions, misleading in any material respect.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on BSE and NSE. We have received in-principle approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [•] and [•], respectively. For the purpose of this Issue, [•] is the Designated Stock Exchange. A signed copy of the Red Herring Prospectus and the Prospectus shall be filed with the RoC in accordance with Section 26(4) of the Companies Act, 2013. For details of the material contracts and documents available for inspection from the date of the Red Herring Prospectus up to the Bid/Issue Closing Date, see ***"Material Contracts and Documents for Inspection"*** beginning on page 433.

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE
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:** www.icicisecurities.com **Investor grievance e-mail**: customercare@icicisecurities.com **Contact person: Mr.** Shekher Asnani / Mr. Akhil Mohod **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**: www.investmentbank.kotak.com **Investor grievance e-mail**: kmccredressal@kotak.com **Contact person**: Mr. Ganesh Rane **SEBI registration no**.: INM000008704	**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 no.**: INR000000221

BID/ISSUE PERIOD

BID/ISSUE OPENS ON*	[•]	BID/ISSUE CLOSES ON**	[•]

** Our Bank may, in consultation with the BRLMs, consider participation by Anchor Investors, in accordance with the SEBI ICDR Regulations. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Issue Opening Date.*
*** 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.*

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SECTION I: GENERAL

DEFINITION AND ABBREVIATIONS

This Draft Red Herring Prospectus uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, or unless otherwise specified, shall have the meaning as provided below. References to any legislations, acts, regulations, rules, guidelines, circulars, notifications, clarifications or policies shall be to such legislations, acts, regulations, rules, guidelines, 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 Draft Red Herring Prospectus shall have the meaning ascribed to such terms under the General Information Document. Any other words and expressions used but not defined in this Draft Red Herring Prospectus shall have the meaning ascribed to such terms under the SEBI ICDR Regulations, the Companies Act, the SCRA, and the Depositories Act and the rules and regulations made thereunder.

The terms not defined herein but used in "Statement of Possible Special Tax Benefits", "Industry Overview", "Key Regulations and Policies", "Selected Statistical Information", "Financial Statements", "Outstanding Litigation and Material Developments", "Description of Equity Shares and Terms of Articles of Association" and "Issue Procedure" beginning on pages 99, 104, 188, 231, 252, 378, 427, and 408, 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 "*Our Management*" beginning on page 205
Business Transfer Agreement	Business transfer agreement dated January 21, 2017 entered into between our Promoter and our Bank in connection with the transfer of the Business Undertaking. For details, see "*History and Certain Corporate Matters*" beginning on page 198
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 *"Our Group Company"* beginning on page 228

Term	Description
Independent Directors	Independent directors on our Board, as described in "*Our Management*" beginning on page 205
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
Key Managerial Personnel or KMP	Key managerial personnel of our Bank shall have the meaning as set out under Regulation 2(1)(bb) of the SEBI ICDR Regulations and as described in "*Our Management*" beginning on page 205
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 "*Our Management*" beginning on page 205
Preference Shares	The preference shares of our Bank of face value of ₹10 each
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 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 (previously known as CDC Group plc), Faering Capital India Evolving Fund II, Faering Capital India Evolving Fund III, HDFC Ergo General Insurance Company Limited, HDFC Life Insurance Company Limited, Housing Development Finance Corporation Limited, Hero Enterprise Partner Ventures, ICICI Prudential Life Insurance Limited, International Finance Corporation, Jhelum Investment Fund I, Lok Capital Growth Fund, NMI Frontier Fund KS, RBL Bank Limited, responsAbility Participations Mauritius, Sarva Capital LLC, Shriram Life Insurance Company Limited, Small Industries Development Bank of India and Sustainability - Finance - Real Economies SICAV-SIF
Promoter Group	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 Draft 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 Fiscals 2022, 2021 and 2020 which comprises the restated summary statement of assets and liabilities as at March 31, 2022, March 31, 2021 and March 31, 2020, the restated summary statements of profit and loss and the restated summary statement of cash flows for the financial years ended March 31, 2022, March 31, 2021 and March 31, 2020 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 "*Our Management*" beginning on page 205
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 205

Term	Description
Statutory Auditors	Haribhakti & Co. LLP, Chartered Accountants, the current statutory auditors of our Bank
UCL ESOP Schemes	Employee Stock Option Plan, 2010 (Pool I and II) and Utkarsh Employee Stock Option Plan 2016 at 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 the Red Herring Prospectus and who has Bid for an amount of at least ₹100 million
Anchor Investor Allocation Price	Price at which Equity Shares will be allocated to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which will be decided by our Bank, 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 the 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 the 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 the Red Herring Prospectus and the Prospectus
Banker(s) to the Issue	Collectively, Escrow Collection Bank(s), Public Issue Account Bank(s), Sponsor Bank(s) and Refund Bank(s), as the case may be
Basis of Allotment	Basis on which Equity Shares will be Allotted to successful Bidders under the Issue and which is described in "*Issue Structure*" beginning on page 403
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 the Red Herring Prospectus and the Bid cum Application Form. The term "Bidding" shall be construed accordingly

Term	Description
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 [•] editions of [•], a widely circulated English national daily newspaper and [•] editions of [•], a widely circulated Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh where our Registered and Corporate Office is located), and in case of any such extension, the extended Bid/ Issue Closing Date shall also be notified on the website and terminals of the Syndicate Members and communicated to the Designated Intermediaries and the Sponsor Bank(s) 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 Members, 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 [•] editions of [•], a widely circulated English national daily newspaper and [•] editions of [•], a widely circulated Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh where our Registered and Corporate Office is located)
Bid/ 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 the Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor
Bidding Centres	Centres at which the Designated Intermediaries shall accept the ASBA Forms, i.e., Designated Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for RTAs and Designated CDP Locations for CDPs
Book Building Process	Book building process, as provided in Schedule XIII of the SEBI ICDR Regulations, in terms of which the 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 to be entered amongst our Bank, the BRLMs, Syndicate Members, the Banker(s) to the Issue and Registrar to the Issue, *inter alia*, for 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
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

Term	Description
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(s) 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 Bank(s)) 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 the Red Herring Prospectus and the Prospectus following which Equity Shares will be Allotted in the Issue
Designated Intermediary(ies)	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. 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. 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
Designated RTA Locations	Such centres of the RTAs where Bidders (except Anchor Investors) can submit the Bid cum Application Forms. The details of such Designated RTA Locations, along with the names and contact details of the RTAs are available on the respective websites of the Stock Exchanges (www.nseindia.com and www.bseindia.com) and updated from time to time
Designated Stock Exchange	[•]
Draft Red Herring Prospectus or DRHP	This draft red herring prospectus dated July 29, 2022 issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares will be Allotted and the size of the Issue, including any addenda or corrigenda thereto
Eligible Employee(s)	Permanent employees of our Bank or our Promoter or a Director of our Bank, whether whole-time or not, as on the date of the filing of the Red Herring Prospectus with the RoC 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. The initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000, however, an Eligible Employee may submit a Bid for a maximum Bid Amount of ₹500,000 under the Employee Reservation Portion. Only in the event of an under-subscription in the Employee Reservation Portion, the unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000.
Eligible NRI(s)	NRI(s) from jurisdictions outside India where it is not unlawful to make an Issue or invitation under the Issue and in relation to whom the Bid cum Application Form and the 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 post-Issue paid-up Equity Share capital of our Bank, available for subscription by Eligible Employees, on a proportionate basis.

Term	Description
Escrow Account	Account(s) to be opened with the Escrow Collection Bank(s) and in whose favour the Anchor Investors will transfer money through NACH/direct credit/NEFT/RTGS in respect of the Bid Amount when submitting a Bid
Escrow Collection Bank(s)	Bank(s) which are clearing members and registered with SEBI as banker(s) to an issue under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and with whom the Escrow Account will be opened, in this case being [•]
First or sole Bidder	Bidder whose name shall be mentioned in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name shall also appear as the first holder of the beneficiary account held in joint names
Floor Price	Lower end of the Price Band, subject to any revision(s) thereto, not being less than the face value of Equity Shares, at or above which the 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. Our Bank, in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹1,000 million to any person(s), including our Promoter and existing Shareholders, at its discretion. The Pre-IPO Placement will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement, if any, will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Issue size constituting at least [•]% of the post-Issue paid-up Equity Share capital of 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 the 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 the 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 the 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 "*Objects of the Issue*" beginning on page 92
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
Pre-IPO Placement	A pre-Issue issuance of securities by our Bank, in consultation with the BRLMs, aggregating up to ₹1,000 million to any person(s), including our Promoter and existing Shareholders, at its discretion. The Pre-IPO Placement will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement, if any, will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Issue size constituting at least [•] % of the post- Issue paid-up Equity Share capital of our Bank Upon utilization of proceeds from the Pre-IPO Placement (if any), prior to the completion of the Issue, our Bank will appropriately intimate the Pre-IPO subscribers that there is no

Term	Description
	guarantee that it may proceed with the Issue or the Issue may be successful and will result in the listing of the Equity Shares of our Bank on the Stock Exchanges.
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 [•] editions of [•], a widely circulated English national daily newspaper and [•] editions of [•], a widely circulated Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh where our Registered and Corporate Office is located), and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites
Pricing Date	Date on which our Bank, 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, *inter alia*, the Issue Price, the size of the Issue and certain other information, including any addenda or corrigenda thereto
Public Issue Account	Bank account to be 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(s)	A bank which is a clearing member and registered with SEBI as a banker to an issue and with which the Public Issue Account will be opened, in this case being [•]
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	Red Herring Prospectus to be issued in accordance with Section 32 of the Companies Act, 2013 and the provisions of the SEBI ICDR Regulations, which will not have complete particulars of the Issue Price and the size of the Issue, including any addenda or corrigenda thereto. The Red Herring Prospectus will be 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(s)	Account to be opened with the Refund Bank(s), from which refunds, if any, of the whole or part of the Bid Amount to the Bidders shall be made
Refund Bank(s)	Banker(s) to the Issue and with whom the Refund Account will be opened, in this case being [•]
Registered Brokers	Stock brokers registered under SEBI (Stock Brokers) Regulations, 1992, as amended with the Stock Exchanges having nationwide terminals, other than the BRLMs and the Syndicate Members and eligible to procure Bids in terms of Circular No. CIR/ CFD/ 14/ 2012 dated October 4, 2012 issued by SEBI
Registrar Agreement	Agreement dated 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

Term	Description
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 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 which is available on the website of SEBI (www.sebi.gov.in) and updated from time to time
Sponsor Bank(s)	[•], being a Banker to the Issue, 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 Members
Syndicate Agreement	Agreement to be entered amongst our Bank, the BRLMs, and the Syndicate Member(s), in relation to collection of Bid cum Application Forms by the Syndicate
Syndicate Members	Intermediaries registered with SEBI who are permitted to carry out activities as an underwriter, namely, [•]
Systemically Important NBFC	Systemically important non-banking financial company as defined under Regulation 2(1)(iii) of the SEBI ICDR Regulations
Underwriters	[•]
Underwriting Agreement	Agreement to be entered amongst our Bank, 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 Members, 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/DIL1/CIR/P/2021/47 dated March 31, 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, and any subsequent circulars or notifications issued by SEBI in this regard
UPI ID	ID created on the UPI for single-window mobile payment system developed by the NPCI
UPI Mandate Request	A request (intimating the 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)

Term	Description
	to the UPI Bidder initiated by the Sponsor Bank(s) 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, India 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, India are open for business and the time period 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.
BC	Business Correspondent
BCP	Business Continuity Plan
BIO	Société belge d'investissement pour les Pays en Développement – BIO SA
CASA	Current Account and Savings Account
CBS	Core Banking Solution
CFT	Combating Financing of Terrorism
Cost of Funds	Cost of funds is interest expended divided by total average interest bearing liabilities calculated on the basis of quarterly average.
CRAR	Capital-to-Risk Weighted Asset Ratio
CRISIL Report	The report titled "*Report on Small Finance Banks and various loan products*" dated July 2022 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
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
HTM	Held to Maturity
IFSC	Indian Financial System Code
IRS	Internal Revenue Service
JLG	Joint Liability Group
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

Term	Description
NABARD	National Bank for Agriculture and Rural Development
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.
NNPA	Net Non-Performing Asset
NPA	Non-Performing Asset
NPS	National Pension Scheme
Ombudsman Scheme	The Integrated Ombudsman Scheme, 2021
PMLA	Prevention of Money Laundering Act, 2002
PSL	Priority Sector Lending
RDDBFI Act	The Recovery of Debts Due to Banks and Financial Institutions Act, 1993
SIDBI	Small Industries Development Bank of India
SLR	Statutory Liquidity Ratio
SMA	Special Mention Accounts
Spread	Spread is difference between yield on advances and Cost of Funds.
STP	Straight Through Process
TREPS	Triparty Repo (Dealing) System
URC	As defined in RBI's revised guidelines on rationalisation of branch authorisation policy issued on May 18, 2017, an 'Unbanked Rural Centre' is a rural (Tier 5 and Tier 6) centre that does not have a CBS-enabled 'Banking Outlet' of a scheduled commercial bank, a small finance bank, a payment bank or a regional rural bank nor a branch of local area bank or licensed co-operative bank for carrying out customer based banking transactions.

Conventional and General Terms or Abbreviations

Term	Description
₹/Rs./Rupees/INR	Indian Rupees
AIFs	Alternative Investments Funds
Banking Regulation Act	Banking Regulation Act, 1949
Basel Master Circular	Master Circular – Basel III Capital Regulations, RBI/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 Identity Number
Companies Act or Companies Act, 2013	Companies Act, 2013, to the extent in force pursuant to the notification of the Notified Sections along with the relevant rules, clarifications and modifications made therein
Companies Act, 1956	Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon the notification of the Notified Sections) along with the relevant rules made thereunder
CRISIL	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 (*earlier known as the Department of Industrial Policy and Promotion*)
DP ID	Depository Participant Identification
DP/ Depository Participant	Depository participant as defined under the Depositories Act

Term	Description
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)(lll) of the SEBI ICDR Regulations
FVCI(s)	Foreign venture capital investors as defined and registered under the SEBI FVCI Regulations
GAAR	General Anti-Avoidance Rules
Gazette	Gazette of India
GoI or Government or Central Government	Government of India
GST	Goods and services tax
HUF	Hindu undivided family
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
IST	Indian Standard Time
IT	Information Technology
IT Act	The Income Tax Act, 1961
KYC	Know your customer
Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
MCA	Ministry of Corporate Affairs
MICR	Magnetic Ink Character Recognition
Mutual Fund (s)	Mutual Fund(s) means mutual funds registered under the SEBI (Mutual Funds) Regulations, 1996
N/A or N.A.	Not applicable
NACH	National Automated Clearing House
NAV	Net Asset Value
NCD	Non-convertible debentures
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

Term	Description
	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
P/E	Price/earnings
P/E Ratio	Price/earnings ratio
PAN	Permanent account number
PAT	Profit after tax
PFRDA	Pension Fund Regulatory and Development Authority
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
Regulation S	Regulation S under the U.S. Securities Act
RoNW	Return on Net Worth
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investments Funds) Regulations, 2012
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI Merchant Bankers Regulations	SEBI (Merchant Bankers) Regulations, 1992
SEBI SBEB & SE Regulations	Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
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
Wilful Defaulter	Wilful defaulter as defined under Regulation 2(1)(lll) 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 Draft Red Herring Prospectus or all details relevant to prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Draft Red Herring Prospectus, including "Risk Factors", "The 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 24, 67, 79, 92, 104, 153, 252, 408, 378 and 427, respectively.

Summary of our primary business

We are an SFB in India and recorded the second fastest AUM growth between Fiscal 2019 and Fiscal 2022 among SFBs with AUM of more than ₹ 50 billion. (*Source: CRISIL Report*) We had the third highest provision coverage ratio among SFBs with AUM of more than ₹ 50 billion in Fiscal 2022. (*Source: CRISIL Report*) Our operations are focused in rural and semi-urban areas and as of March 31, 2022, we had 3.14 million customers (both deposit and credit) majorly located in rural and semi-urban areas primarily in the states of Bihar, Uttar Pradesh and Jharkhand

Summary of the industry in which we operate

In order to promote financial inclusion, the Indian banking industry has seen several changes in recent years. The RBI 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, SFBs has a chance to expand vertically and horizontally. Small finance banks' AUM clocked 26% CAGR during Fiscals 2016 to 2022. (*Source: CRISIL Report*)

Our Promoter

Our promoter is Utkarsh CoreInvest Limited. For further details, see "*Our Promoter and Promoter Group*" beginning on page 224.

Issue Size

Issue of up to [•] Equity Shares aggregating up to ₹5,000 million to be issued by our Bank, in terms of the Red Herring Prospectus. Our Bank, in consultation with the BRLMs, may consider a Pre-IPO Placement to any person(s), including our Promoter and existing Shareholders, at its discretion. If the Pre-IPO Placement is completed, the Issue will be reduced to the extent of such Pre-IPO Placement, subject to the Issue constituting at least [•]% of the post-Issue paid up Equity Share capital of our Bank. The Issue includes a reservation of up to [•] Equity Shares, aggregating up to ₹[•] million (constituting up to 1% of the post-Issue paid up Equity Share capital of our Bank), 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 67 and 403, 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	[•]

**Includes the proceeds, if any, received pursuant to the Pre-IPO Placement. Upon allotment of the securities issued pursuant to the Pre-IPO Placement, we may utilise the proceeds from such Pre-IPO Placement towards the objects of the Issue. Upon utilization of proceeds from the Pre-IPO Placement (if any), prior to the completion of the Issue, our Bank will appropriately intimate the Pre-IPO subscribers that there is no guarantee that it may proceed with the Issue or the Issue may be successful and will result in the listing of the Equity Shares of our Bank on the Stock Exchanges. For further details, see "Risk Factors - The Fresh Issue size may be reduced to the extent of the Pre-IPO Placement being considered by us" beginning on page 58.*

For details, see "*Objects of the Issue*" beginning on page 92.

Pre-Issue Shareholding of the Promoter

The equity shareholding of our Promoter as on the date of this Draft 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*	84.79

**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 Draft 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:

(*₹ in million, except per share data*)

Particulars	As at March 31,		
	2022	2021	2020
Capital	8,955.22	8,483.34	7,592.72
Net worth*	15,722.97	13,683.53	10,194.99
Net asset value per Equity Share**	17.56	16.13	13.43
Total borrowings	25,719.35	26,078.25	26,750.37
Total Income	20,336.46	17,058.36	14,061.80
Net Profit / (Loss)	614.62	1,118.15	1,867.43
Earnings per Equity Share***			
- Basic	0.70	1.46	2.49
- Diluted	0.70	1.46	2.49

**Capital + Reserves*

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

****Note:*

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.

For further information, see "*Financial Statements*" beginning on page 252.

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

The 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 Draft Red Herring Prospectus is provided below:

Name of Entity	Criminal Proceedings	Tax matters	Actions by regulatory and statutory authorities	Other matters	Aggregate amount involved (₹ in million)^
Bank					
Involving our Bank	2,096	2	3	4	555.42
Promoter					
Involving our Promoter	Nil	2	2	Nil	127.23

^To the extent quantifiable

Further, as on the date of this Draft 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 378.

Risk Factors

For details in relation to certain risks applicable to us, see "*Risk Factors*" beginning on page 24.

Summary of Contingent Liabilities of our Bank

As of March 31, 2022, our contingent liabilities, as provided for in our Restated Financial Statements, are as follows:

(in ₹ million)

Sr. No.	**Particulars**	**Contingent liabilities as at March 31, 2022**
1.	Guarantees given on behalf of constituents	
	i) In India	173.30
	ii) Outside India	-
2.	Other items for which the bank is contingently liable (refer note 2)	390.89
	Total	**564.19**

Note 1: The Supreme Court of India in its judgement in the case of The Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and others on February 28, 2019 has clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board is to be considered as basic wage and accordingly needs to be considered for calculation of provident fund contribution. Our Bank would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject, if necessary and the effect of this order has been taken into effect from April 1, 2019.
Note 2: Includes capital commitment of ₹ 392.65 million, as of March 31, 2022.

For details on the contingent liabilities of our Bank as reported in the Restated Financial Statements, see "*Financial Statements – Annexure 17 – Restated Statement of Contingent Liabilities*" beginning on page 263.

Summary of Related Party Transactions

(in ₹ million)

Particulars	**Financial Year**		
	March 31, 2022	**March 31, 2021**	**March 31, 2020**
Utkarsh CoreInvest Limited (Holding Company)			
Deposits Outstanding as on	375.19	315.40	237.28
Amount deposited during the year (excluding CASA deposit)	207.90	195.20	2,085.90
Amount repaid during the year (excluding CASA deposit)	114.30	136.00	2,621.18
Maximum deposit outstanding during the year	376.37	316.10	740.00
Interest paid	25.55	21.12	36.57
Equity shares issued**	-	-	600.00
ESOP cost cross charged	7.90	14.02	17.37
Service charge for collections	0.27	0.12	0.25
Rent for office space	0.82	0.81	0.79
Transactions (collection and payment) carried out on behalf of Bank	-	8.80	23.63
Amount Payable/(Recoverable)	6.11	6.22	7.00
Utkarsh Welfare Foundation (fellow subsidiary) #			
Deposits Outstanding as on	16.69	18.30	11.49
Maximum deposit outstanding during the year	25.24	24.00	10.00
Interest paid	0.93	0.75	0.48
Contribution towards CSR & CER	41.00	23.00	10.00
Utkarsh Small Finance Bank Employees' Gratuity Trust			
Deposits Outstanding as on	0.51	0.94	0.59
Maximum deposit outstanding during the year	17.74	18.47	23.42
Interest paid	0.06	0.00*	0.02
Key Managerial Employees			
Govind Singh (MD & CEO)			

Particulars	Financial Year		
	March 31, 2022	March 31, 2021	March 31, 2020
Deposits Outstanding as on	6.79	12.49	0.24
Amount deposited during the year (excluding CASA deposit)	-	0.00*	0.01
Amount repaid during the year (excluding CASA deposit)	-	0.00*	0.01
Maximum deposit outstanding during the year	13.07	14.70	1.54
Interest paid	0.72	0.37	0.02
Remuneration to KMP***	20.20	23.80	21.68
ESOP granted	1.20	-	-
Mukund Barsagade (CFO)			
Deposits Outstanding as on	1.66	2.30	0.59
Maximum deposit outstanding during the year	2.92	2.85	1.68
Interest paid	0.12	0.11	0.05
Remuneration to KMP	11.31	10.49	10.09
ESOP granted	3.44	5.53	7.27
Vinay Prakash Tripathi (CS)			
Remuneration to KMP	-	-	1.50
Nutan Rane (CS) [@]			
Deposits Outstanding as on	0.00*	0.00*	0.01
Maximum deposit outstanding during the year	0.19	0.31	1.58
Interest paid	0.00*	0.00*	0.00*
Remuneration to KMP	2.69	3.25	1.42
Muthiah Ganapathy (CS)			
Deposits Outstanding as on	0.08	-	-
Maximum deposit outstanding during the year	0.08	-	-
Interest paid	0.00*	-	-
Remuneration to KMP	0.40	-	-
Enterprise where KMP exercise significant influence:			
RAAG Family Private Trust			
Deposits Outstanding as on	-	0.00*	0.01
Maximum deposit outstanding during the year	0.00*	0.00*	0.02
Interest paid	0.00*	0.00*	0.00*
KMP Relative			
Revati Govind Singh			
Deposits Outstanding as on	2.75	5.30	1.46
Maximum deposit outstanding during the year	5.10	5.30	1.46
Interest paid	0.28	0.10	0.07
Ankur Singh			
Deposits Outstanding as on	0.00*	1.20	0.43
Maximum deposit outstanding during the year	1.83	9.40	1.09
Interest paid	0.00*	0.30	0.04
Achin Singh			
Deposits Outstanding as on	0.33	3.20	7.31
Maximum deposit outstanding during the year	3.19	7.30	25.79
Interest paid	0.10	0.30	0.37
Ramesh Chandra Singh			
Deposits Outstanding as on	1.34	1.50	1.19
Amount deposited during the year (excluding CASA deposit)	0.74	0.20	0.59
Amount repaid during the year (excluding CASA deposit)	1.10	0.10	0.72
Maximum deposit outstanding during the year	1.44	1.50	1.54
Interest paid	0.13	0.10	0.12
ESOP granted	-	1.70	1.32

Particulars	Financial Year		
	March 31, 2022	March 31, 2021	March 31, 2020
Renu Singh			
Deposits Outstanding as on	2.44	2.50	2.54
Amount deposited during the year (excluding CASA deposit)	-	4.00	0.48
Amount repaid during the year (excluding CASA deposit)	-	4.10	0.77
Maximum deposit outstanding during the year	2.43	2.50	3.24
Interest paid	0.00*	0.40	0.06
Parvati Devi			
Deposits Outstanding as on	0.90	0.80	0.49
Amount deposited during the year (excluding CASA deposit)	0.39	0.50	0.24
Amount repaid during the year (excluding CASA deposit)	0.24	-	-
Maximum deposit outstanding during the year	0.89	0.80	0.49
Interest paid	0.00*	0.00*	0.01

** Amount less than ₹ 50,000 is shown as Nil.*
***During the year ended 31 March 2020: 22,222,222 upon conversion of CCD into common equity, equity shares of ₹10 each on 18 September 2019.*
**** During the year ended 31 March 2021 remuneration paid to MD & CEO includes provision for annual bonus for FY 2019-20 for ₹2.5 millions and salary increment for FY2020-21 of ₹2.91 millions.*
**** During the year ended 31 March 2022 remuneration paid to MD & CEO 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.*
 # UWF was the fellow subsidiary of the Bank up to February 25, 2022.
@ Nutan Rane resigned as the company secretary and compliance officer of the Bank with effect from March 14, 2022.

Notes:
1.As the provisions for gratuity and leave benefits are made for the Bank as a whole, the amounts pertaining to the Key Management Personnel are not specifically identified and included above.
2.Refer Annexure 23.16 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 –23.19: Related Party Transactions*" beginning on page 331.

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 Draft 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 Draft 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 the date of this Draft 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	53,594	27
	Equity Shares	September 18, 2019	22,222,222	27
	Equity Shares	August 29, 2019 and October 11, 2019 (beneficial ownership was transferred)	1,000^	27

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)^		

**Our Promoter is also entitled to nominate Directors on our Board. For details, see "History and Certain Corporate Matters – Other information" and "Description of Equity Shares and Terms of Articles of Association" beginning on pages 203 and 427, respectively.*
^ 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 29, 2022.

As on the date of this Draft 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 Draft 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 29, 2022*

Details of pre-IPO Placement

Our Bank in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹1,000 million to any person(s), including our Promoter and existing Shareholders, at its discretion. The Pre-IPO Placement will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement, if any, will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Issue size constituting at least [•]% of the post-Issue paid-up Equity Share capital of our Bank.

Upon utilization of proceeds from the Pre-IPO Placement (if any), prior to the completion of the Issue, our Bank will appropriately intimate the Pre-IPO subscribers that there is no guarantee that it may proceed with the Issue or the Issue may be successful and will result in the listing of the Equity Shares of our Bank on the Stock Exchanges. For further details, see "*Risk Factors - The Fresh Issue size may be reduced to the extent of the Pre-IPO Placement being considered by us*" beginning on page 58.

Split or Consolidation of Equity Shares in the last one year

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

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

Our Bank has not applied for or received any exemption from complying with any provisions of securities laws from SEBI.

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

Certain Conventions

All references in this Draft Red Herring Prospectus to "**India**" are to the Republic of India 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 Draft 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 Draft Red Herring Prospectus is in Indian Standard Time ("**IST**"). Unless indicated otherwise, all references to a year in this Draft Red Herring Prospectus are to a calendar year.

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

Financial Data

Unless stated otherwise or the context otherwise requires, the financial data in this Draft Red Herring Prospectus is derived from the Restated Financial Statements. The Restated Financial Statements included in this DRHP are as at and for the Fiscals 2022, 2021 and 2020 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 252.

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

There are significant differences between the Ind AS, the International Financial Reporting Standards (the "**IFRS**"), the Generally Accepted Accounting Principles in the United States of America (the "**U.S. GAAP**") and the Indian GAAP. The Restated Financial Statement included in this Draft Red Herring Prospectus have been compiled by the management of our Bank from the audited financial statements as at and for the years ended March 31, 2022, March 31, 2021 and March 31, 2020 prepared by our Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, accounting principles generally accepted in India including the Companies (Indian Accounting Standards) Rules, 2015 in so far as they apply to our Bank and circulars, guidelines and directions issued by the RBI from time to time. Our Bank has not attempted to explain those differences or quantify their impact on the financial data included in this Draft Red Herring Prospectus and it is urged that you consult your own advisors regarding such differences and their impact on our Bank's financial data. Further, 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 61.

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

Non-GAAP Financial Measures

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. For further details, see "*Risk Factors – We have in this Draft Red Herring Prospectus included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial performance. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies*" beginning on page 49. 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 153, 231, 341 and 375, 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 24, 153 and 344, respectively, and elsewhere in this Draft Red Herring Prospectus have been calculated on the basis of our Restated Financial Statements.

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

Industry and Market Data

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 by CRISIL ("**CRISIL Report**"), 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://www.utkarsh.bank/ipo-2022-documents. For risks in this regard, see "*Risk Factors – Industry information included in this Draft Red Herring Prospectus has been derived from an industry report prepared by CRISIL Limited which has been commissioned and paid for by us by us for such purpose"* beginning on page 58. CRISIL has confirmed vide its letter dated July 27, 2022, that it is an independent agency, and is not related in any manner to our Bank, our Directors, our Promoter or our Key Managerial Personnel. CRISIL has required us to include the following disclaimer in connection with the CRISIL Report:

"CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this report (Report) based on the Information obtained by CRISIL from sources which it considers reliable (Data). 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 Research operates independently of and does not have

access to information obtained by CRISIL Ratings Limited / CRISIL Risk and Infrastructure Solutions Ltd (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL Ratings Limited / CRIS. No part of this Report may be published/reproduced in any form without CRISIL's prior written approval."

The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which the business of our Bank is conducted, and methodologies and assumptions may vary widely among different industry sources. Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed to be reliable. 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 24.

In accordance with SEBI ICDR Regulations, "*Basis for the Issue Price*" beginning on page 96 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 Draft Red Herring Prospectus, our Bank has presented certain numerical information. All figures have been expressed in millions, except where specifically indicated. One million represents 10 lakhs or 1,000,000 and ten million represents 1 crore or 10,000,000. However, where any figures that may have been sourced from third party industry sources are expressed in denominations other than millions in their respective sources, such figures appear in this Draft Red Herring Prospectus expressed in such denominations as provided in such respective sources.

Exchange Rates

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

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

(in ₹)

Currency	Exchange Rate as on March 31, 2022	Exchange Rate as on, March 31, 2021	Exchange Rate as on March 31, 2020
1 US$	75.81	73.50	75.39

Source: www.fbil.org.in

FORWARD LOOKING STATEMENTS

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

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

- Inability to comply with stringent regulatory requirements and prudential norms, law, regulations and norms of RBI may have an adverse effect on our business, results of operations, financial condition and cash flows.

- Significant dependence on the microbanking segment, particularly joint liability group loans, and any adverse developments in this segment could adversely affect our business, results of operations, financial condition and cash flows.

- Vulnerability to interest rate risk, and any volatility in interest rates or inability to manage interest rate risk could adversely affect our Net Interest Margins, income from treasury operations, business, financial condition, results of operations and cash flows;

- Continuous requirement of funds and inability to access sources of funds in an acceptable and timely manner or any disruption in the access to funds would adversely impact our results of operations, financial condition and cash flows.

- Decrease in the value of the collateral or delay in enforcing collateral when borrowers default on their obligations, may result in failure to recover the expected value of collateral security exposing us to potential loss.

- Uncertainty in relation to the continuing effects of the COVID-19 pandemic and associated responses on our business.

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 24, 153 and 344, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward-looking statements reflect our current views as of the date of this Draft Red Herring Prospectus and are not a guarantee of future performance. Although we believe that the assumptions on which such statements are based are reasonable, any such assumptions as well as the statements based on them could prove to be inaccurate.

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

Neither our Bank, our Promoter, Directors, Key Managerial Personnel 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 the 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 Draft 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 153, 104, 344 and 252, respectively, as well as the other financial and statistical information contained in this Draft Red Herring Prospectus. In making an investment decision, prospective investors must rely on their own examination of us and our business and the terms of the 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 Draft Red Herring Prospectus also contains certain forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus. For further information, see "Forward-Looking Statements" on page 22.

Unless otherwise indicated, the financial information included herein is based on our Restated Financial Statements included in this Draft Red Herring Prospectus. For further information, see "Financial Statements" on page 252. 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 (the "CRISIL Report") prepared and released by CRISIL Limited 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 Company at https://www.utkarsh.bank/ipo-2022-documents. 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 20.

RISKS RELATING TO OUR BUSINESS

1. 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, 2022, 27.70% 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.*" beginning on page 34.

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 46 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. <u>Prudential Norms</u>

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 188. 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. <u>Restrictions relating to our Equity Shares</u>

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. our Promoter is required to reduce its shareholding in our Bank to 40% of our paid-up equity share capital within a period of five years from the date of commencement of our business operations as an SFB, which was January 23, 2017, and thereafter required to reduce its shareholding in our Bank to 30% and 26% of our paid-up equity share capital within a period of 10 years and 12 years, respectively, from the date of commencement of our business operations.*

**Pursuant to the Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021, RBI has removed the requirement for achievement of intermediate sub-targets for dilution of the promoter shareholding post completion of the 5 year mandatory promoter lock-in period upto completion of 15 years. For further details, see "Key Regulations and Policies" beginning on page 188.*

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, 2020, 2021 and 2022, our CRAR was 22.19% (Tier 1 Capital of 19.41%), 21.88% (Tier 1 Capital of 19.98%), and 21.59% (Tier 1 Capital of 18.08%), 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 responded to the RBI *vide* its letter dated July 6, 2022 informing the RBI that we had re-initiated the IPO process and engaged the relevant intermediaries and were working towards completing the listing of our Equity Shares and meeting the licensing conditions. 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.

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

As of the date of this Draft Red Herring Prospectus, our Promoter along with its nominees holds 84.79% 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 FSBD.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 79. 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.

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

Our loan portfolio contains significant advances towards our microbanking segment, particularly through microbanking loans. As of March 31, 2020, 2021, and 2022, advances in our microbanking segment was ₹ 58,568.27 million, ₹ 68,993.84 million and ₹ 80,024.07 million, respectively and accounted for 87.93%, 81.98% and 75.28%, respectively, of our total Gross Loan Portfolio. Consequently, our financial performance significantly depends on our microbanking segment, which in turn depends on various factors, including the ability of our borrowers to repay their loan, the results of operations of the businesses of such borrowers, changes in regulations and policies by the governments including demonetization, natural disasters, calamities, political and social risks, including any adverse publicity or litigation relating to the microfinance sector, public criticism of the microfinance sector and religious beliefs relating to loans and interest payments. These and other factors could lead to an increase in impairment losses and adversely affect our business and results of operations. Additionally, any decline in sales of, or in demand for our microbanking products could adversely affect our business, results of operations, financial condition and cash flows.

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

In particular, our target borrower segment for microbanking loans, including JLG loans, primarily comprises small traders, individuals with micro-enterprises and others belonging to the unorganized sector, who were most impacted due to the economic downturn caused by the COVID-19 pandemic related measures such as closure of non-essential services. For information in relation moratorium and impact of the COVID-19 pandemic, see "*Risk factors - The extent to which the recent coronavirus (COVID-19) pandemic impacts our Bank's business, cash flows, results of the operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.*" on page 31. In the event our borrowers' enterprises are unable to endure the economic pressures caused by the COVID-19 pandemic, we may experience higher NPAs than anticipated in this segment driven by deterioration in asset quality due to our borrower's reduced ability to make timely repayments. Therefore, we may be required to recognize higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to the COVID-19 pandemic, which may adversely impact our asset quality and profitability in future periods. Any such developments in the microfinance segment could adversely affect our business, results of operations, financial condition and cash flows.

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

Our results of operations are substantially dependent on our Net Interest Income, which is the difference between our interest earned and interest expended. Our Net Interest Income in Fiscal 2020, 2021 and 2022 was ₹ 7,282.24 million, ₹ 8,392.46 million and ₹ 10,608.51 million, respectively. Our Net Interest Margin in Fiscal 2020, 2021 and 2022 was 10.13%, 8.20% and 8.75%, respectively. In Fiscal 2020, 2021 and 2022, the total interest expended was ₹ 7,879.62 million, ₹ 7,417.41 million and ₹ 5,794.63 million which represented 47.52%, 46.53% and 39.95%, respectively, of our total expenditure. For further information, see "*Selected Statistical Information"* on page 231.

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 labilities are our deposits and our borrowings. As of March 31, 2022, 92.18% of our advances and 100.00% of our investments were on fixed interest rates and 7.82% of our advances were on floating interest rates. We did not have any investments on floating interest rates. As of March 31, 2022, 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 Income 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, 2022. Any increase in this portion will lower our Net Interest Income and Net Interest Margin as the interest is less favorable than those typically received on our other interest-earning assets. We are also exposed to interest rate risk through our treasury operations and any rise in interest rates or any greater interest rate volatility could adversely affect our income from treasury operations.

5. Our 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 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 the Bank dated May 30, 2022, June 30, 2022 and July 7, 2022 permitted the Statutory Auditors to undertake the audit assignments as customary in relation to an IPO.

Deloitte, Haskins and Sells LLP, Chartered Accountants and Kirtane & Pandit LLP, Chartered Accountants will be appointed as our new joint statutory auditors post receipt of the approval of our Shareholders at the ensuing annual general meeting. Our Board has approved the aforesaid appointment, at its meeting held on February 3, 2022, for a period of three financial years subsequent to March 31, 2022 and the appointment has been approved by the RBI, for Fiscal 2023, *vide* its letter dated April 29, 2022.

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, and any further approval or clarification from the RBI in this regard.

6. 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, 2022, 305 out of our 686 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, 2022, advances towards customers in Bihar was ₹ 36,435.81 million and represented 34.27%, of our Gross Loan Portfolio, while advances towards customers in Uttar Pradesh was ₹ 28,202.43 million and represented 26.53% of our Gross Loan Portfolio. For further information in relation to our geographical presence, see "*Our Business"* and "*Selected Statistical Information*" on pages 153 and 231, respectively.

In the event of a regional slowdown in the economic activity in Bihar and/ or Uttar Pradesh, or any other developments including change in regulatory framework, political unrest, disruption or sustained economic downturn or natural calamities in the region affecting the ability of our borrowers to repay our loans, or that make our products in the region less beneficial, we may experience an adverse impact on our financial condition, results of operations and cash flows, which are largely dependent on the performance, geo-political and other prevailing conditions affecting the economy of the state. For instance, our microbanking customers in several districts in Bihar and parts of eastern Uttar Pradesh were adversely impacted by floods in July 2020 that impacted their ability to repay their loans. In addition, the market for our products in Bihar and Uttar Pradesh may perform differently from, and be subject to, market and regulatory developments that are different from the requirements in other states of India. There can be no assurance that the demand for our products will grow, or will not decrease, in the future, in the region.

7. We have filed compounding applications on account of alleged non-compliance of the provisions of the Companies Act, 2013 relating to a public offering of securities on account of down-selling of NCDs allotted to an investor by our Bank, which may subject our Bank to, among other things, further regulatory actions.

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 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 settlement application matter, see "*Outstanding Litigation and Material Developments*" and "*Risk Factors - Our non-convertible debentures are listed on BSE, and we are subject to strict regulatory requirements with respect to such listed non-convertible debentures. Also, in the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to BSE and our inability in the future to comply with or any delay in compliance with such laws and regulations may have an adverse effect on our business, results of operations, financial condition and cash flows. Additionally, the trading in our non-convertible debentures may be infrequent, limited or sporadic, which may affect our ability to raise debt financing in future*" beginning on pages 378 and 37.

Pursuant to subsequent discussions with SEBI, our Bank, in connection with the alleged violations of the provisions of the Companies Act, 2013 pertaining to the KCL NCDs, as mentioned above, and as instructed by SEBI, has 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, which are currently pending. For further details regarding such compounding applications, see "*Outstanding Litigation and Material Developments*" beginning on page 378.

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.

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

The 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 from ₹ 65,592.47 million as of March 31, 2020 to ₹ 59,140.08 million as of March 31, 2021 but increased to ₹ 90,462.79 million as of March 31, 2022.

- increase in our NPA levels due to deterioration in the credit quality of our customers. As of March 31, 2020, 2021 and 2022, our percentage of gross NPAs to Gross Advances was 0.71%, 3.75% and 6.10%, respectively, while our percentage of net NPAs to Net Advances was 0.18%, 1.33% and 2.31% respectively. As a result, 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 it 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 created COVID-19 provision of ₹ 499.57 million in Fiscal 2020; our Bank is carrying additional COVID-19 related provisions amounting to ₹ 501.32 million as on March 31, 2021 and additional contingency provision of ₹ 650.00 million as on March 31, 2022 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 ₹ 4,074.10 million in Fiscal 2022 towards NPAs, write offs, restructured advances as well as additional COVID-19 related provisions. As of March 31, 2022, our Bank was carrying provisions for NPAs of ₹ 4,025.77 million, floating provision ₹ 97.84 million, provision for restructured advances amounting to ₹ 233.78 million and additional contingency provision of ₹ 650.00 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 and was ₹ 614.62 million in Fiscal 2022. In view of the evolving COVID-19 situation, there is no assurance that the provisions created by our Bank will be sufficient and our Bank may be required to make additional provisions in the future. Further, any unexpected or onerous requirements or regulations resulting from the pandemic or any changes in laws, or the promulgation of new laws, rules and regulations relating to our operations as a response to the pandemic may have a material adverse effect on our business, financial condition and results of operations.

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

9. 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 and liabilities, through a slump sale to our Bank in line with requirement of the RBI Licence. For further details on the Business Transfer Agreement, see "*History and Certain Corporate Matters*" on page 198. 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.

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

While we seek to increasingly transform our operations to a cashless model, a significant portion of our business, particularly collection of JLG loans, continues to be cash based. Our employees at our Banking Outlets are responsible for the collection and deposit of cash, thereby exposing us to the risks of loss, fraud, misappropriation, theft, and unauthorized transactions by our employees. While we seek to prevent fraud or misappropriation by our employees through internal control measures, we may be unable to adequately prevent or deter such activities in all cases. Operational risks can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions. In the past, we have experienced acts of fraud (as defined under the applicable RBI guidelines), theft, forgery and misappropriation committed by or involving our customers/ employees. Our Bank has filed 130 FIRs and submitted 77 complaint letters before various police authorities under several sections of the IPC including for offences relating to misappropriation, 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 378. Net losses we incurred on account of internal and external fraud, robbery and other operational issues were ₹ 324.11 million in Fiscal 2022. 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.

11. 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, 2022, majority of our funding consists of retail deposits which amounted to ₹ 37,553.56 million representing 48.02% of our total term deposits, with a CASA ratio of 22.37%. 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.

12. 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 last 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.

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

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-authorised 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 Statutory Auditors to the RBI *vide* its email dated June 21, 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. Subsequently, our Bank submitted an audit certificate to the RBI, on status of compliance with the RBI circular by our Bank, from the Statutory Auditors *vide* its email dated June 29, 2022. For further information on the show cause notice, see "*Outstanding Litigation and Material Developments*" on page 378.

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 June 21, 2021 approved the appointment of Haribhakti & Co. LLP, Chartered Accountants as the statutory auditors of our Bank for Fiscal 2022. Our Bank has subsequently obtained an approval from the RBI (in light of its order dated September 23, 2021) permitting the Statutory Auditors to issue necessary certificates and comfort letters in relation to the Offer, including in its capacity as a previous auditor where required. 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.

13. 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 been 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 DRHP are based on our Indian GAAP audited financial statements for Fiscals 2020, 2021 and 2022 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 DRHP and to be included in the RHP for an assessment of our financial position and any investment decision.

14. 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 ₹23,233.10 million 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 Draft 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.

15. 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 ₹ 284.49 million, ₹ 366.23 million and ₹ 568.63 million in Fiscals 2020, 2021 and 2022, respectively and represented 2.02%, 2.15% and 2.80%, respectively, of our total income, in the same periods. Our miscellaneous income was ₹693.56 million, ₹923.64 million and ₹1,308.06 million, in Fiscals 2020, 2021 and 2022, respectively. Our miscellaneous income included fee and commission based activities include distribution of third party insurance, mutual fund products, safe deposit/ locker facilities and money transfer services and income from sale of PSLC. If we are unable to attract customers and continue to make competitive offerings of these services to our customers, fee generated by these products and services may be less than anticipated, which may materially and adversely affect our business, financial condition, results of operations and cash flows.

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

Our non-convertible debentures are listed on the debt segment of BSE. We are therefore required to comply with various applicable rules and regulations with respect to listed debentures, including the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the Listing Regulations. In the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to BSE 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. In this regard, we have *suo moto* filed settlement application(s) with SEBI under Regulation 3(1) of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018, as amended, which has been returned to our Bank as on date with a leave to file a fresh application with SEBI. For further details on the settlement application(s), see "*Outstanding Litigation and Material Developments*" on page 378 and "- *We have filed compounding applications on account of alleged non-compliance of the provisions of the Companies Act, 2013 relating to a public offering of securities on account of down-selling of NCDs allotted to an investor by our Bank, which may subject our Bank to, among other things, further regulatory consequences.*" on page 30 above. 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.

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

Our performance and success depends largely on the efforts and abilities of our Key Managerial Personnel. We believe that the inputs and experience of our Key Managerial Personnel is valuable for the development of our business and operations and the strategic directions taken by our Bank. For further information on our Key Managerial Personnel, see "*Our Management – Key Managerial Personnel*" on page 220. 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 chief financial officer has submitted his resignation to us on June 20, 2022, effective at a later date, and is currently serving his notice period. 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 2020, 2021 and 2022, was 26.55%, 23.28% and 29.89%, respectively, calculated for each period by dividing the number of resignations during such period by the average of number of employees as of the first day and last day of such period, while the number of employees that resigned in such periods were 3,192, 3,144 and 5,380, 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.

18. 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, 2022 we had 12,617 employees. Although we have not experienced any material labour unrest until the date of this Draft Red Herring Prospectus and none of our employees are a part of a trade union, we cannot assure you that we will not experience disruptions in work due to disputes or other problems with our work force in the future. These actions are impossible for us to predict or control and could adversely affect our business, results of operations, financial condition and cash flows. Further, recently, the Supreme Court changed the method of calculating the contribution towards provident fund of an employee which is expected to result in greater provident fund deductions and lower take home salary for employees as well as an increase in employer's share of contributions towards provident fund to the employees' account. In addition, with the introduction of the Code on Wages, 2019 (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.

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

Certain of our Directors and Key Managerial Personnel are interested in our Bank, in addition to regular remuneration or benefits and reimbursement of expenses, as applicable, including to the extent of bonuses distributed by our Bank, employee stock options granted/ approved to be granted pursuant to the ESOP Plan 2020 and the MD 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 and Key Managerial Personnel may take or block actions with respect to our business which may conflict with the best interests of our Bank or that of minority shareholders. Further, our Key Managerial Personnel (excluding Mr. Govind Singh) may also be interested to the extent of employee stock options granted to them under the UCL ESOP Scheme and their shareholding in our Promoter and any dividends payable thereof. For further information on the interest of our Directors and Key Managerial Personnel of our Bank, other than reimbursement of expenses incurred or normal remuneration or benefits, see "*Our Management*" on page 205. Further, our Promoter is also interested in our Bank, in addition to its shareholding, including to the extent of the trademark license agreement entered into with our Bank for use of our Bank's trademark and logo and the service agreement under which our Promoter pays a service charge of 1% of the amount collected against the written-off amount to our Bank. For further details, see "*Our Promoter and Promoter Group*" on page 224.

20. 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 230. Our ability to pay dividends in the future will depend on our earnings, financial condition, cash flow, working capital requirements, capital expenditure, regulatory guidelines and restrictive covenants of our financing arrangements and in accordance with the formal dividend policy adopted by us. Accordingly, we did not recommend any dividend for Fiscal 2020, 2001 and 2022. 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.

21. 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**		
	2020	**2021**	**2022**
	(₹ million)		
Net cash flow (used in)/ generated from operating activities	1,152.07	(834.63)	13,291.56

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 366.

22. 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,					
	2020		2021		2022	
	Amount (₹ million)	Percentage of Total Deposits (%)	Amount (₹ million)	Percentage of Total Deposits (%)	Amount (₹ million)	Percentage of Total Deposits (%)
Top 5 depositors	9,102.10	17.39%	9,090.41	12.11%	13,660.00	13.56%
Top 10 depositors	13,662.70	26.10%	13,864.70	18.47%	20,371.80	20.22%
Top 20 depositors	18,981.10	36.26%	20,262.81	26.99%	28,952.70	28.74%

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, 2022, deposits from Maharashtra represented 16.79% of our total deposits, deposits from NCT of Delhi represented 14.97% our total deposits, Uttar Pradesh represented 14.78% of our total deposits and Haryana represented 10.68% of our total deposits. For further information in relation to our geographical presence, see "*Our Business"* and "*Selected Statistical Information*" on pages 153 and 231, 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.

23. 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 ₹ 5,236.41 million as of March 31, 2020 to ₹ 22,491.59 million as of March 31, 2022. Our secured advances represented 8.34%, 13.82% and 21.99% of our total advances as of March 31, 2020, 2021 and 2022, 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 immoveable 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.

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

Our microbanking loans and certain of our retail loans are at higher credit risk than our secured loan portfolios since they may not be supported by collateral that could help ensure an adequate source of repayment for the loan. As of March 31, 2020, 2021 and 2022, such unsecured loans were ₹57,579.55 million, ₹70,811.13 million and ₹79,789.88 million and represented 91.66%, 86.18% and 78.01%, respectively, of our total advances. While we have certain practices based on an understanding of the market, and stipulate certain parameters that customers need to satisfy in order to obtain advances from us, there can been 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 153. 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 28.

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.

25. 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 183. 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. 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.

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

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

An approval may be granted by the RBI if it is satisfied that the applicant meets the fit and proper criteria laid down by the RBI. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions in accordance with the provisions of applicable law. Further, the RBI may restrict any person holding more than 5% of our total voting rights from exercising voting rights in excess of 5%, if such person is deemed to be not fit and proper by the RBI. For details, see "*Key Regulations and Policies*" on page 188.

27. 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 383.

Further, our approvals and licenses are subject to numerous conditions, some of which are onerous and may require us to incur substantial expenditure in order to comply with such conditions, and failure to comply with which could adversely affect the validity of such approvals or licenses and result in the interruption of all or some of our operations, which in turn may have a material adverse effect on our business, financial condition, results and cash flow. Additionally, our RBI In-Principle Approval and RBI Licence requires us to comply with certain terms and conditions. In the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke our license or may place stringent restrictions on our operations.

In addition, we are required to obtain certain approvals and renew them periodically, as applicable, including shops and establishment licenses, trade licenses, employee state insurance, employee provident fund and tax registrations. We may not, at all points of time, have all approvals required for our business. Further, in relation to our Banking Outlets, certain approvals may have lapsed in their normal course and our Bank has either made an application to the appropriate authorities for renewal of such registration or is in the process of making such application. For details of pending applications and applications yet to be made in relation to material Banking Outlets, see "*Government and Other Approvals*" on page 383. 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.

28. 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, 2022, our gross NPA was ₹ 6,481.57 million, representing 6.10% of our Gross Advances, while our net NPA was ₹ 2,357.96 million, representing 2.31% of our net Advances as of such dates. Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. Our NPAs may increase in the future, due to several factors, including increased competition, adverse effects on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behaviour and demographic patterns, political influences and central and state government decisions and changes in regulations (including agricultural loan waivers that may affect our agricultural portfolio in the short-term). In particular, we could experience a significant increase in our NPA levels due to deterioration in the credit quality of our customers, as our target borrower segment primarily comprises small traders, individuals with micro-enterprises and others belonging to the unorganized sector, who are most impacted due to the economic downturn caused by the COVID-19 pandemic related measures such as closure of non-essential services. While we believe that we have appropriate internal controls, our credit monitoring and risk management policies and procedures may not be accurate, properly designed, or appropriately implemented or complied with by our customers, and we could suffer material credit losses. In addition, even if our policies and procedures are accurate and appropriate, we may be unable to anticipate future economic or financial developments or downturns, which could lead to an increase in our NPAs. Further, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. Any significant increase in NPAs may have an adverse effect on our financial condition, results of operations and cash flows.

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

State	As of March 31,					
	2020		2021		2022	
	Gross NPA (₹ million)	Gross NPA % of State / Union Territory	Gross NPA (₹ million)	Gross NPA % of State / Union Territory	Gross NPA (₹ million)	Gross NPA % of State / Union Territory
Andhra Pradesh	-	-	-	-	-	-
Assam	-	-	-	-	-	-
Bihar	117.70	0.41%	1787.12	5.40%	3,858.94	10.59%
Chandigarh						0.00%
Chhattisgarh	9.42	1.09%	38.05	3.68%	60.55	4.75%
Gujarat	-	0.00%	-	-	127.68	10.34%
Haryana	25.09	0.67%	93.81	1.82%	187.05	3.30%
Himachal Pradesh	0.05	0,06%	0.00	0.00%	0.19	0.21%
Jharkhand	45.01	1.05%	184.76	3.08%	475.05	6.29%
Karnataka	-	-	-	-	-	-
Kerala	-	-	-	-	-	-
Madhya Pradesh	27.51	1.25%	125.15	3.67%	142.32	3.53%
Maharashtra	21.22	0.56%	91.06	1.50%	171.66	1.70%
NCT of Delhi	22.24	1.43%	42.46	2.38%	64.47	2.30%
Odisha	-	-	16.11	1.11%	24.07	0.82%
Punjab	-	-	-	-	-	-
Rajasthan	-	-	0.24	0.05%	10.02	0.94%
Tamil Nadu	-	-	-	-	-	-
Telangana	-	-	-	-	-	-
Uttar Pradesh	162.73	0.88%	670.72	3.00%	1,222.10	4.33%
Uttarakhand	9.07	0.74%	12.42	0.89%	47.50	2.97%
West Bengal	6.51	1.09%	90.99	13.38%	89.91	11.20%
Total	**446.55**	**0.71%**	**3,152.89**	**3.75%**	**6,481.57**	**6.10%**

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 75.16%, 65.49% and 63.62%, respectively, in Fiscals 2020, 2021 and 2022, 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.

29. 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.

30. 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.

31. 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 divesture 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.

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

We have experienced stable growth over the past three years. Our Gross Loan Portfolio was ₹ 66,609.45 million, ₹ 84,156.60 million and ₹ 106,307.25 million as of March 31, 2020, 2021 and 2022, respectively. Our total deposits were ₹ 52,352.12 million, ₹ 75,075.68 million and ₹ 100,741.83 million as of March 31, 2020, 2021 and 2022, respectively. Our Banking Outlets have increased from 507 Banking Outlets spread across 15 States and two Union Territories in India, as of March 31, 2020 to 686 Banking Outlets spread across 20 States and two (2) Union Territories in India, as of March 31, 2022. 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.

33. 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.

As of March 31, 2020, 2021 and 2022, we had bulk deposit of ₹27,140.29 million, ₹31,900.58 million and ₹ 40,655.42 million representing 59.93%, 51.61% and 51.98% of our total term deposits. 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.

34. 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	Criminal Proceedings	Tax matters	Actions by regulatory and statutory authorities	Other matters	Aggregate amount involved (₹ in million)^
			Bank		
Involving our Bank	2,096	2	3	4	555.42
			Promoter		
Involving our Promoter	Nil	2	2	Nil	127.23

^To the extent quantifiable

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*", "*–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*" on pages 15, 54 and 369, 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 378.

35. 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 184 and 386, respectively.

36. 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, 2022, 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.

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

Banks and financial institutions are generally exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. In Fiscal 2020, 2021 and 2022, there were 19, six and 51 instances of fraud involving employees, respectively. Amounts involved in such instances were ₹ 3.85 million, ₹ 0.75 million and ₹ 320.80 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 in future might also be exposed to such kind of frauds, negligence, and deviation by our employees and associates, 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 378. 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.

38. 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, 2022, we had partnered with 10 BCs and the portfolio under the BC segment amounted to ₹ 2,244.16 million, being 2.11% 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 172. 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.

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

Certain non-GAAP financial measures and certain other statistical information, such as Gross Loan Portfolio, Gross Advances, Yield, Spread and Net Interest Margin, relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. For further information, see "*Selected Statistical Information*" on page 231. 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.

40. 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 180. While we have risk management policies and procedures, our policies and procedures to identify, assess, monitor and manage risks may not be fully effective. Some of our risk management systems are not automated and are subject to human error. Some of our methods of managing risks are based upon the use of observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures, which could be significantly greater than those indicated by the historical measures.

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

Management of operations, legal and regulatory risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective. As we seek to expand the scope of our operations, we also face the risk that we may not be able to develop risk management policies and procedures that are properly designed for new business areas or to manage the risks associated with the growth of our existing businesses effectively. Implementation and monitoring may prove particularly challenging with respect to businesses that we plan on developing. An inability to develop and implement effective risk management policies may materially and adversely affect our business, financial condition and results of operations.

41. 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, 2022, retail, wholesale and housing segments contributed ₹ 8,400.39 million, ₹ 9,261.15 million and ₹ 3,592.51 million of our Gross Loan Portfolio and represented 7.90%, 8.71% and 3.38%, 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.

42. 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 we are subject to strict regulatory requirements with respect to such listed non-convertible debentures. Also, in the past, there were certain inadvertent delays by is in making certain disclosures and regulatory filings to BSE and our inability in the future to comply with or any delay in compliance with such laws and regulations may have an adverse effect on our business, results of operations, financial condition and cash flows. Additionally, the trading in our non-convertible debentures may be infrequent, limited or sporadic, which may affect our ability to raise debt financing in the future.*" and "*Outstanding Litigation and Material Developments – Other matters involving our Bank*" on pages 37 and 380, respectively. 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*" on page 378.

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.

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

In accordance with the requirements applicable to banks in India, we are mandated to comply with applicable anti-money laundering ("**AML**")**,** know your client ("**KYC**") and combatting financing of terrorism ("**CFT**") regulations. These laws and regulations require us, among other things, to adopt and enforce AML, KYC and CFT policies and procedures. We are also required to undertake constant review and assessment of existing control processes and programs to meet the increased regulatory expectation. We face significant challenges with system upgradation to meet the requirements of such regulatory developments. Our reputation and business could suffer if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements.

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

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

We have obtained various trademark registrations in India, including for our logo and name 'Utkarsh Small Finance Bank Limited' with the trademark registry under classes 16 and 36. We have also applied for registration of our tag line "Aapki Ummeed Ka Khaata" and "आपकी उम्मीद का खाता" and slogans such as "EK NAYA NAZARIYA NAYE NAZAREIN", "NAYA NAZARIYA BADALTE NAZAREIN", "EK NAYA NAZARIYA BADALTE NAZAREIN". For further information, see "*Government and Other Approvals*" on page 383. 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.

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.

45. 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, 2022, our CASA ratio was at 22.37%. 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.

46. 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. Our sum assured of fixed assets under insurance cover as of March 31, 2020, March 31, 2021 and March 31, 2022 was ₹1,149.31 million, ₹726.78 million and ₹982.21 million. Consequently, our insured assets as a percentage of our total fixed assets was 87.45%, 40.12% and 34.28%, respectively. 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.

47. 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 Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021, 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 operations ("**RBI Dilution Requirement**"). In the event our Promoter fails 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.

48. *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 Draft 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 79. 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.

49. *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.

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

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

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

51. 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 which have not been disclosed, as of March 31, 2022:

Sr. No.	Particulars	Contingent liabilities as at March 31, 2022
1.	Guarantees given on behalf of constituents	
	i) In India	173.30
	ii) Outside India	-
2.	Other items for which the bank is contingently liable (refer note 2)	390.89
	Total	**564.19**

Note 1: The Supreme Court of India in its judgement in the case of The Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and others on February 28, 2019 has clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board is to be considered as basic wage and accordingly needs to be considered for calculation of provident fund contribution. Our Bank would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject, if necessary and the effect of this order has been taken into effect from April 1, 2019.
Note 2: Includes capital commitment of ₹ 392.65 million, as of March 31, 2022.

For further information, see "*Financial Statements - Annexure 17 – Restated Statement of Contingent Liabilities*" on page 263. If the aforementioned contingent liabilities materialize, our profitability and cash flows may be adversely affected.

52. Our Statutory Auditors have included emphasis of matters in our audited financial statements as of and for the years ended March 31, 2022, 2021 and 2020.

Our 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, 2021 and 2020 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."

Fiscal 2020

"*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 Statutory Auditors in their auditor's reports on the audited financial statements as of and for the years ended March 31, 2022, 2021 and 2020. 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.

53. 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.

54. 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 238. 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.

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

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

56. 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,		
		2020	2021	2022
ICRA Limited	Certificate of Deposit	[ICRA]A1+ (*Rating upgraded from [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, Stable outlook (Reaffirmed)
	Long term bank facilities	CARE A, Stable outlook (Reaffirmed)	-	-
	Non-convertible Debentures	CARE A, Stable outlook (Reaffirmed)	Withdrawn	-

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

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.

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

We have entered into various transactions with related parties, including provision of staff loans, reimbursement of expenses and remuneration to key managerial personnel. While we believe that all such transactions have been conducted on an arm's length basis, we cannot assure you that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties. It is likely that we may enter into related party transactions in the future. Although going forward, all related party transactions that we may enter into, will be subject to board or shareholder approval, as necessary under the Companies Act, 2013 and the SEBI Listing Regulations and the policy on related party transactions adopted by our Board, we cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition, cash flows and results of operations or that we could not have achieved more favourable terms if such transactions had not been entered into with related parties. Such related party transactions may potentially involve conflicts of interest. For further information, see "*Related Party Transactions", "Our Promoter and Promoter Group" and "Our Group Company"* on pages 343, 224 and 228.

In Fiscal 2020, 2021 and 2022, the aggregate amount of such related party transactions was ₹879.23 million, ₹377.38 million, and ₹419.44 million, respectively. The percentage of the aggregate value of such related party transactions to our total revenue from operations in Fiscal 2020, 2021 and 2022 was 0.71%, 0.58%, and 0.55%, respectively.

58. 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 and Light Microfinance Private Limited, Mr. Ajay Kumar Kapur, our Independent Director, is a director on the board of NABFINS Limited, and Mr. Nagesh Dinkar Pinge is a director on the board of Hero Housing Finance Limited. These entities are in similar lines of business as our Bank, including services which our Bank may consider offering in the future, and there can be no assurance that they will not expand their presence, solicit our employees or acquire interests in competing ventures in the locations or segments in which we operate.

59. 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.

60. 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 been 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 246.

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

We propose to use the Net Proceeds to augment our Bank's Tier-I capital base to meet our Bank's future capital requirements which are expected to arise out of growth in our Bank's assets, primarily our Bank's loans/advances and investment portfolio and to ensure compliance with regulatory requirements on capital adequacy prescribed by the RBI from time to time. For further details, see "*Objects of the Issue - Requirement of Funds and Utilization of Net Proceeds*" on page 92. 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.

62. 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.

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

Our Bank, in consultation with the BRLMs, may undertake a pre-Issue issuance of securities aggregating up to ₹1,000 million to any person(s), including our Promoter and existing Shareholders, at its discretion. The Pre-IPO Placement, if any, will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced, to the extent of such Pre-IPO Placement, subject to the minimum Issue size constituting at least [•] % of the post-Issue paid-up Equity Share capital of our Bank. Further, upon utilization of the proceeds from the Pre-IPO Placement (if any), prior to the completion of the Issue, there is no guarantee that it may proceed with the Issue or the Issue may be successful and will result in the listing of the Equity Shares on the Stock Exchanges.

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

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries that are the subject of comprehensive sanctions and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions. Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, there can be no assurance that we will be able to fully monitor all of our transactions for any potential violation. Although we do not believe that we are in violation of any applicable sanctions, if it were determined that the transactions in which our customers engage in violate U.S. or other sanctions, we could be subject to U.S. or other penalties, and our reputation and future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected. We rely on our staff to be up-to-date and aware of the latest sanctions in place. Further, investors in the Equity Shares could incur reputational or other risks as the result of our customers' dealings in or with countries or with persons that are the subject of U.S. sanctions.

65. Industry information included in this Draft Red Herring Prospectus has been derived from an industry report prepared by CRISIL Limited which has been commissioned and paid for by us by us for such purpose.

We have commissioned the services of an independent third party research agency, CRISIL Limited 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 for a fee, for purposes of inclusion of such information in this Draft Red Herring Prospectus. This report is subject to various limitations and based upon certain assumptions that are subjective in nature. 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 Draft 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 Draft Red Herring Prospectus based on, or derived from, the CRISIL Report before making any investment decision regarding the Issue. See "*Industry Overview*" on page 104. For the disclaimer associated with the CRISIL Report, see, "*Certain Conventions, Presentation of Financial, Industry and Market Data – Industry and Market Data*" on page 20.

External Risk Factors

66. 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 United States and other jurisdictions, including India, implemented a number of policy measures designed to add stability to the financial markets. However, the overall long-term effect of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilizing effects. Any of these factors could depress economic activity and restrict our access to capital, which could have an adverse effect on our business, financial condition and results of operations and reduce the price of our Equity Shares. Any financial disruption could have an adverse effect on our business, future financial performance, shareholders' equity and the price of our Equity Shares.

We are dependent on domestic, regional and global economic and market conditions. Our performance, growth and market price of our Equity Shares are and will be dependent to a large extent on the health of the economy in which we operate. There have been periods of slowdown in the economic growth of India. Demand for our products may be adversely affected by an economic downturn in domestic, regional and global economies. Economic growth in the countries in which we operate is affected by various factors including domestic consumption and savings, balance of trade movements, namely export demand and movements in key imports, global economic uncertainty and liquidity crisis, volatility in exchange currency rates, outbreak of an infectious disease, such as the COVID-19 pandemic, and annual rainfall which affects agricultural production. Consequently, any future slowdown in the Indian economy could harm our business, results of operations and financial condition. Also, a change in the government or a change in the economic and deregulation policies could adversely affect economic conditions prevalent in the areas in which we operate in general and our business in particular and high rates of inflation in India could increase our costs without proportionately increasing our revenues, and as such decrease our operating margins.

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

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

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

68. 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 announced the union budget for the Fiscal 2023, and the Finance Bill, 2022 ("**Finance Bill**") was introduced in Lok Sabha on February 1, 2022. Subsequently, the Finance Bill received the assent from the President of India on March 30, 2022, and became the Finance Act, 2022 ("**Finance Act**"). 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. We cannot predict whether any amendments made pursuant to the Finance Act 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, 2021, 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 63 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.

69. 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 ongoing restructuring exercise of an Indian bank, the RBI's draft revival plan for the bank does not protect the value of AT1 bondholders' investments. Accordingly, in the event of any such restructuring exercise of our Bank, there can be no assurance that our Shareholders will have the ability to wind up our Bank or protect the value of their investments, as the Government together with the regulatory authorities may have the sole ability to determine the ranking of claims of our Bank in liquidation.

70. 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.

71. 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.

72. 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.

73. 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.

74. 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.

75. 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.

76. 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 United States, 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.

77. 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

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

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

79. 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.

80. 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, 2020 ("**Finance Act 2020**") 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 2020 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 2020 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. We cannot predict whether the amendments made pursuant to the Finance Act, 2022 would have an adverse effect on our business, financial condition, future cash flows and results of operations. 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.

81. 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 425.

82. 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 Draft Red Herring Prospectus. A decrease in the market price of our Equity Shares could cause you to lose some or all of your investment.

83. 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.

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

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

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

85. 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.

86. 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
of which	
Employee Reservation Portion(2)	Up to [•] Equity Shares aggregating up to ₹[•] million
Accordingly	
Net Issue	Up to [•] Equity Shares aggregating up to ₹[•] million
Of which:	
A. QIB Portion(3)(4)	Not less than [•] Equity Shares
Of which:	
Anchor Investor Portion(4)	Up to [•] Equity Shares
Net QIB Portion (assuming the Anchor Investor Portion is fully subscribed)	Up to [•] Equity Shares
Of which:	
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	Not more than [•] Equity Shares
Of which	
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	Not more than [•] Equity Shares
Pre and post-Issue Equity Shares	
Equity Shares outstanding prior to the Issue	895,521,522 Equity Shares
Equity Shares outstanding after the Issue	[•] Equity Shares
Utilisation of Net Proceeds	See "*Objects of the Issue*" beginning on page 92 for information about the use of the Net Proceeds.

^ *Our Bank, in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹1,000 million to any person(s), including our Promoter and existing Shareholders, at its discretion. If the Pre-IPO Placement is completed, the Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Issue size constituting at least [•]% of the post-Issue paid up equity share capital of our Bank.*

Upon utilization of proceeds from the Pre-IPO Placement (if any), prior to the completion of the Issue, our Bank will appropriately intimate the Pre-IPO subscribers that there is no guarantee that it may proceed with the Issue or the Issue may be successful and will result in the listing of the Equity Shares of our Bank on the Stock Exchanges. For further details, see "Risk Factors - The Fresh Issue size may be reduced to the extent of the Pre-IPO Placement being considered by us" beginning on page 58.

(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 Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000, however, an Eligible Employee may submit a Bid for a maximum Bid Amount of ₹500,000 under the Employee Reservation Portion. Only in the event of an under-subscription in the Employee Reservation Portion, the unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000. 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 our post-Issue paid-up Equity Share capital.*

(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 408.

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 403. For details of the terms of the Issue, see "*Terms of the Issue*" beginning on page 398.

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 252 and 344, respectively.

Restated Summary Statement of Assets and Liabilities

(₹ in million)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
CAPITAL AND LIABILITIES			
Capital	8,955.22	8,483.34	7,592.72
Reserves and Surplus	6,767.75	5,200.19	2,602.27
Deposits	1,00,741.83	75,075.68	52,352.12
Borrowings	25,719.35	26,078.25	26,750.37
Other Liabilities and Provisions	8,453.55	6,541.66	4,745.68
Total	**1,50,637.70**	**1,21,379.12**	**94,043.16**
ASSETS			
Cash and balances with Reserve Bank of India	5,338.97	2,749.38	1,916.58
Balances with banks and money at call and short notice	13,377.52	8,948.78	14,223.95
Investments	23,479.24	23,139.35	11,923.88
Advances	1,02,281.47	82,168.58	62,815.96
Fixed Assets	2,865.34	1,811.71	1,314.18
Other Assets	3,295.16	2,561.32	1,848.61
Total	**1,50,637.70**	**1,21,379.12**	**94,043.16**
Contingent Liabilities	564.19	620.73	199.45
Bills for Collection	-	-	-

Restated Summary Statement of Profit and Loss

(₹ in million)

	Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
I	**INCOME**			
	Interest Earned Other	18,488.13	15,809.87	13,076.87
	Income	1,848.33	1,248.49	984.93
	Total	**20,336.46**	**17,058.36**	**14,061.80**
II	**EXPENDITURE**			
	Interest Expended	7,879.62	7,417.41	5,794.63
	Operating Expenses	7,363.45	5,450.57	4,764.83
	Provisions and Contingencies	4,478.77	3,072.23	1,634.91
	Total	**19,721.84**	**15,940.21**	**12,194.37**
III	**PROFIT/(LOSS)**			
	Net Profit / (Loss) for the period / year	**614.62**	**1,118.15**	**1,867.43**
	Balance in Profit and Loss account brought forward	**2,072.48**	**1,454.83**	**97.10**
	Total	**2,687.10**	**2,572.98**	**1,964.53**
IV	**APPROPRIATIONS**			
	Transfer to Statutory Reserve	153.65	279.54	466.86
	Transfer to Investment Fluctuation Reserve	(111.27)	136.66	39.25
	Transferred to capital reserve	2.32	84.30	3.59
	Deduction during the year	105.16	-	-
	Balance carried over to Balance Sheet	**2,537.24**	**2,072.48**	**1,454.83**
V	**EARNINGS PER EQUITY SHARE**			
	Basic EPS (₹)	0.70	1.46	2.49
	Diluted EPS (₹)	0.70	1.46	2.49
	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 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
I	**Cash flow from operating activities**			
	Profit before taxes	797.13	1,514.36	2,504.16
	Adjustments for:-			
	Depreciation on fixed assets	408.84	295.77	254.08
	(Reversal of depreciation) / Depreciation on investments, net	(149.41)	193.01	0.62
	Amortization of premium on Held to Maturity Investment	174.92	105.63	74.69
	Profit on sale & Redemption of HTM portfolio	(4.14)	(150.26)	(6.89)
	Unrealised loss/gain on external commercial borrowings	(6.04)	(18.48)	9.13
	Write-off of non performing advances	2,193.84	352.37	559.58
	Provision for standard advances and other contingencies	(17.12)	601.56	739.44
	Provision for non performing advances (net of reversal)	2,024.26	1,714.53	(300.84)
	(Profit) / Loss on sale of fixed assets (net)	(0.63)	0.21	0.19
	Other provisions and write off	171.96	24.08	38.66
		5,593.61	**4,632.78**	**3,872.82**
	Adjustments for:-			
	Decrease/(Increase) in investments	5,563.63	(6,832.88)	(604.57)
	(Increase) in advances	(24,344.48)	(21,419.51)	(16,393.05)
	(Increase)/ Decrease in other assets	(389.26)	430.79	(829.92)
	Decrease in deposits	25,666.14	22,723.56	14,438.26
	Increase in other liabilities and provisions	1,745.69	593.65	1,559.03
		8,241.72	**(4,504.39)**	**(1,830.25)**
	Payment of direct taxes	(543.77)	(963.02)	(890.50)
	Net cash flow (used in)/generated from operating activities (A)	**13,291.56**	**(834.63)**	**1,152.07**
II	**Cash flow from/(used in) investing activities**			
	Purchase of fixed assets including capital work in progress	(1,466.73)	(793.68)	(455.91)
	Proceeds from sale of fixed assets	4.90	0.17	0.14
	Purchase of held to maturity securities	(5,924.89)	(4,530.97)	(2,765.66)
	Net cash flow (used in) investing activities (B)	**(7,386.72)**	**(5,324.48)**	**(3,221.43)**
III	Cash flow from/(used in) Financing Activities			
	Proceeds from issue of share capital (net of share issue expenses)	1,466.35	2,370.38	600.00
	Net proceeds/ (repayments) from borrowings	(352.86)	(653.64)	12,443.56
	Net cash flow generated from financing activities (C)	**1,113.49**	**1,716.74**	**13,043.56**
IV	**Net increase/ (decrease) in cash and cash equivalents (A) + (B) + (C)**	**7,018.33**	**(4,442.37)**	**10,974.20**
V	**Cash and cash equivalents at the beginning of the year**	**11,698.16**	**16,140.53**	**5,166.33**
VI	**Cash and cash equivalents at the end of the year**	**18,716.49**	**11,698.16**	**16,140.53**
	Notes to the Cash Flow Statement:			
	Cash and cash equivalents includes the following:			
(i)	Cash and Balances with Reserve Bank of India (Refer Annexure 11 of restated financial statement)	5,338.97	2,749.38	1,916.58
(ii)	Balances with Banks in Current Accounts (Refer Annexure 12 of restated financial statement)	737.52	648.78	173.95
(iii)	Money at Call and Short Notice (Refer Annexure 12 of restated financial statement)	12,640.00	8,300.00	14,050.00
	Cash and cash equivalents at the end of the year	**18,716.49**	**11,698.16**	**16,140.53**

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 *Designation:* 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 *Designation:* 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 *Designation:* Independent Director	07702190	B – 1303, Crystal Court CHS, Plot 18, 27, Sector 7, Khargarh, Panvel, Raigarh 410 210, Maharashtra, India
Mr. Chandra Shekhar Thanvi *Designation:* 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 *Designation:* 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 *Designation*: 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 *Designation:* Non – executive Director	01690363	A- 101 Sabari Aashiana Tiss Complex Annexe, Deonar Farm Road, Deonar, Mumbai 400 088, Maharashtra, India
Mr. Ajay Kumar Kapur *Designation:* 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 205.

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: www.icicisecurities.com
Investor grievance e-mail:
customercare@icicisecurities.com
Contact person: Mr. Shekher Asnani / Mr. Akhil Mohod
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: www.investmentbank.kotak.com
Investor grievance e-mail:
kmccredressal@kotak.com
Contact Person: Mr. Ganesh Rane
SEBI Registration No.: INM000008704

Syndicate Members

[•]

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 Advisors to the Issue

Legal Counsel to our Bank as to Indian Law

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

Legal Counsel to the BRLMs as to Indian Law

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

International Legal Counsel to the BRLMs

Hogan Lovells Lee & Lee
50 Collyer Quay
#10-01 OUE Bayfront
Singapore 049321
Tel: +65 6538 0900

Statutory Auditors of our Bank

Haribhakti & Co. LLP
705, Leela Business Park
Andheri Kurla Road
Andheri (E), Mumbai 400 059
Maharashtra, India
Tel.: +91 22 6672 9999
E-mail: hcollp.filing@haribhakti.co.in
Peer review no.: 010030
Firm registration no.: 103523W/W10048

Changes in statutory auditors

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

Name of the statutory auditors	Date of change	Reason for change
B S R & Associates LLP 12th Floor, Tower C, Building 10, DLF Cyber City, Phase II, Gurugram 122 002, Haryana, India. **E-mail**: anantmarwah@bsraffiliates.com **Peer review no.**: **0**11719 **Firm registration no**.: 116231W/W-100024	August 5, 2019	Due to completion of the three year period and absence of RBI approval for the re-appointment in Fiscal 2020.
Haribhakti & Co. LLP	September 24, 2019	Appointment as statutory auditors to fill the vacancy caused by the completion of office of B S R & Associates LLP and absence of RBI approval for their re-appointment in Fiscal 2020.

**Deloitte, Haskins and Sells LLP, Chartered Accountants and Kirtane & Pandit LLP, Chartered Accountants will be appointed as our new joint statutory auditors post receipt of the approval of our Shareholders at the ensuing annual general meeting. Our Board has approved the aforesaid appointment, at its meeting held on February 3, 2022, for a period of three financial years subsequent to March 31, 2022 and, in terms of Section 30(1A) of the Banking Regulations Act, the RBI has conveyed its approval for the appointment of such joint statutory auditors for Fiscal 2023 vide its letter dated April 29, 2022.*

Banker(s) 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

Banker(s) to the Issue

[•]

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(s) 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: • 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: • 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: • 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: • 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. 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.	I-Sec, Kotak	Kotak

Sr. No.	Activity	Responsibility	Co-ordination
	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.		

Self Certified Syndicate Banks

The list of SCSBs notified by SEBI for the ASBA process is available at http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes, or at such other website as may be prescribed by SEBI from time to time. A list of the Designated SCSB Branches with which an ASBA Bidder (other than a 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, 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 written consent dated July 28, 2022 from our Statutory Auditor, Haribhakti & Co. LLP, Chartered Accountants to include their name as required under Section 26(5) of the Companies Act read with SEBI ICDR Regulations in this Draft Red Herring Prospectus as an "expert" as defined under Section 2(38) of the Companies Act to the extent and in its capacity as an independent Statutory Auditor and in respect of its (i) examination report dated April 25, 2022 on our Restated Financial Statements; and (ii) its report dated July 26, 2022 on the statement of possible special tax benefits in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus.

Credit Rating

As the 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 this Draft Red Herring Prospectus

A copy of this Draft Red Herring Prospectus shall be 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 will be filed with SEBI electronically on the platform provided by SEBI at https://siportal.sebi.gov.in, in accordance with SEBI circular bearing reference SEBI/HO/CFD/DIL1/CIR/P/2018/011 dated January 19, 2018.

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

Book Building Process

Book building, in the context of the Issue, refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus and the Bid cum Application Forms within the Price Band. The Price Band will be decided by our Bank in consultation with the BRLMs, and advertised in [•] editions of [•], a widely circulated English national daily newspaper and [•] editions of [•], a widely circulated Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh where our Registered and Corporate Office is located), at least two Working Days prior to the Bid/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 403 and 408, 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.

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.

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. 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(2) of the SEBI ICDR Regulations.

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

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

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them in accordance with the Underwriting Agreement. The Underwriting Agreement has not been executed as on the date of this Draft Red Herring Prospectus and will be executed after determination of the 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 Draft Red Herring Prospectus, is set forth below:

(in ₹, except share data)

Particulars	Aggregate nominal value	Aggregate value at Issue Price$
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		
895,521,522 Equity Shares	8,955,215,220	[•]
C) ISSUE		
Issue of [•] Equity Shares aggregating up to ₹5,000 million#@	[•]	[•]
which includes		
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		2,852,026,603
After the Issue		[•]

@Our Bank, in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹1,000 million to any person(s), including our Promoter and existing Shareholders, at its discretion. If the Pre-IPO Placement is completed, the Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Issue size constituting at least [•]% of the post-Issue paid-up equity share capital of our Bank. Upon utilization of proceeds from the Pre-IPO Placement (if any), prior to the completion of the Issue, our Bank will appropriately intimate the Pre-IPO subscribers that there is no guarantee that it may proceed with the Issue or the Issue may be successful and will result in the listing of the Equity Shares of our Bank on the Stock Exchanges. For further details, see "Risk Factors - The Fresh Issue size may be reduced to the extent of the Pre-IPO Placement being considered by us" beginning on page 58.

$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 199.*

#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 our post-Issue paid-up Equity Share capital. For details, see "Issue Structure" on page 403.

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	Initial subscription to the Memorandum of Association	50,000	10	10	Cash

Date of allotment	Name(s) of allottee(s)	Reason / nature of allotment	No. of Equity Shares allotted	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration
	Singh and Utkarsh CoreInvest Limited.					
October 7, 2016	Utkarsh CoreInvest Limited	Private placement	99,950,000	10	10	Cash
January 20, 2017	Utkarsh CoreInvest Limited	Private placement	200,050,000	10	10	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, 5,237 Equity Shares to Mr. Govind Singh, 119 Equity Shares each to Mr. Trilok Nath Shukla, Mr. Ashwani Kumar and Mr. Raghvendra Singh.	Rights issue	50,000,000	10	10	Cash
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	Cash
March 8, 2021	37,037,037 Equity Shares to Olympus ACF Pte. Ltd.; 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	Private placement	89,061,647	10	27	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
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 exercise of stock options.	17,844	10	14.01	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 MD & CEO ESOP Plan and the ESOP Plan 2020 (including the ESOP Scheme 1 framed thereunder), see *"- (a) Equity share Capital*" beginning on page 79 above. For details regarding the employee stock option schemes of our Bank, see "- *Employee Stock Option Plans*" beginning on page 87 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 79 above, our Bank has not issued any Equity Shares in the one year preceding the date of this Draft 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

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 84.79% 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	Negligible	[•]
October 7, 2016	Private placement	99,950,000	Cash	10	10	11.16	[•]
January 20, 2017	Private placement	200,050,000	Cash	10	10	22.34	[•]
September 21, 2017	Conversion of CCDs into Equity Shares	120,000,000	Cash	10	-^	13.40	[•]
March 26, 2018	Rights issue	49,994,406	Cash	10	10	5.58	[•]
June 13, 2018	Conversion of CCDs into Equity Shares	267,000,000	Cash	10	-^	29.82	[•]
August 29, 2019	Transfer of 49,237 Equity Shares from Mr. Govind Singh, 1,000 Equity Shares from Ms. Revati Govind Singh and 1,119 Equity Shares each from Mr. Trilok Nath Shukla, Mr. Ashwani Kumar and Mr. Raghvendra Singh	53,594	Cash	10	27	0.01	[•]
September 18, 2019	Rights issue	22,222,222	Cash	10	27	2.48	[•]
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$**				**84.79%**	[•]

#*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 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.
[$]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 84.79% 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 Draft 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 408.

(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 Draft Red Herring Prospectus, until the expiry of the lock-in period specified above, or for such other time as required under SEBI ICDR Regulations, except as may be permitted, in accordance with the SEBI ICDR Regulations.

(iii) Pursuant to Regulation 21(a) of the SEBI ICDR Regulations, the Equity Shares held by our Promoter, which are locked-in for a period of 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 Draft Red Herring Prospectus.

Category (I)	**Category of the Shareholder (II)**	**No. of Shareholders (III)**	**No. of fully paid up equity shares held (IV)**	**No. of partly paid-up Equity Shares held (V)**	**No. of Equity Shares underlying depository receipts (VI)**	**Total No. Equity Shares held (VII) = (IV)+(V)+ (VI)**	**Shareholding as a % of total no. of Equity Shares (calculated as per SCRR, 1957) As a % of (A+B+C2) (VIII)**	**No. of Voting Rights held in each class of securities (IX) – No. of voting rights – Class: Equity Shares**	**Class**	**Total**	**Total as a % of total voting rights#**	**No. of equity shares underlying outstanding convertible securities (including warrants) (X)**	**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 (XII) – No. (a)**	**As a % of total Equity Shares held (b)**	**Number of Equity Shares pledged or otherwise encumbered (XIII) – No. (a)**	**As a % of total Equity Shares held (b)**	**Number of Equity Shares held in dematerialized form (XIV)**
(A)	**Promoter & Promoter Group**	7*	759,272,222*	-	-	759,272,222*	84.79	759,272,222	-	759,272,222	84.79	-	84.79	-	-	-	-	759,272,222*
(B)	**Public**	13	136,249,300	-	-	136,249,300	15.21	136,249,300	-	136,249,300	15.21	-	15.21	-	-	-	-	136,249,300
(C)	**Non Promoter- Non Public**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(1)	Shares underlying depository receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(2)	Shares held by employee trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total (A)+(B)+(C)	19@	**895,521,522**	-	-	**895,521,522**	100	**895,521,522**	-	**895,521,522**	100	-	100	-	-	-	-	**895,521,522**

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

@ Mr. Govind Singh holds 17,844 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 Draft Red Herring Prospectus, our Bank has 19 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 and Key Managerial Personnel in our Bank***

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

Sr. No.	Shareholder	Number of Equity Shares	Percentage of equity share capital held (%)
1.	Mr. Govind Singh*	17,845	Negligible
2.	Mr. Rahul Dey*	1	Negligible
3.	Mr. Trilok Nath Shukla*	1	Negligible
	Total	**17,847**	Negligible

** Mr. Rahul Dey and Mr. Trilok Nath Shukla hold one equity share each as nominee shareholders of our Promoter. Further, Mr. Govind Singh holds 17,844 Equity Shares in his individual capacity and 1 Equity Share as a nominee on behalf 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 Draft Red Herring Prospectus:

Sr. No.	Shareholder	Number 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
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.*

(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 Draft Red Herring Prospectus:

Sr. No.	Shareholder	Number 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
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.*

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

Sr. No.	Shareholder	No. of Equity Shares	Percentage of Equity Share capital held (%)
1.	Utkarsh CoreInvest Limited	759,272,222*	89.50
2.	Olympus ACF Pte. Limited	37,037,037	4.36
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

Sr. No.	Shareholder	No. of Equity Shares	Percentage of Equity Share capital held (%)
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.*

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

Sr. No.	Shareholder	No. of Equity Shares	Percentage of Equity Share capital held (%)
1.	Utkarsh CoreInvest Limited*	759,272,222	100.00
	Total	**759,272,222**	**100.00**

**Includes 1,000 Equity Shares held by Mr. Abhisheka Kumar and one Equity Share each held by Mr. Govind Singh, Ms. Revati Govind Singh, Mr. Trilok Nath Shukla, Mr. Raghvendra Singh and Mr. Ashwani Kumar, 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.

The MD & CEO ESOP Plan is in compliance with the Companies Act and SEBI SBEB SE Regulations. As on date of this Draft 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 and SEBI SBEB & SE Regulations.

The details of the ESOP Plan 2020 and ESOP Scheme 1, as certified by JHS & Associates LLP, Chartered Accountants, through their certificate dated July 29, 2022 are as follows:

<table>
<tr><th>Particulars</th><th colspan="3">Details</th></tr>
<tr><td rowspan="6">Options granted</td><th>Financial Year/Period</th><th>Total number of options granted</th><th>Resultant number of Equity Shares</th></tr>
<tr><td>Financial Year ended 2020</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2021</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2022
Our Bank received 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, options were granted out of banks shares with effect from November 6, 2020</td><td>16,234,694</td><td>16,234,694*</td></tr>
<tr><td>For the period commencing from April 1, 2022 until the date of this certificate</td><td>Nil</td><td>Nil</td></tr>
<tr></tr>
<tr><td>No. of employees to whom options were granted</td><td colspan="3">Employees of the Bank to whom option was granted: 213</td></tr>
<tr><td>Options outstanding</td><td colspan="3">1,42,25,194</td></tr>
<tr><td rowspan="6">Exercise price of options</td><th>Date of Grant</th><th>Number of option</th><th>Exercise Price</th></tr>
<tr><td>6-11-2020</td><td>71,377</td><td>14.01</td></tr>
<tr><td>01-08-2021</td><td>1,56,11,500</td><td>27.00</td></tr>
<tr><td>01-10-2021</td><td>15,000</td><td>30.00</td></tr>
<tr><td>18-10-2021 to 01-01-2022</td><td>80,000</td><td>31.80</td></tr>
<tr><td>22-01-2022</td><td>456,817</td><td>14.01</td></tr>
<tr><td rowspan="5">Options vested (excluding options that have been exercised)</td><th>Financial Year/Period</th><th>Total number of options vested and not exercised</th><th>Resultant number of Equity Shares</th></tr>
<tr><td>Financial Year ended 2020</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2021</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2022</td><td>Nil</td><td>Nil</td></tr>
<tr><td>For the period commencing from April 1, 2022 until the date of this certificate</td><td>Nil</td><td>Nil</td></tr>
<tr><td rowspan="5">Options exercised</td><th>Financial Year/Period</th><th colspan="2">Total number of options exercised</th></tr>
<tr><td>Financial Year ended 2020</td><td colspan="2">Nil</td></tr>
<tr><td>Financial Year ended 2021</td><td colspan="2">Nil</td></tr>
<tr><td>Financial Year ended 2022</td><td colspan="2">17,844</td></tr>
<tr><td>For the period commencing from April 1, 2022 until the date of this certificate</td><td colspan="2">Nil</td></tr>
<tr><td rowspan="5">Total no. of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)</td><th>Financial Year/Period</th><th>Total number of options exercised</th><th>Resultant number of Equity Shares</th></tr>
<tr><td>Financial Year ended 2020</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2021</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2022</td><td>1,43,40,444</td><td>1,43,40,444</td></tr>
<tr><td>As on date of this certificate</td><td>1,42,25,194</td><td>1,42,25,194</td></tr>
<tr><td rowspan="5">Options forfeited/lapsed/cancelled</td><th>Financial Year/Period</th><th>Total number of options</th><th>Resultant number of Equity Shares</th></tr>
<tr><td>Financial Year ended 2020</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2021</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2022</td><td>18,94,250</td><td>18,94,250</td></tr>
<tr><td>As on date of this certificate</td><td>20,09,500</td><td>20,09,500</td></tr>
<tr><td>Variation in terms of options</td><td colspan="3">Nil</td></tr>
</table>

<table>
<tr><th>Particulars</th><th>Details</th></tr>
<tr><td>Money realised by exercise of options</td><td>
<table>
<tr><th>Financial Year/Period</th><th>In ₹ million</th></tr>
<tr><td>Financial Year ended 2020</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2021</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2022</td><td>Rs. 0.25 million</td></tr>
<tr><td>For the period commencing from April 1, 2022 until the date of this certificate</td><td>Nil</td></tr>
</table>
</td></tr>
<tr><td>Total no. of options in force</td><td>
<table>
<tr><th>Financial Year/Period</th><th>Total number of options in force</th><th>Resultant number of Equity Shares</th></tr>
<tr><td>Financial Year ended 2020</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2021</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Financial Year ended 2022</td><td>1,43,40,444</td><td>1,43,40,444</td></tr>
<tr><td>As on date of this certificate</td><td>1,42,25,194</td><td>1,42,25,194</td></tr>
</table>
</td></tr>
<tr><td>Employee wise details of options granted to</td><td></td></tr>
<tr><td>(i) Key management personnel</td><td>
<table>
<tr><th>Names of the KMP to whom options were granted</th><th>Number of options granted</th><th>Number of options outstanding as of the date of this certificate</th><th>Resultant number of Equity Shares out of outstanding options</th></tr>
<tr><td>Mr. Govind Singh</td><td>528,194</td><td>510,350</td><td>510,350</td></tr>
<tr><td>Mr. Mukund Barsagade</td><td>240,000</td><td>240,000</td><td>240,000</td></tr>
</table>
</td></tr>
<tr><td>(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</td><td>
<table>
<tr><th>Names of the employee to whom options were granted</th><th>Number of options granted</th><th>Number of options outstanding as of the date of this certificate</th><th>Resultant number of Equity Shares out of outstanding options</th></tr>
<tr><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
</table>
</td></tr>
<tr><td>(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</td><td>
<table>
<tr><th>Names of the employee to whom options were granted</th><th>Number of options granted</th><th>Number of options outstanding as of the date of this certificate</th><th>Resultant number of Equity Shares out of outstanding options</th></tr>
<tr><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
</table>
</td></tr>
<tr><td>Fully diluted EPS on a pre-Offer basis on exercise of options calculated in accordance with the applicable accounting standard ‘Earning Per Share’</td><td>
<table>
<tr><th>Particular</th><th>As at 31st March, 2022 (in Rs.)</th></tr>
<tr><td>Diluted EPS</td><td>0.70</td></tr>
</table>
</td></tr>
<tr><td>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 Company had used fair value of options and impact of this difference on profits and EPS of our Company for the last three fiscals</td><td>N.A, as Bank has followed Black-Scholes model for computing the fair value of options granted</td></tr>
<tr><td>Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including</td><td>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.</td></tr>
</table>

<table>
<tr><th>Particulars</th><th>Details</th></tr>
<tr><td>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</td><td><table>
<tr><th>Particulars</th><th>For the year ended 31st March 2022</th><th>For the year ended 31st March 2021</th><th>For the year ended 31st March 2020</th></tr>
<tr><td>Dividend yield</td><td>0.00%</td><td>0.00%</td><td>0.00%</td></tr>
<tr><td>Expected volatility</td><td>61% to 47%</td><td>61% to 47%</td><td>19.60%</td></tr>
<tr><td>Risk free interest rate</td><td>4.39% to 5.55%</td><td>4.39% to 5.55%</td><td>7.03%</td></tr>
<tr><td>Expected life in years</td><td>2 to 5</td><td>2 to 5</td><td>5</td></tr>
</table></td></tr>
<tr><td>Impact on profits and EPS of the last three years if our Company had followed the accounting policies specified in Regulation 15 of the ESOP Regulations in respect of options granted in the last three years</td><td>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</td></tr>
<tr><td>Intention of the key managerial personnel 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</td><td>Nil</td></tr>
<tr><td>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)</td><td>Not Applicable</td></tr>
</table>

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 Draft 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 Draft 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 Draft 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 (i) securities pursuant to the Pre-IPO Placement; and (ii) Equity Shares pursuant to exercise of options granted/ may be granted under the MD & CEO ESOP Plan and the ESOP Plan 2020 (including the ESOP Scheme 1 framed thereunder), as applicable, there will be no further issuance of Equity Shares whether by way of an issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of filing of the Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges or all application monies have been refunded, as the case may be.

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 Members 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 a FPI (other than individuals, corporate bodies and family offices) 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 registering this Draft Red Herring Prospectus filed 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 188 and 24, 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(1)	5,000
(Less) Issue expenses(2)	[•]
Net Proceeds	**[•]**

(1) *Includes the proceeds, if any, received pursuant to the Pre-IPO Placement. Upon allotment of the securities issued pursuant to the Pre-IPO Placement, we may utilise the proceeds from such Pre-IPO Placement towards the Objects of the Issue.*
Upon utilization of proceeds from the Pre-IPO Placement (if any), prior to the completion of the Issue, our Bank will appropriately intimate the Pre-IPO subscribers that there is no guarantee that it may proceed with the Issue or the Issue may be successful and will result in the listing of the Equity Shares of our Bank on the Stock Exchanges. For further details, see "Risk Factors - The Fresh Issue size may be reduced to the extent of the Pre-IPO Placement being considered by us" beginning on page 58.

(2) *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, 2022, our Bank's Tier-1 capital base was ₹ 14,207.60 million (equivalent to 18.08%). The amount to be funded from Net Proceeds and proposed to be deployed in Fiscal 2023 towards augmentation of our Bank's Tier-1 capital base is ₹[•] million.

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 Statutory Auditors, brokerage and selling commission, underwriting commission, commission payable to Registered Brokers, RTAs, CDPs, SCSBs' fees, Sponsor Bank(s) fees, Registrar's fees, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges.

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	[•]	[•]	[•]

Activity	Estimated expenses(1) (₹ in million)	As a % of the total estimated Issue expenses(1)	As a % of the total Issue size(1)
underwriting commission, brokerage and selling commission)			
Commission/processing fee for SCSBs and Banker(s) to the Issue and fee payable to the Sponsor Bank(s) 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**	[•]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	[•]*% of the Amount Allotted (plus applicable taxes)*
*Employee Reservation Portion**	[•]*% of the Amount Allotted (plus applicable taxes)*

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

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

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

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

**Amount Allotted is the product of the number of Equity Shares Allotted and the 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: ₹ [•] plus applicable taxes, per valid application bid by the Syndicate (including their sub-Syndicate Members), RTAs and CDPs.

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

[5] *Selling commission/ uploading charges payable to the Registered Brokers on the portion for 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**	₹ [•] *per valid Bid cum Application Form* (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	₹ [•] *per valid Bid cum Application Form* (plus applicable taxes)*
*Employee Reservation Portion**	₹ [•] *per valid Bid cum Application Form* (plus applicable taxes)*

**For each valid application*

[6] *Uploading charges/ processing fees for applications made by UPI Bidders using the UPI Mechanism would be as under:*

Payable to Members of the Syndicate (including their sub-Syndicate Members)/ RTAs / CDPs	₹ [•] *per valid Bid cum Application Form (plus applicable taxes)*
Payable to Sponsor Bank(s)	₹ [•] *per valid Bid cum Application Form* (plus applicable taxes)* *The Sponsor Bank(s) 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 Draft 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 the Red Herring Prospectus and Prospectus, our Bank shall, on an annual basis, prepare a statement of funds and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilized The statement shall be certified by the Statutory Auditor of our Bank.

Further, in accordance with Regulation 32(1) of the Listing Regulations, our Bank shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilization of the Net Proceeds of the 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 and Key Managerial Personnel. 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 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 24, 153, 252 and 344, 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 155.

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 252.

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 Restated Financial Statements

Fiscal Year ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2022	0.70	0.70	3
March 31, 2021	1.46	1.46	2
March 31, 2020	2.49	2.49	1
Weighted Average	1.25	1.25	

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 252.*

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 2022	[•]	[•]
Based on diluted EPS for Fiscal 2022	[•]	[•]

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 347.12, the lowest P/E ratio is 19.48 and the average P/E ratio is 95.97.

Particulars	Industry Peer P/E	Name of the company	Face value of the equity shares (₹)
Highest	347.12	Bandhan Bank Limited	10.00
Lowest	19.48	Equitas Small Finance Bank	10.00
Average	95.97	-	-

Notes:
The industry high and low has been considered from the industry peer set provided later in this chapter. The industry composite has been calculated as the arithmetic average P/E of the industry peer set disclosed in this section. For further details, see “Basis for the Issue Price – E. Comparison with Listed Industry Peers” beginning on page 98.

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 4.88, the lowest P/B ratio is 0.58 and the average P/B ratio is 2.19.

Particulars	Industry Peer P/B	Name of the company	Face value of the equity shares (₹)
Highest	4.88	AU Small Finance Bank	10.00
Lowest	0.58	Suryoday Small Finance Bank	10.00
Average	2.19	-	-

Notes:
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 – E. Comparison with Listed Industry Peers” beginning on page 98.

C. Return on Net Worth (“RoNW”)

Derived from the Restated Financial Statements:

Fiscal Year ended	RoNW (%)	Weight
March 31, 2022	3.91	3
March 31, 2021	8.17	2
March 31, 2020	18.32	1
Weighted Average	7.73	

Notes:
i. 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.
ii. Return on Net Worth = Net Profit, as restated, attributable to equity shareholders / Net Worth, as restated at the end of the period/years
iii. Net worth as per restated financials (Capital and Reserves and Surplus)
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 252.

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

Fiscal year ended/ Period ended	NAV per Equity Share (₹)
As on March 31, 2022	17.56
As on March 31, 2021	16.13
As on March 31, 2020	13.43
After the completion of the Issue:	
At Issue Price	[•]

Notes:
i. 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
ii. Net worth as per restated financials (Capital and Reserves and Surplus)

E. **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*	20,336.46	10	[•]		0.70	0.70	3.91%	17.56
Listed Peers								
Equitas Small Finance Bank	39,972.26	10	19.48	1.38	2.43	2.40	6.61%	33.91
Ujjivan Small Finance Bank Limited	31,260.80	10	NM**	1.29	(2.40)	(2.40)	(16.19)%	14.81
Credit Access Grameen Limited	27,501.30	10	42.27	3.81	23.31	23.22	8.89%	257.75
Spandana Sphoorty Financial Limited	14,800.35	10	38.37	0.92	10.75	10.72	2.26%	447.21
Bandhan Bank Limited	1,66,939.43	10	347.12	2.51	0.78	0.78	0.72%	107.91
AU Small Finance Bank Limited*	69,154.25	10	32.64	4.88	18.03	17.85	15.04%	238.62
Suryoday Small Finance Bank	10,353.80	10	NM**	0.58	(8.76)	(8.76)	(6.41%)	136.73

** Financial information for Utkarsh Small Finance Bank Limited is derived from the Restated Financial Statements for the year ended March 31, 2022*
***Not Meaningful*
****AU Small Finance Bank announced the Bonus Issue on 26th April, 2022 in the ratio 1:1. The shares has been quoting ex-bonus from June 09, 2022.*

Note:
1. All the financial information for listed industry peers mentioned above is on a consolidated basis (unless otherwise available only on standalone basis) and is sourced from the annual reports/ financial results as available of the respective company for the year ended March 31, 2022
2. P/E ratio is calculated as closing share price (July 26, 2022, - BSE) / Diluted EPS for year ended March 31, 2022
3. P/B ratio is calculated as closing share price (July 26, 2022, -BSE) / NAV per share for year ended March 31, 2022
4. Basic and Diluted EPS as reported in the annual report/financial results of the company for the year ended March 31, 2022.
5. Return on net worth (%) = Net profit/(loss) after tax / Net worth at the end of the year
6. 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
7. Net worth includes share capital, reserve and surplus.
8. The audited financial statement for the year ended March 2022 of Credit Access Grameen Limited & Spandana Sphoorty Financial Limited were prepared as per Ind AS and Utkarsh Small Finance Bank Limited, AU Small Finance Bank Limited, Equitas Small Finance Bank, Ujjivan Small Finance Bank Limited and Bandhan Bank Limited were prepared as per Indian GAAP.

F. **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 BRLMs, on the basis of market demand from investors for Equity Shares through the Book Building Process and is justified in view of the above qualitative and quantitative parameters.

Investors should read the abovementioned information along with "*Risk Factors*", "*Our Business*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" beginning on pages 24, 153, 344 and 252, 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 24 and you may lose all or part of your investments

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS

The Board of Directors
Utkarsh Small Finance Bank Limited
Utkarsh Tower, NH - 31 (Airport Road),
Sehmalpur, Kazi Sarai, Harhua,
Varanasi, Uttar Pradesh 221105

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

1. This report is issued in accordance with the Engagement Letter dated July 15, 2022 entered between us and the Bank.

2. We, Haribhakti & Co. LLP, Chartered Accountants, Statutory Auditors of the Bank, have been requested by the Bank, having its registered office at the above mentioned address, to report on the statement of possible special tax benefits available to the Bank and its shareholders which has been prepared by the management of the Bank (the "Statement"), under direct and indirect tax laws including the Income-tax Act, 1961 as amended from time to time and Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act 2020, the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Customs Act, 1962, the Customs Tariff Act, 1975, as amended (collectively the "Relevant Acts") and the rules, regulations, circulars and notifications issued in connection with the Relevant Acts, as presently in force in India as on the date of report and applicable to the assessment year 2023-2024 relevant to the financial year 2022-2023 and included as an Annexure to this report.

Management's Responsibility

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

Auditor's Responsibility

4. It is our responsibility to report whether the Statement presents, in all material respects, the possible special tax benefits available to the Bank and its shareholders in accordance with the Relevant Acts as at the date of our report.

5. Our work was performed solely to assist the Bank in meeting its responsibilities in relation to the compliance with the Securities and Exchange of Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Companies Act, 2013, each as amended from time to time, in connection with the Offer.

6. Our work has been carried out in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) ("Guidance Note") issued by the Institute of Chartered Accountant of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements issued by ICAI.

Opinion

8. Based on our examination of the relevant documents, and the information and explanations given to us, we are of the opinion that the Statement presents, in all material respects, the possible special tax benefits

available to the Bank and its shareholders, in accordance with the Relevant Acts as at the date of our report.

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

(i) The Bank or its shareholders will continue to obtain the benefits as per the Statement in future;

(ii) The conditions prescribed for availing the benefits as per the Statement have been/ would be met with; and

(iii) The revenue authorities/courts will concur with the views expressed herein.

Inherent Limitations

9. We draw attention to the fact that the Statement includes certain inherent limitations that can influence the reliability of the information included therein.

10. Several of the tax benefits/consequences as reported in Annexure are dependent on the Bank and its Shareholders fulfilling the conditions prescribed under the relevant tax laws. Therefore, the ability of the Bank and its Shareholders to derive the tax benefits is dependent on fulfilling such conditions which may or may not be fulfilled.

11. The benefits discussed in the enclosed Annexure are not exhaustive. Also, the Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice.

12. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the Offer, as particularly in view of the fact that certain recently enacted legislations may not have a direct legal precedent, or may have a different interpretation on the benefits, which can be availed. Further, neither are we suggesting nor advising the readers of DRHP to make any investments based on the content of the Statement.

Restriction on Use

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

For **Haribhakti & Co. LLP**
Chartered Accountants
Firm Registration No. 103523W / W100048

Purushottam Nyati
Partner
Membership No. 118970
UDIN: 22118970ANRFCF7278
Date: July 26, 2022
Place: Mumbai

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

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

ANNEXURE 1

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

Outlined below are the possible special tax benefits available to Utkarsh Small Finance Bank Limited (the "Bank") and its Shareholders under the Income-tax Act, 1961 (the "Act") as amended by the Finance Act 2022 , i.e. applicable for the financial year 2022-23 relevant to the assessment year 2023-24, presently in force in India.

I. Possible Special tax benefits available to the Bank

1. Section 115BAA of the Act provides an option to domestic companies to compute its corporate tax at a reduced rate of 25.168%[1]. Companies availing this option will not be covered under the provisions of Minimum Alternate Tax (MAT) i.e. tax on book profits under Section 115JB of the Act. The bank has opted to be governed by the provisions of Section 115BAA of the Act.

2. As per the provisions of Section 80JJAA of the Act, an Assessee subject to tax audit under section 44AB of the Act and whose gross total income includes any profit and gains derived from business shall be entitled to claim a deduction of an amount equal to thirty percent of additional employee cost incurred in the course of such business in the financial year, for three assessment years including the assessment year in which such employment is first provided. The eligibility to claim the deduction is subject to fulfilment of prescribed conditions in Section 80JJAA of the Act.

3. The Bank, being a Small Finance Bank, is entitled to deduction of provision made for bad and doubtful debts subject to prescribed limit/ conditions under Section 36(1)(viia) of the Act. The said deduction is restricted to an amount of 8.5% of the gross total income (excluding such deduction) and 10% of the aggregate average advances made by the rural branches of the Bank. Actual bad debts under Section 36(1)(vii) incurred subsequently, shall be reduced to the extent of deduction already allowed under Section 36(1)(viia).

4. Further, the Bank being a Small Finance Bank, is also eligible for a deduction of 20% of profits derived from eligible business before computing deduction under Section 36(1)(viii) or an amount transferred to the special reserve, whichever is lower, in accordance with Section 36(1)(viii) of the Act. Such deduction is subject to satisfaction of prescribed conditions. 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 transfer of such excess amount. Currently the Bank is not availing the deduction under this Section.

5. Under Section 43D of the Act, interest income relating to bad or doubtful debts (prescribed under the guidelines issued by the Reserve Bank of India), shall be chargeable to tax in the year in which it is credited to the profit and loss account or, in the year of actual receipt, whichever is earlier.

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

In respect of non-residents, the tax rates and consequent taxation on dividend income and capital gains, if any, will be subject to any benefits available under the relevant Double Taxation Avoidance Agreement(s), if any, between India and the country in which the non- resident is a tax resident.

Notes:

1. This Annexure sets out only the possible special tax benefits available to the Bank and the shareholders under the Act as amended by the Finance Act 2022. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

2. This Annexure covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.

[1] 22% plus surcharge @ 10% plus education cess @ 4%

3. Though benefit of Section 80JJAA of the Act as mentioned above is also available to Assessees other than banking companies, the same has been covered in the Annexure.

4. This Annexure is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax arising out of their participation in the Offer.

5. No assurance is provided that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

ANNEXURE 2

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

Outlined below are the possible special tax benefits available to the Bank and its Shareholders under the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, the respective State Goods and Services Tax Act, 2017, as applicable ("GST Act"), the Customs Act, 1962 ("Customs Act") and the Customs Tariff Act, 1975 ("Tariff Act"), as amended by the Finance Act 2022, i.e. applicable for the financial year 2022-23, presently in force in India.

I. Possible Special tax benefits available to the Bank

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

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

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

Notes:

1. This Annexure sets out only the possible special tax benefits available to the Bank and its Shareholders under the GST Act, Customs Act and Tariff Act.

2. This Annexure is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Offer.

3. This annexure covers only indirect tax laws benefits and does not cover any income tax law benefits or benefit under any other law.

4. These comments are based upon the provisions of the specified Indirect tax laws, and judicial interpretation thereof prevailing in the country, as on the date of this Annexure.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

SECTION IV ABOUT OUR BANK

INDUSTRY OVERVIEW

Unless 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 (the "CRISIL Report") prepared and released by CRISIL Limited 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 Company at https://www.utkarsh.bank/ipo-2022-documents. 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 20.

While preparing its report, CRISIL Limited 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 Draft 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 Draft Red Herring Prospectus.

MACROECONOMIC SCENARIO

World economy fighting inflation surge post COVID-19 with Indian economy facing volatile commodity prices and tightening of liquidity

Fiscal 2020 was volatile for the global economy. The first three quarters were ensnared in trade protectionist policies and disputes among major trading partners, volatile commodity and energy prices, and economic uncertainties arising from United Kingdom's exit from the European Union ("**Brexit**"). Hopes of broad-based recovery in the fourth quarter were dashed by the COVID-19 pandemic, which led to considerable human suffering and economic disruption.

Global trade had a wonderful year in 2021, with merchandise trade growing 26% year on year in value terms in 2021. The positive trend was witnessed globally on account of easing of pandemic restrictions, recovery in demand owing to economic stimulus packages (particularly in advanced economies) and increase in commodity prices.

India's merchandise trade, too, reached record highs across both imports and exports, with imports growing by 62.8% on year in May 2022 on a lower base owing to high crude oil and commodity prices, rising demand for consumer goods and partial recovery in industrial demand. Exports also grew by 20.6% on year in May 2022, supported by both a lower base, robust external demand and higher oil prices which benefitted petroleum exports. However, going forward, according to CRISIL Report, a reversal of trend with multiple headwinds such as slowdown in global growth, higher commodity prices and aggressive monetary tightening dampening the demand.

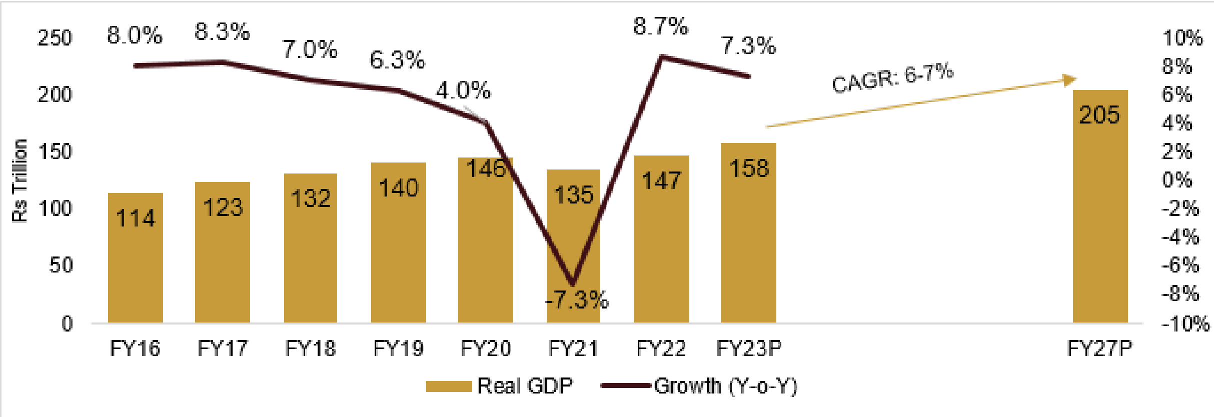
According to the latest provisional estimates released by the National Statistical Office ("**NSO**") in May 2022, India's real Gross Domestic Product ("**GDP**") growth has been pegged at 8.7% in Fiscal 2022, lower than the last estimate of 8.9% released as second advance estimate in February 2022. In absolute terms, real GDP for Fiscal 2022 is estimated at ₹ 147.4 trillion, marginally less than ₹ 147.7 trillion estimated earlier. The downward revision in GDP reflects a minor correction in first to third quarter GDP numbers, and a mild impact of third wave of COVID-19 and impact of Russia-Ukraine war in the fourth quarter. Further, given the large output loss due to COVID-19 pandemic, the real GDP is only 1.5% above the pre-pandemic level.

In the near-term, while risks due to the COVID-19 pandemic seem to be waning, high inflation, exacerbated by supply chain challenges as a result of the Russia-Ukraine war, and consequent tightening of interest rates by central banks globally pose risks to economic growth globally and in India. According to the International Monetary Fund ("**IMF**") (*World Economic Outlook – April 2022*), global growth prospects have changed markedly since last year. In the year 2021, global growth rebounded with a robust growth of 6.1% from -3.1% the previous year, but it is expected to slow in 2022 to 3.2%, impact of which is expected to be witnessed in Indian economy as well.

According to the IMF, the economic damage from the ongoing war in Ukraine has contributed to a slowdown in global growth and rising inflation causing damage to various countries.

According to CRISIL Report, growth outlook for Fiscal 2023 will be fettered with multiple risks. Nevertheless, India is expected to remain the fastest growing economy in the world with GDP growth of 7.3% projected in Fiscal 2023. The IMF too estimates India's GDP to grow by 7.4% in calendar year 2022 due to its broad range of fiscal, monetary and health responses. However, IMF projects the growth to slow down to 6.1% in 2023.

India's economy to grow at 7.3% in Fiscal 2023



Note: Fiscal 2023 is projected based on CRISIL estimates. Fiscal 2024 to Fiscal 2027 is projected based on IMF estimates. Source: CRISIL Research, IMF World Economic Outlook – July 2022.

Macroeconomic outlook for Fiscal 2023

Macro variables	Fiscal 2022	Fiscal 2023P	Rationale for outlook
GDP (y-o-y)	8.7%*	7.3%^	Fiscal 2023 growth to be influenced by inflation and external spillovers. Higher oil prices, slowing global demand for India's exports and higher inflation will act negative for the Indian economy. Inflation which reduces purchasing power would weigh in the revival of consumption, the largest component of GDP which has been backsliding for a while. However, a normal monsoon forecast and rebound in contact-intensive services are expected to bring some succor.
Consumer price index ("**CPI**") inflation (y-o-y)	5.5%	6.8%	CPI inflation will be inflated due to external factors. This will be due to persistent high international commodity prices and input costs putting pressure on food, fuel and core inflation. The other factor is due to the heatwave's adverse impact on critical food items like wheat and vegetables.
10-year Government security yield (fiscal-end)	6.8%	7.5%	Increase in gross market borrowing by the government, rate hikes by the Reserve Bank of India ("**RBI**") and the Federal Reserve System ("**The Fed**") along with surging crude oil price is expected to cause a surge in G-Sec yields.
Current account balance ("**CAD**")/GDP (%)	-1.2%	-3%	India is expected to be vulnerable to external shocks raising current account deficit. Major factors will be elevated commodity prices, slowing global growth and supply chain snarls.
₹/$ (March average)	76.2	78	The rupee-dollar exchange rate will remain volatile with a depreciation bias in the near term due to widening trade deficit, foreign portfolio investment ("**FPI**") outflows and strengthening of the US dollar index. US Dollar index will strengthen due to rate hikes by US Federal Reserve and safe-haven demand for the dollar amid the geopolitical risks.

*Note: *NSO estimate, ^ with downside risk, P – Projected*
*Source: RBI, National Statistics Office ("**NSO**"), CRISIL Research.*

Positive government regulations to aid economic growth

After clawing back in Fiscal 2022, CRISIL forecasts India's GDP to grow at approximately 7% per annum between Fiscals 2023 and 2025.

This growth is expected to be supported by the following factors:

- Focus on investments rather than consumption push enhancing the productive capacity of the economy;
- The production linked incentive ("**PLI**") scheme which aims to incentivise local manufacturing by giving volume-linked incentives to manufacturers in specified sectors; and
- Policies aimed towards greater formalisation of the economy, which are bound to lead to an acceleration in per capita income growth.

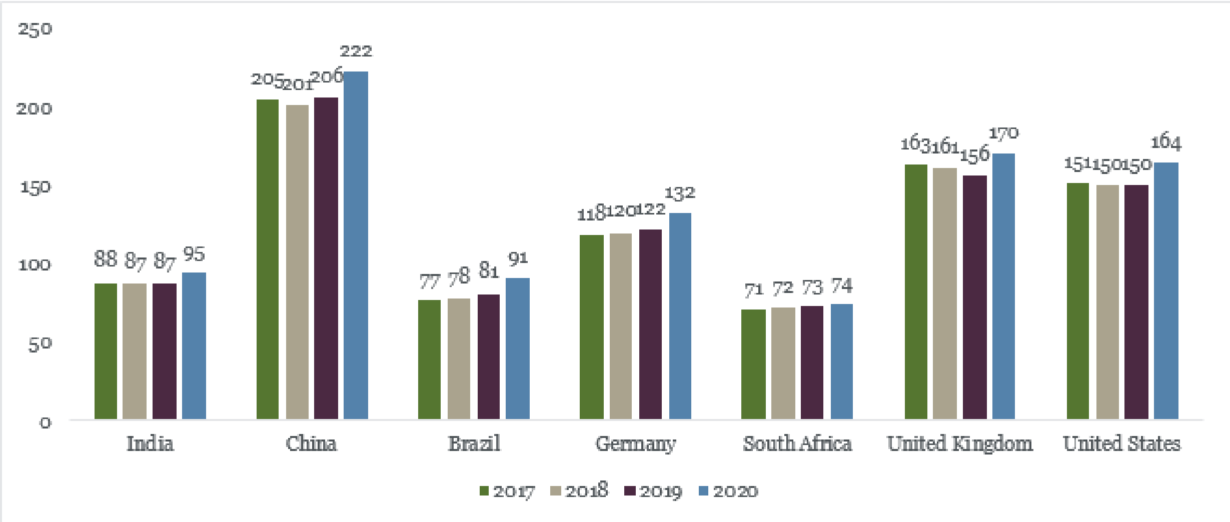
FINANCIAL INCLUSION

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.

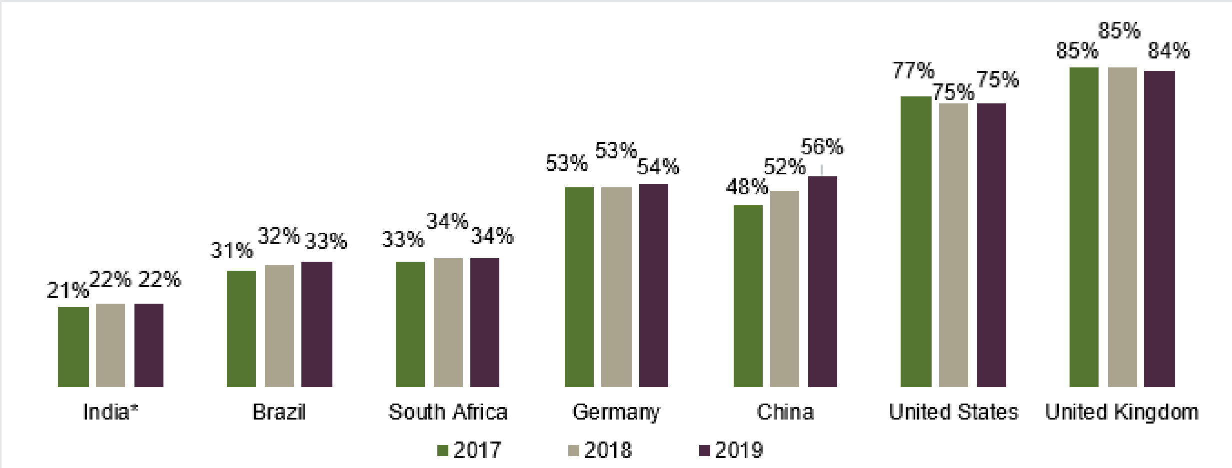
In these times of crisis, financial inclusion becomes more imperative than ever for vulnerable households and businesses to navigate the crises and recover after the pandemic. In terms of the credit to GDP ratio, India has a low credit penetration compared with other developing countries, such as China 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 Research.

Household Credit to GDP ratio (2017 to 2019)

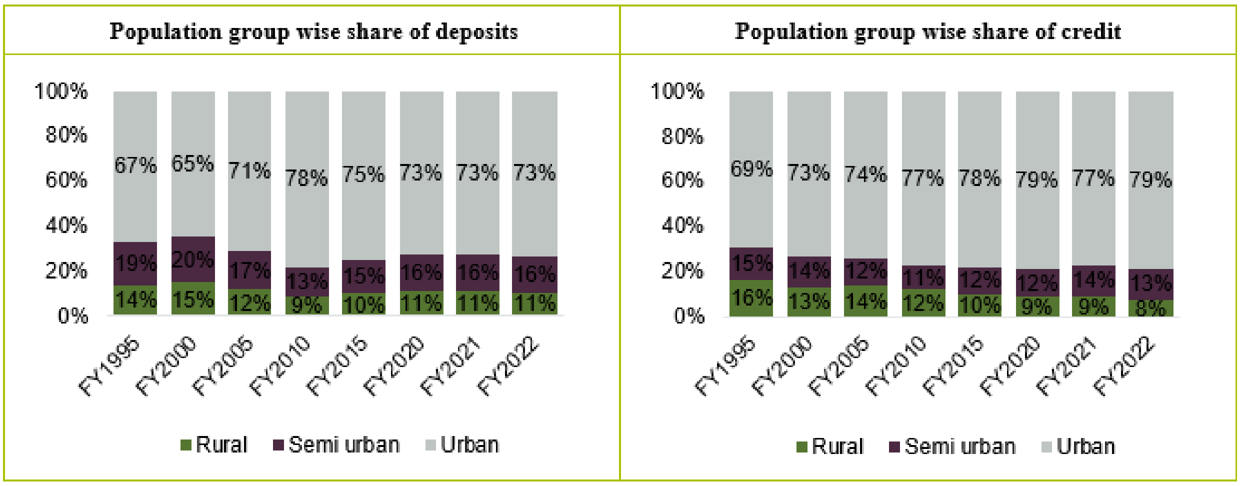


*Note: For countries except India, data is represented for calendar years. *For India, data represented is for Fiscal 2018, Fiscal 2019 and Fiscal 2020.*
Source: Bank of *International Settlements, CRISIL Research. Rural India accounts for about half of GDP, but only about 8% of total credit and 11% 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

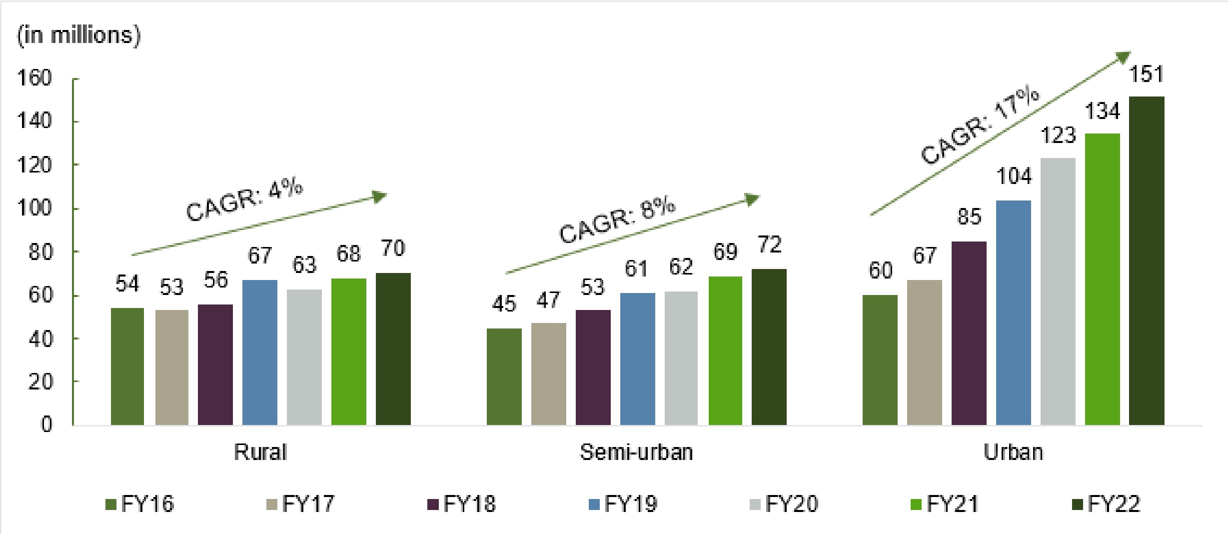


Source: CSO; RBI.

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.

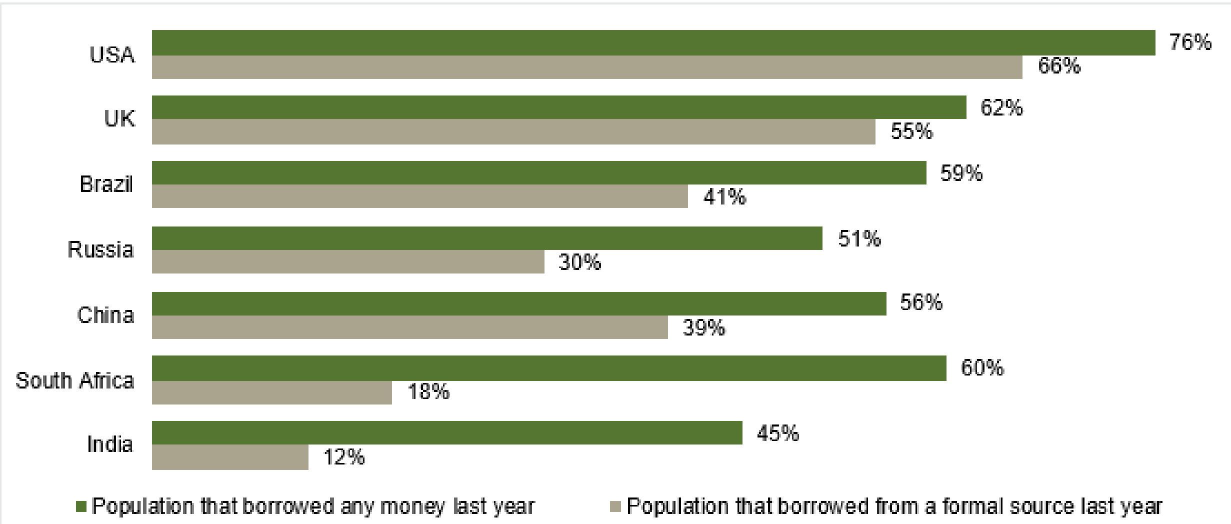
The number of bank credit accounts in rural areas grew at a CAGR of 4% between the end of Fiscal 2016 and the end of Fiscal 2022 and the number of bank deposit accounts grew at a CAGR of 5% during the same period. Between the end of Fiscal 2016 and the end of Fiscal 2022, the number of credit accounts 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 Research.

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



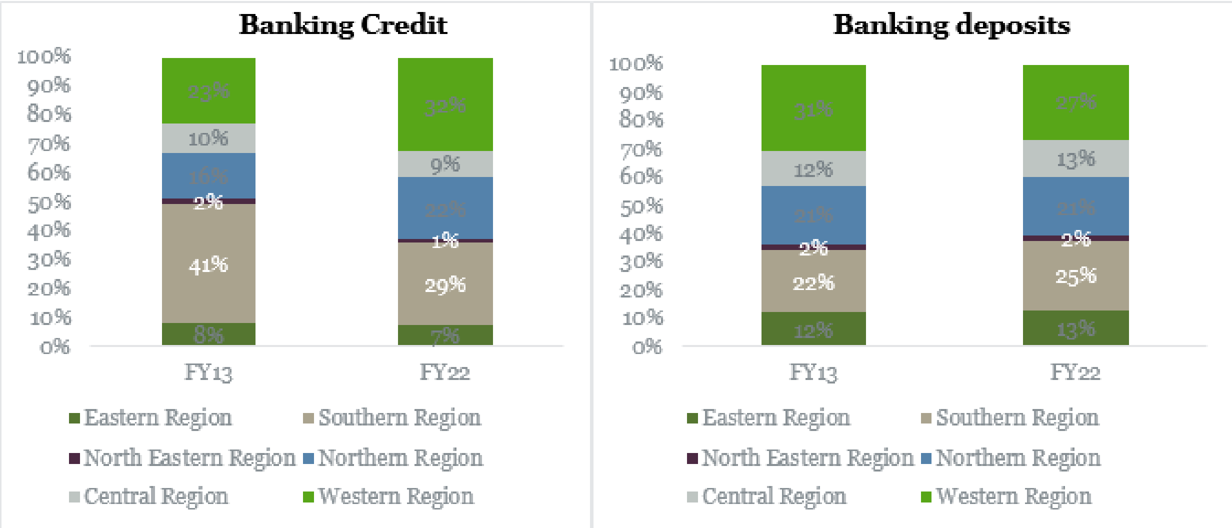
Note: 1. Global Findex data for India excludes northeast states, remote islands and selected districts. 2. Data is for the population within the age group of 15+.
Source: World Bank - The Global Findex Database 2021, CRISIL Research.

To tackle financial exclusion, the Indian government introduced the Prafhan 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%.

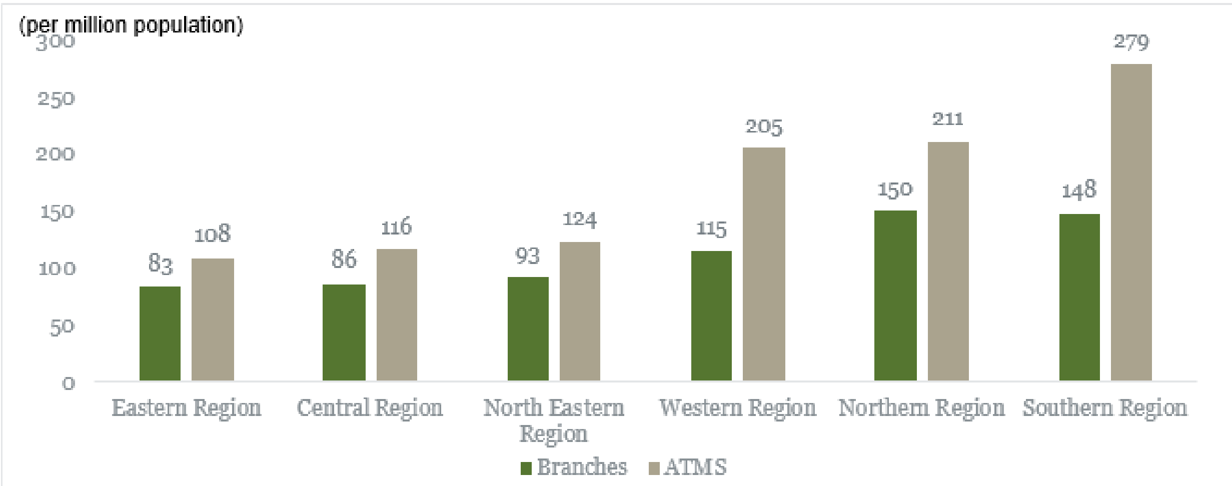
<u>Region-wise share of banking credit and total deposits</u>



Note: The percentages are as of the end of the fiscal year indicated.
Source: RBI; CRISIL Research.

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 Research believes is largely due to lower focus from the bigger banks.

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



**Population is as per the census data of 2011.*
Source: RBI; Census India; CRISIL Research.

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%
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 Research.

States with low financial penetration present a strong case for growth

Gujarat, Bihar, Telangana recorded fastest growth in Fiscals 2016 to 2021.

State-wise GDP and GDP growth (Fiscal 2021)

States	Real GDP in ₹ Billion (Fiscal 2021)	YOY growth	Real GDP growth CAGR (Fiscal 2016 to Fiscal 2021)	Credit account penetration (Fiscal 2022)	Deposit account penetration (Fiscal 2022)	Branch penetration (Fiscal 2022)	ATM penetration (Fiscal 2022)	CRISIL Inclusix Score (2016)
Maharashtra*	21,341	29.0%	6.6%	43%	176%	106	213	62.7
NCT Of Delhi	5,790	-5.7%	4.0%	26%	292%	192	400	86.1
Uttar Pradesh	10,926	-6.4%	3.8%	2%	127%	77	100	44.1
Karnataka	11,138	-2.6%	6.0%	10%	183%	151	259	82.1
Tamil Nadu	12,967	1.4%	6.0%	14%	184%	144	337	77.2
West Bengal	7,927	1.1%	5.4%	4%	160%	91	123	53.7
Gujarat*	12,690	41.9%	9.1%	9%	157%	128	186	62.4
Kerala*	5,686	26.0%	6.0%	10%	211%	175	278	90.9
Telangana	6,446	-0.6%	6.8%	15%	203%	158	318	72.8
Haryana	5,281	-5.7%	5.0%	11%	202%	177	235	67.7
Rajasthan	6,432	-6.6%	2.7%	4%	135%	103	140	50.9

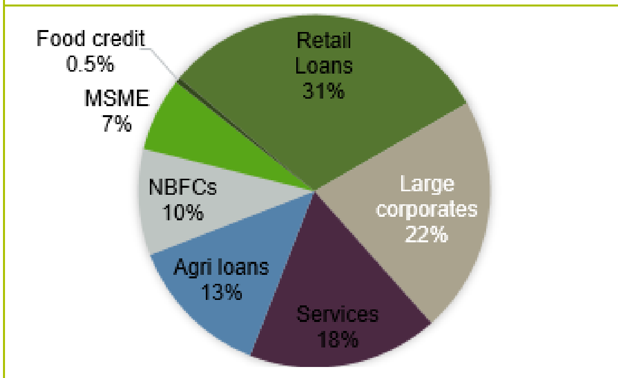
States	Real GDP in ₹ Billion (Fiscal 2021)	YOY growth	Real GDP growth CAGR (Fiscal 2016 to Fiscal 2021)	Credit account penetration (Fiscal 2022)	Deposit account penetration (Fiscal 2022)	Branch penetration (Fiscal 2022)	ATM penetration (Fiscal 2022)	CRISIL Inclusix Score (2016)
Madhya Pradesh	5,608	-3.4%	6.0%	4%	142%	90	132	48.7
Punjab	3,862	-6.6%	3.2%	10%	215%	212	239	70.9
Bihar	4,199	2.5%	7.2%	1%	123%	62	73	38.5
Odisha	3,975	-3.6%	6.3%	4%	149%	112	163	63
Andhra Pradesh	6,516	-2.6%	5.5%	6%	156%	122	191	78.4
Jharkhand	2,271	-4.7%	5.4%	3%	145%	90	106	48.2
Chhattisgarh	2,455	-1.8%	5.2%	4%	145%	98	134	45.7
Assam*	2,378	24.5%	5.6%	4%	141%	84	120	47.9
Uttarakhand*	1,997	30.8%	6.9%	9%	284%	289	378	69
Jammu & Kashmir	1,197	0.5%	4.3%	8%	157%	126	182	47.8
Himachal Pradesh	1,147	-6.2%	3.6%	5%	189%	213	268	72.3
Goa	650	22.4%	7.1%	18%	350%	393	572	88.9
Chandigarh*	312	25.3%	5.8%	17%	187%	192	309	86.7
Tripura	418	4.0%	9.3%	43%	141%	140	129	66.2

Note: 1. (*) – As of Fiscal 2020;
2. Credit account penetration is calculated as total number of retail bank credit accounts/population of the state;
3. Deposit account penetration is calculated as total number of bank deposit accounts/ population of the state;
4. Branch penetration is calculated as Number of bank branches per 1000 people;
5. ATM penetration is calculated as Number of ATM per 1000 people;
6. For Credit and Deposit account penetration, this does not represent unique borrowers or depositors, total number of accounts have been considered;
7. CRISIL Inclusix, India's first financial inclusion index, was launched in 2013 with the objective of creating a dependable yardstick that would become a policy input to further the cause of inclusion. CRISIL Inclusix weighs three service providers (banks, insurers and microfinance institutions) on four dimensions (branch, credit, deposit and insurance).
Source: RBI, MOSPI, CRISIL Research.

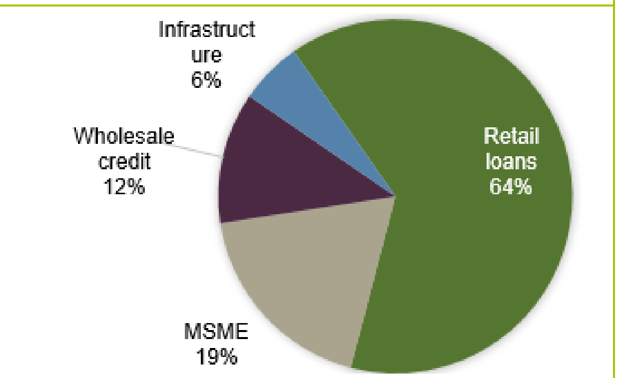
With high focus on retail loans, NBFCs and NBFC-MFIs driving financial inclusion

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.

Retail credit forms 31% of banking credit as of fiscal 2022 as compared to which…



…retail credit in NBFCs loan portfolio accounts for 64% share as of fiscal 2022



Source: RBI, CRISIL Research 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, one local area bank, one NBFC and one Urban Co-operative bank have received permission to set up small finance banks ("**SFBs**"). The RBI awarded SFB licences to 12 players keeping in with the government's focus on financial inclusion and inclusive banking.

<u>Comparison of different business models</u>

	Scheduled commercial banks	SFBs	MFIs
Priority sector lending			
Targeted lending to sectors	• 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	• 75% of their ANBC for priority sector lending • 18% of ANBC to agriculture • 7.5% of ANBC to micro-enterprises • 10% of ANBC to weaker sections • At least 50% of loan portfolio should constitute loans and advances of up to ₹ 2.5 million	• 75% of total assets should be qualifying micro-finance loans • Income generation loans greater than 50% of total loans
Prudential norms			
Capital adequacy framework	• Minimum Tier-I capital: 7% • Minimum capital adequacy ratio: 9%	• Minimum Tier-I capital: 7.5%(Tier-II capital cannot be more than 100% of Tier-I capital) • Minimum capital adequacy ratio: 15%	• Tier-I capital more than Tier-II capital • Minimum capital adequacy ratio: 15%
CRR / SLR	• Maintenance of CRR/SLR ratio mandatory • CRR – 3%, 3.5% begin. March 27, 2021, 4% beginning May 22, 2021 • SLR – 18%, can be diluted up to 3% for liquidity (2% earlier), up to March 31, 2021	• Maintenance of CRR/SLR ratio mandatory • CRR – 3%, 3.5% begin. March 27, 2021, 4% beginning May 22, 2021 • SLR – 18%, can be diluted up to 3% for liquidity (2% earlier), up to March 31, 2021	• No such requirement
Leverage ratio	• Minimum leverage ratio of 4%	• Minimum leverage ratio of 4%	• No such requirement
LCR (liquidity coverage ratio)/ NSFR (net stable funding ratio)	• Mandatory requirement to maintain liquidity coverage ratio • NSFR applicable to scheduled commercial banks	• 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	• Primarily rely on deposits, CASA and term deposits, for funding requirements	• Primarily rely on deposits, CASA and term deposits, for funding requirements	• Cannot accept deposits
Bank loans / market funding	• Access to broader array of market borrowings	• Access to bank loans and broader array of market borrowings	• Diversified funding sources, including bank loans, short-term and long-term market borrowings. Funding from NABARD, MUDRA loans etc.
Products			
Products offered	• Full spectrum of banking, savings, investment and insurance products	• 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	• 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 Research.

GROWTH DRIVERS FOR SMALL FINANCE BANKS

Availability of sizeable market opportunity and credit at affordable rates

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

Financial inclusion is a comprehensive exercise that constitutes several products and services, such as bank accounts, insurance facilities, payment and remittance mechanisms, financial counselling, and, most crucially, affordable credit.

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

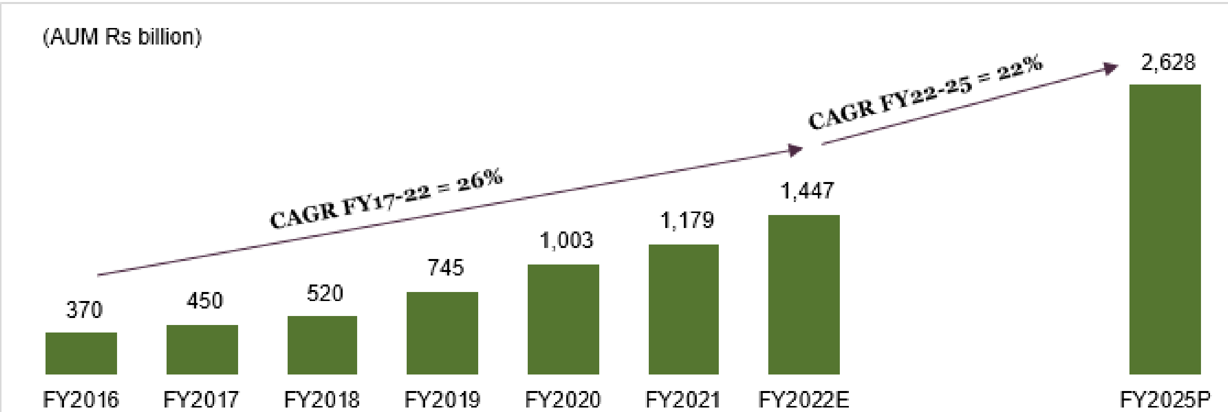
CASA and other retail deposits are a cheap source of funds for SFBs, which help them expand their product portfolio. They can provide lower rates in the market to compete with NBFCs. With SFBs expanding in the underserved regions further, their deposit base is expected to further widen. This will give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

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 has 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 three years ("**AUM**")



Note: E: Estimated; P: Projected; Advances considered for other players; The amounts are as of the end of the fiscal indicated; Data includes data for 11 SFB.
Source: Company reports, CRISIL Research.

Small finance banks' AUM clocked 26% CAGR during Fiscals 2016 to 2022. The top three accounted for approximately 60% of the aggregate AUM as of Fiscal 2022, up from 55% as of Fiscal 2017. These three players logged a 28% CAGR during the period. The top six players account for approximately 86% of the market share.

CRISIL Research expects the sector's loan portfolio to see a strong approximately 22% CAGR in the near term as most of the SFBs have completed the transition phase and likely to get benefit from the operating leverage. New loan origination remained low in Fiscal 2022 as SFBs turned cautious and selective in disbursals due to the pandemic. However, as economy revives and business operations normalise, growth is likely to recover from Fiscal 2023 onwards, largely supported by:

- 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. 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

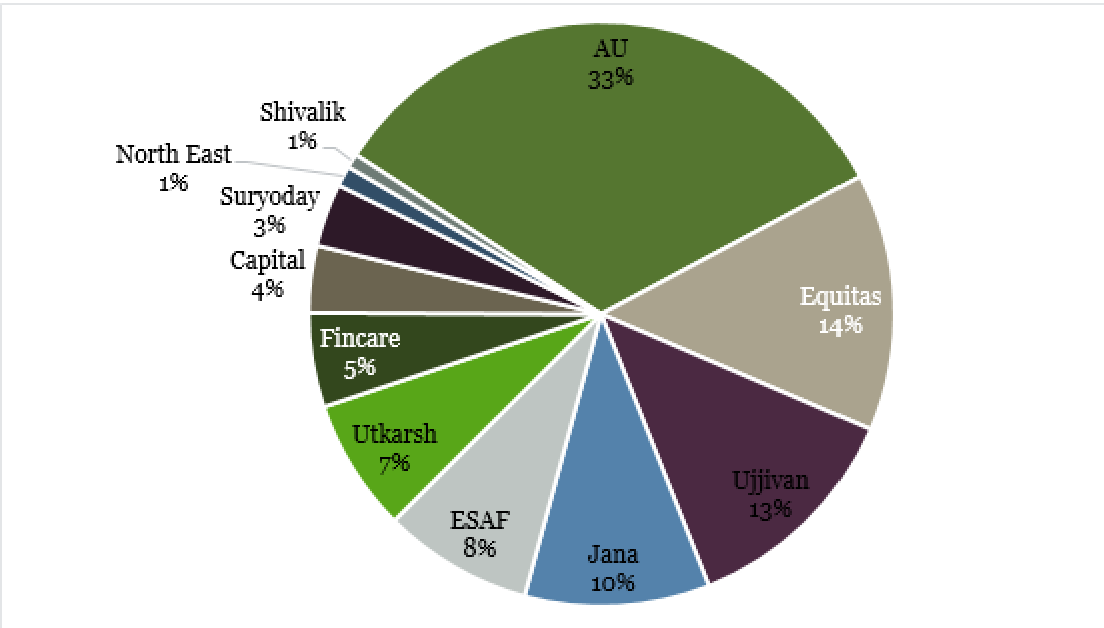
- Geographic diversification – With increased focus on diversifying their portfolio and expanding their reach, SFBs are expected to log higher growth as they tap newer geographies

- 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

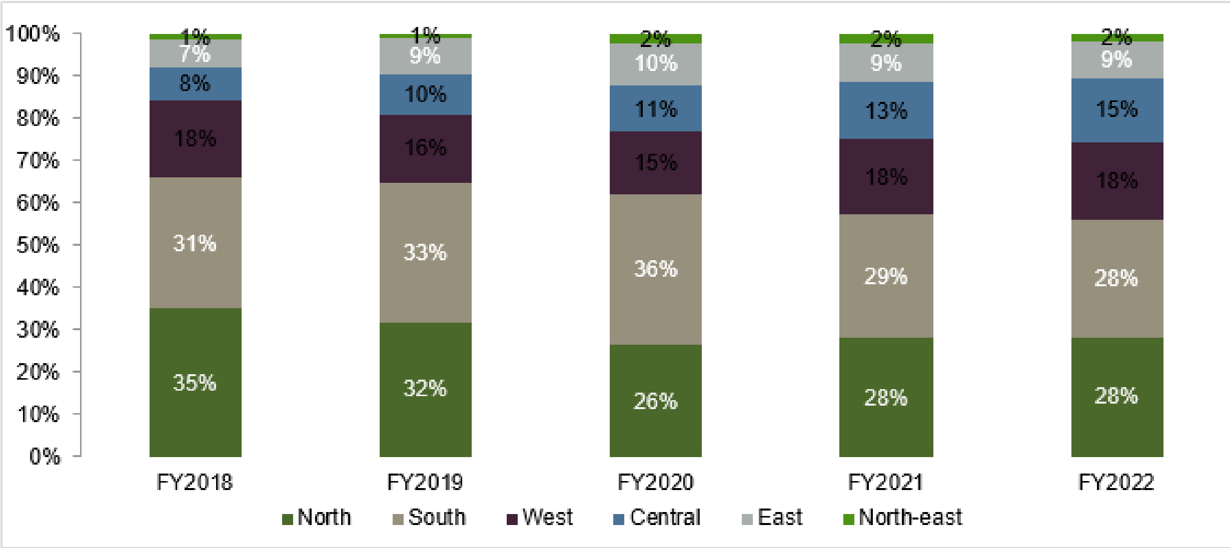
- Access to low-cost funds & huge cross sell opportunity– SFBs' cost of funds is low substantially as they are allowed to raise CASA deposits. This will also help them lend at more reasonable rates to its customers, hence enhancing their cross-sell opportunity in terms of asset products, insurance etc.

Top six players accounted for 86% of industry AUM as of Fiscal 2022



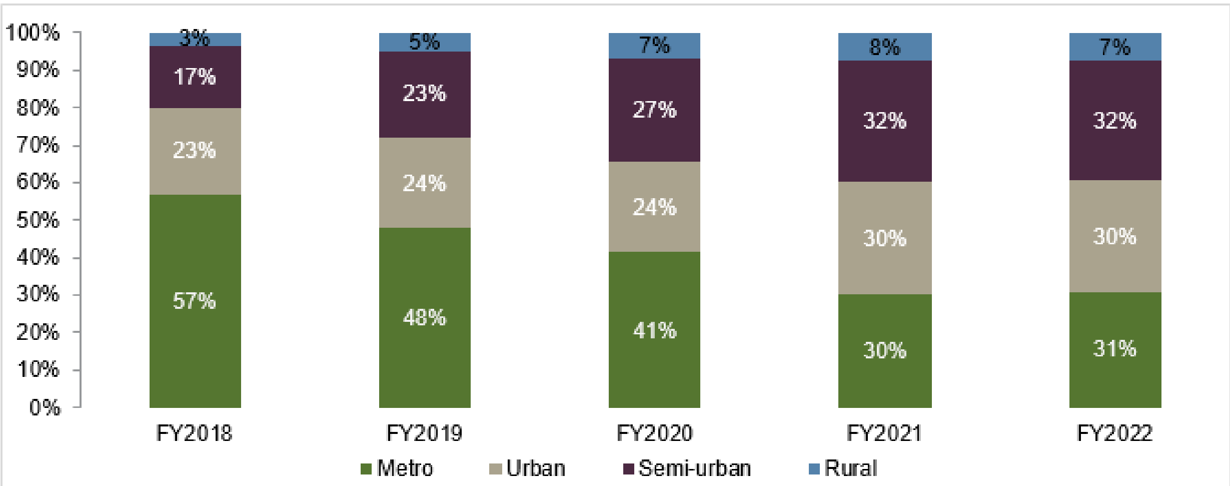
Note: AUM for Jana SFB, ESAF SFB, Fincare SFB, Capital SFB, North East SFB and Shivalik SFB are based on advances; Data includes data for 11 SFB.
Source: Company reports; CRISIL Research.

Advances across regions for SFBs



Source: RBI, CRISIL Research.

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



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

Top 10 states of SFB loan portfolio contribute approximately 82% of the loan portfolio

Top 10 States	Share as at end of Fiscal 2022
Rajasthan	16%
Tamil Nadu	16%
Maharashtra	11%
Madhya Pradesh	9%
Gujarat	7%
Karnataka	6%
Punjab	5%
Uttar Pradesh	5%
Kerala	4%
Bihar	4%

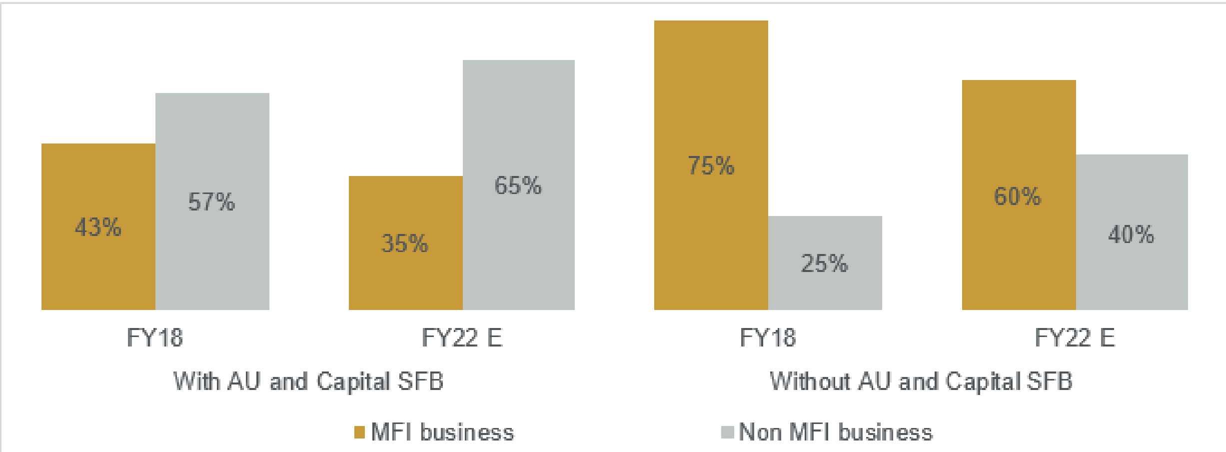
Source: RBI, CRISIL Research

SFBs continue to diversify their portfolio beyond microfinance business

Eight of the ten firms that got SFBs licence in the initial phase were MFIs and for most of them microfinance is the central product. The microfinance segment accounts for 36% (including Capital and AU SFB) of overall business of SFBs in Fiscal 2022.

In fact, SFBs have shifted their focus from microfinance to other products. But their core customer base is unlikely to have changed much because of the regulatory norms. After the conversion of NBFC-MFIs to SFBs, the focus is now on diversifying the product portfolio. As a result, the share of their MFI portfolio in total advances reduced to 36% as of Fiscal 2022 from 90-95% as of Fiscal 2016. Going forward, SFBs will have to focus on small-ticket size lending to financially under-served and un-served segments (loans below ₹ 2.5 million will have to form at least 50% of their loan book). CRISIL Research expects MFIs that converted to SFBs to further diversify and focus on allied segment loans, such as MSME loans, affordable housing finance, gold loans, CV/non-CV loans and two-wheeler loans, which will reduce the dominance of microfinance in their overall loan portfolio.

Advances mix for small finance banks



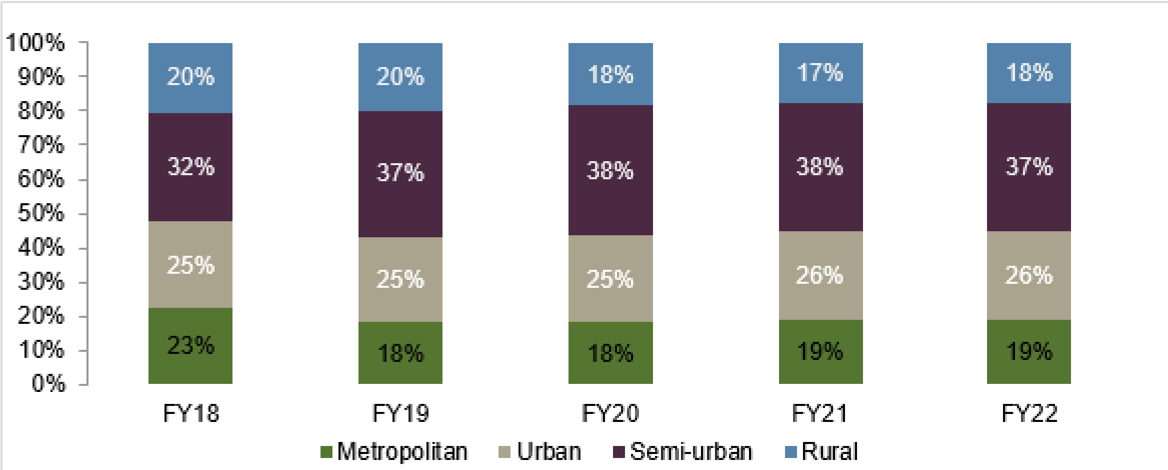
Notes: E: Estimated, 1) Capital and AU SFB are excluded as they mostly deal with non-MFI business, 2) Portfolio mix data for Capital SFB, Utkarsh SFB and ESAF SFB is as of March 2021, 3) Data includes data for 10 SFB.
Source: Company reports, CRISIL Research.

Growth in network base to curb geographic concentration of loan portfolio

SFBs have been given three years to align their banking network with the extant guidelines. As long as the existing structures continue, they would be treated as 'banking outlets', although not immediately reckoning for the 25% norm. During the three years, all banking outlets opened or converted from MFI branches in a year, will have to open 25% banking outlets in unbanked rural centres in the same year.

SFBs have seen strong growth in branch expansion in order to meet regulatory requirements. As of Fiscal 2022, the top three players accounted for more than 40% of the total number of functioning offices. Expansion of functioning offices has also helped diversification of portfolio and overcome geographic concentration. As of Fiscal 2022, top 10 states account for approximately 82% of the overall SFB portfolio. However, with rapid branch expansion and broad service offerings, the share of these states is expected to come down.

Share of semi-urban branches continue to increase for SFBs



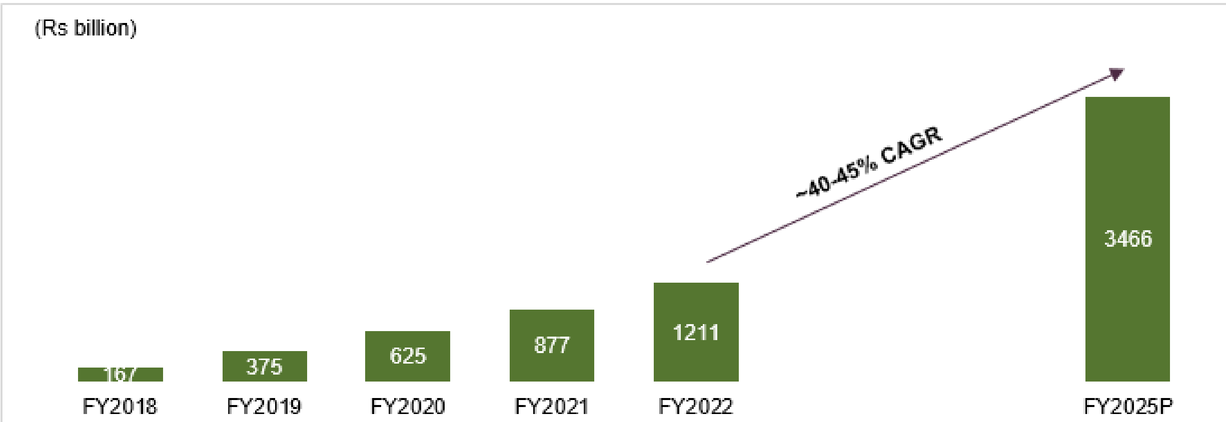
Note: Rural: Population less than 10,000, Semi urban: 10,000 <=Population <1 Lakh, Urban: 1 Lakh <=Population <10 Lakh, Metropolitan: Population 10 lakh and above.
Source: RBI, CRISIL Research.

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

SFBs have a significant growth potential as most of them were functioning as NBFCs/MFIs previously. Immediately after commencement of their operation, all SFBs focussed on increasing their deposit base. Their overall deposit base doubled to around ₹ 375 billion as of Fiscal 2019. It further increased approximately 48% CAGR to reach ₹ 1,211 billion in Fiscal 2022. Further, proportion of CASA deposits has short up from nearly approximately 20% as of Fiscal 2020 to approximately 41% as of Fiscal 2022. The increase could be attributed to the higher interest rates they offer and increase in their branch network.

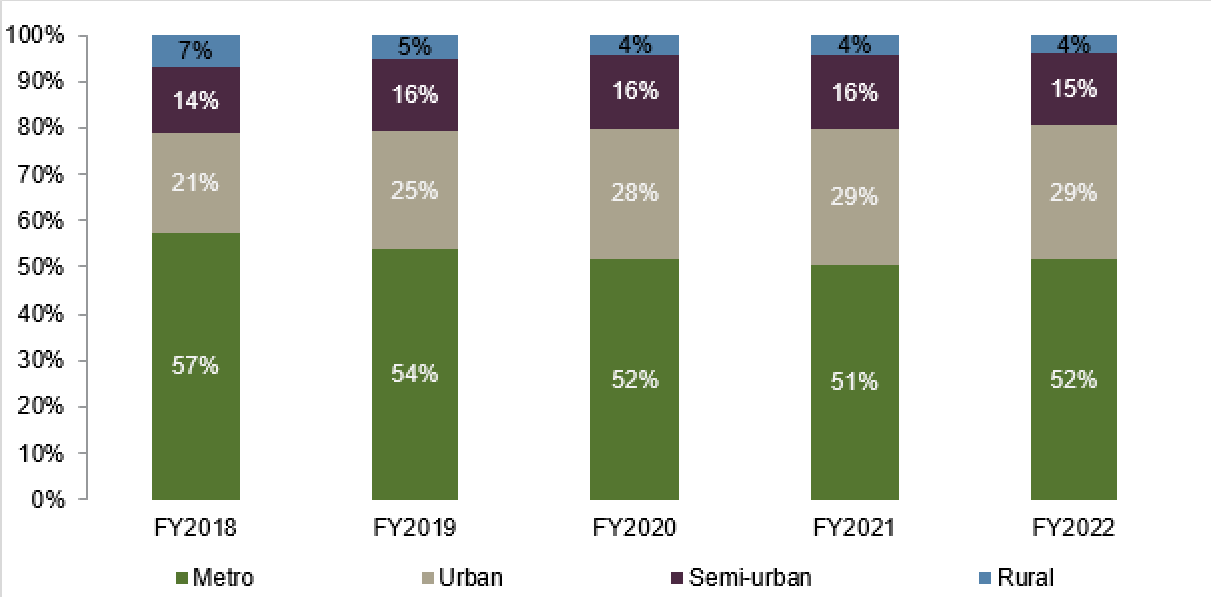
Deposit growth for SFBs continued to grow at a strong pace of 38% in Fiscal 2022. Going forward, CRISIL Research expects SFBs' deposit to grow 40-45% CAGR over Fiscals 2022-2025 as players focus on popularising convenient banking habits to cover the last mile and widen financial inclusion by deepening their penetration in untapped geographies.

SFB deposits to grow robustly



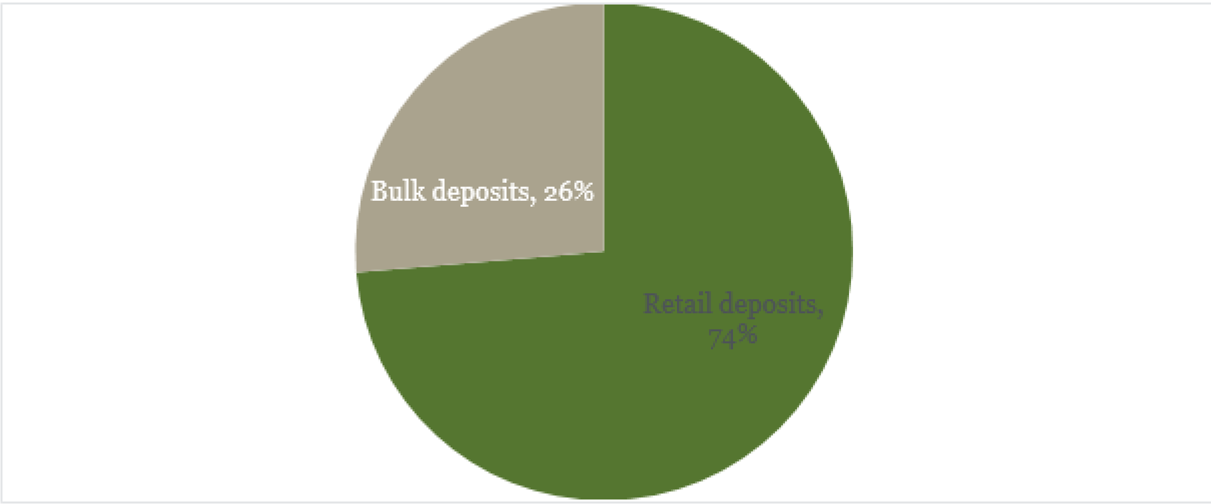
Note: Amounts are as at the end of fiscal year indicated; P: Projected.
Source: Company reports, CRISIL Research.

Around 80% deposits is from metropolitan and urban regions for SFBs



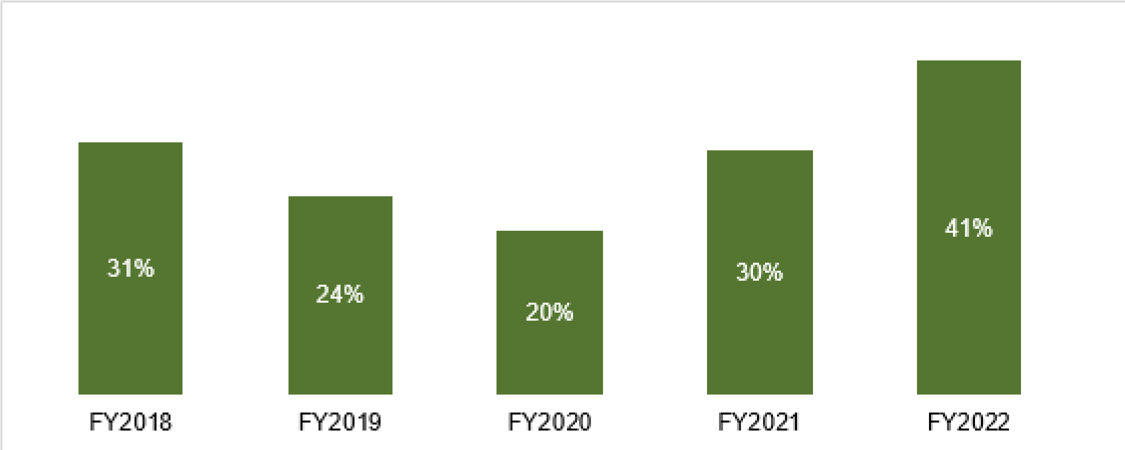
Note: Rural: Population less than 10,000, Semi urban: 10,000 <=Population <1 Lakh, Urban: 1 Lakh <=Population <10 Lakh, Metropolitan: Population 10 lakh and above.
Source: RBI, CRISIL Research.

Share of retail deposit in total deposit (Fiscal 2022)



Note: Retail deposit include CASA and Retail term deposits; Data excludes data for Jana and North East SFB; Retail deposit split for ESAF SFB and Capital SFB is as of Fiscal 2021.
Source: Company reports, CRISIL Research.

CASA ratio for small finance banks



Source: RBI, Company Reports, CRISIL Research.

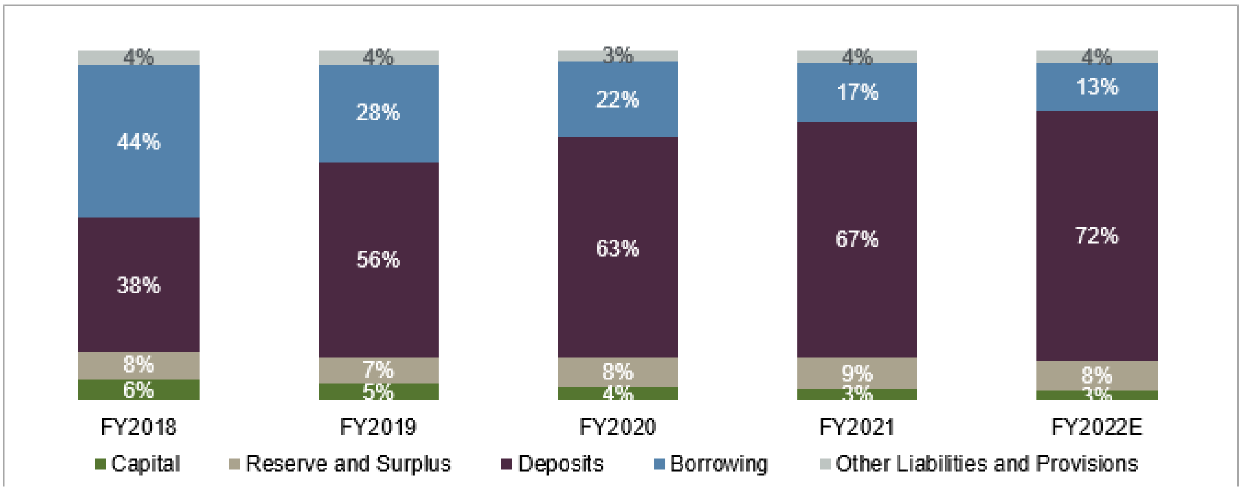
Over the next couple of years, CRISIL Research expects SFBs to focus on gradually building their banking business and complying with tougher regulatory norms. In addition, transformation into SFBs will provide access to stable and granular public deposits over the long run, which will bring down their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

Transformation in Resource profile of SFBs

The resource profile of SFBs has completely transformed in the last two to three years owing to a decrease in share of borrowings from 44% as of Fiscal 2018 to 13% as of Fiscal 2022 and a rise share of deposits from 38% to 72% during the same period. Their asset-liability management ("**ALM**") profile remains comfortable owing to conservative liquidity policy, mobilisation of deposits and shorter tenure loans.

Their liquidity profile is also supported by regulatory requirements such as higher requirement of minimum net owned funds ensuring capital adequacy and mandatory maintenance of CRR/SLR ratio, which provides access to call money market and provide better cushion than other NBFCs.

Rapid ramp-up in deposits for SFBs



Note: E = Estimated; The percentages are as at the end of fiscal year indicated; Data includes data for 10 SFB.
Source: Company reports, CRISIL Research.

Profitability for SFBs to bounce back in Fiscal 2023

In Fiscal 2020, the return on assets ("**RoA**") of SFBs increased by 20-30 bps. However, outbreak of COVID-19 followed by the nationwide lockdown in the month of March 2020, caused a rise in credit costs for SFBs who made special COVID-19 provisioning, in addition to standard provisioning as of Fiscal 2020.

In Fiscal 2022, the industry RoA declined sharply to 0.7% from 1.48% in Fiscal 2021 and 1.91% in Fiscal 2020 largely due increased provisioning made by many players in the industry, considering the likely impact of COVID-19 on asset quality. Players who had adequate capital went for front loading of credit costs in Fiscal 2021 itself, while players who have lower margins and higher operating costs spread out the increased provisioning over the course of Fiscal 2021 and Fiscal 2022.

Going forward, with increasing interest income and reduction in opex and credit cost as collection efficiency improves, overall profitability for SFBs is expected to gradually improve.

Increasing credit cost amid COVID-19 pandemic to weigh on profitability of SFB in the near-term

RoA tree (SFB)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023P
Interest income	14.1%	14.5%	12.9%	11.8%	12.4%
Interest expense	6.6%	6.7%	6.0%	5.0%	5.3%
Net interest income	7.5%	7.8%	6.9%	6.8%	7.1%
Opex	6.1%	5.8%	4.9%	5.3%	5.2%
Other income	2.0%	1.7%	2.1%	1.6%	1.6%
Credit cost	0.9%	1.3%	2.2%	2.0%	1.7%
RoA	1.65%	1.91%	1.48%	0.7%	1.6%

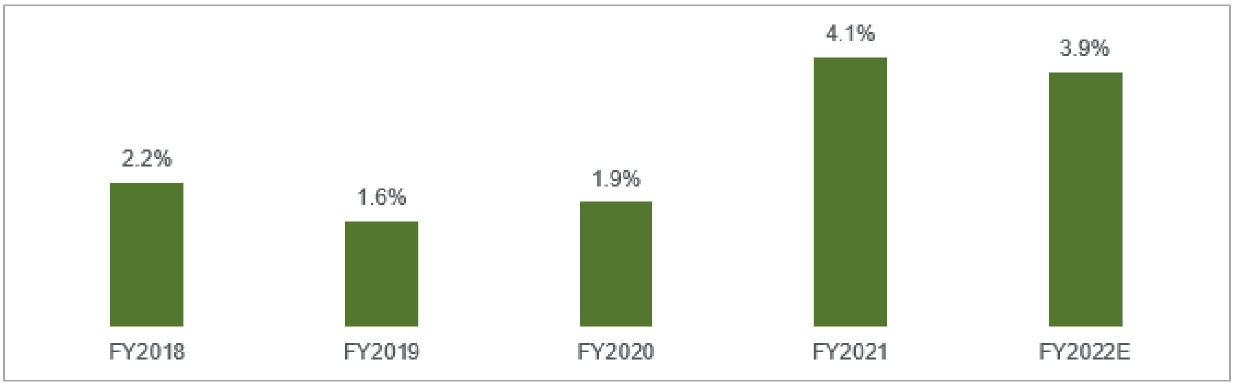
Note: P: Projected, Numbers are based on Ind-AS, Data excludes Jana, North East SFB and Shivalik SFB.
Source: CRISIL Research.

Asset quality for SFBs could deteriorate due to the pandemic

GNPA of SFBs improved to 1.6% as of Fiscal 2019 from 2.2% as of Fiscal 2018. This could be attributed to diversification of product mix into relatively less risky assets, write-off of legacy loans and reduction in microfinance loans due to better collection mechanism and deep understanding of their local geographies and customers. In Fiscal 2021, SFBs 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 happen 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. GNPA levels is estimated to improve marginally in Fiscal 2022. Going forward, CRISIL Research expects that asset quality to further improve to 3.4-3.7%, however, it will vary depending 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 Research.

PEER BENCHMARKING

Utkarsh SFB is the 2nd fastest growing SFB amongst peers

Utkarsh SFB recorded the 2nd fastest AUM growth of 31.6% over Fiscals 2019 to 2022 among the compared peers. ESAF SFB reported the fastest growth over the same period.

Utkarsh SFB has the fourth highest deposits growth over Fiscals 2021 to 2022

Utkarsh SFB recorded the 4th highest y-o-y deposits growth of 34% over Fiscal 2021 to 2022 among the compared peers including Banks and NBFC-MFIs. AU SFB recorded the fastest growth at 46% followed by ESAF SFB (42%) and Ujjivan SFB (39%).

SFBs and other players as of end-Fiscal 2022

₹billion	AUM (Fiscal 2022)	AUM CAGR (Fiscal 2019 to Fiscal 2022)	Deposit (Fiscal 2022)	Deposit growth (Fiscal 2021 to Fiscal 2022)	Credit to deposit ratio	Banking outlets^ (Fiscal 2002)	Number of employees	Capital adequacy ratio ("CAR")
SFBs								
AU SFB	478.3	25.4%	525.9	46%	88%	919	27,817	21.00%
Equitas SFB	206.0	20.7%	189.5	16%	102%	869	17,607	25.16%
Ujjivan SFB	181.6	18.0%	182.9	39%	89%	575	16,895	18.99%
Jana SFB	130.1*	27.9%**	135.4	9%	96%	585#	16,212#	15.26%
ESAF SFB	116.4*	36.8%**	128.2	42%	91%	553$	3,337$	18.64%
Utkarsh SFB	**106.3**	**31.6%**	**100.7**	**34%**	**102%**	**686**	**12,617**	**21.59%**
Fincare SFB	75.4	28.8%	64.6	21%	109%	809$	8,850$	22.32%
Suryoday SFB	50.6	19.0%	38.5	18%	123%	565	5,252	37.90%
Microfinance								
Credit Access	137.3	24.2%	NA	NM	NM	1,164	11,951	26.54%
Spandana	65.8	14.6%	NA	NM	NM	1,120	8,763	51.09%
Universal banks								
Bandhan Bank	993.4	30.4%	963.3	24%	98%	5,639	60,211	20.10%

*Notes: Players are arranged in descending order of AUM. # Data as of Fiscal 2020, * Advances as of Fiscal 2022 is considered instead of AUM, ** Advances CAGR (Fiscal 2019 to Fiscal 2022), $ Data as of Fiscal 2021, ^ Banking outlets including bank branches, ultra-small branches and asset centres as reported by the players. NA - not available.*
Source: Company reports, CRISIL Research.

Deposit details of SFBs and other players as end-Fiscal 2022

SFBs	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	114.1%	89.8%	66.0%	37.0%	30.9%	32.1%
Equitas SFB	97.8%	87.9%	89.4%	52.0%	37.4%	10.6%
Ujjivan SFB	112.2%	91.2%	58.1%	28.5%	29.6%	42.0%
Jana SFB	104.1%	75.0%	NA	NA	NA	NA
ESAF SFB	110.1%	81.3%	97.7%*	19.4%*	78.3%*	2.7%*
Utkarsh SFB	**98.5%**	**79.7%**	**59.6%**	**22.4%**	**37.3%**	**40.4%**
Fincare SFB	91.7%	68.7%	82.2%	36.3%	45.9%	17.8%
Suryoday SFB	81.0%	60.1%	78.1%	20.2%	57.9%	21.9%
Universal banks						
Bandhan Bank	102.5%	82.9%	77.3%	41.6%	35.7%	22.7%

*Notes: 1) NA - Not available. 2) Retail deposits includes CASA and retail term deposits. Bulk deposits include institutional deposits. 3) CASA ratio is calculated based on overall deposits excluding certificates of deposits ("***CoD***"). 4) (*) Data as of Fiscal 2021.*
Source: Company reports, CRISIL Research.

Both Utkarsh SFB and Fincare SFB have the 2nd lowest share of deposits from top state

In Fiscal 2022, contribution of top state in overall deposit is lowest for Jana SFB among the compared SFBs. Utkarsh SFB and Fincare SFB stood 2nd in share of top state in overall deposits in Fiscal 2022 at 17% among the compared peers.

State mix of deposit (Fiscal 2022)

	Top state	Top 3 states	Top 5 states	Top 7 states	Top 7 states names
SFBs					
AU SFB	30%	64%	80%	90%	Maharashtra, Rajasthan, Delhi NCR, Punjab, Gujarat, Madhya Pradesh and Haryana
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	**17%**	**47%**	**66%**	**77%**	**Haryana, Uttar Pradesh, NCT of Delhi, Maharashtra, Uttarakhand, Bihar and Punjab**
Fincare SFB#	17%	46%	64%	79%	Kerala, Gujarat, Tamil Nadu, Karnataka, Maharashtra, Rajasthan and NCT of Delhi
Suryoday SFB	42%	74%	89%	93%	Maharashtra, Tamil Nadu, Karnataka, Gujarat, Delhi, Odisha

*Note: States are arranged in descending order of their exposure, * Data is as of Sept 2020, # Data is as of March 2021.*
Source: Company reports, CRISIL Research.

Product mix

Equitas SFB has the most diversified portfolio among peers, with reasonable book size in multiple asset classes as of Fiscal 2022. 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 (as of end-Fiscal 2022)

	Micro Finance	Vehicle/Auto Loans	Mortgage loans	MSME Finance	Large and mid-corporate loans	Gold loans	Others
SFBs							
AU SFB	-	36%	6%	35%	17%	-	6%
Equitas SFB	19%	25%	-	52%	4%	-	1%
Ujjivan SFB	67%	-	15%	9%	-	-	9%

	Micro Finance	Vehicle/Auto Loans	Mortgage loans	MSME Finance	Large and mid-corporate loans	Gold loans	Others
ESAF SFB#	85%	-	-	-	5%	-	10%
Utkarsh SFB	**75%**	**2%**	**3%**	**8%**	**9%**	**-**	**3%**
Fincare SFB	76%	-	12%	-	-	6%	6%
Suryoday SFB	67%	7%	9%	5%	-	-	13%

Note: # Data is as of March 2021
Source: Company reports, CRISIL Research

Geographical concentration of loan portfolio

Top 7 states for Utkarsh SFB accounts for 89% which is 3rd lowest among the compared SFBs in Fiscal 2022. Ujjivan SFB had the most geographically diversified portfolio among peers with the top state (16%), top 3 states (42%), top 5 states (60%) and top 7 states (73%) in Fiscal 2022. Some SFBs like ESAF SFB, Equitas SFB and AU SFB also have a high single state concentration of 59% (Kerala), 54% (Tamil Nadu) and 41% (Rajasthan) respectively, which could pose a portfolio concentration risk in uncertain times.

Fiscal 2022	Top state	Top 3 states	Top 5 states	Top 7 states	Top 7 states names
SFBs					
AU SFB	41%	58%	68%	95%	Maharashtra, Rajasthan, Delhi NCR, Punjab, Gujarat, Madhya Pradesh and Haryana
Equitas SFB**	54%	77%	85%	90%	Tamil Nadu, Maharashtra, Karnataka, Rajasthan, Gujarat, Madhya Pradesh and Delhi
Ujjivan SFB	16%	42%	60%	73%	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*	59%	86%	93%	98%	Kerala, Tamil Nadu, Maharashtra, Madhya Pradesh, Karnataka, Chhattisgarh and Jharkhand
Utkarsh SFB	**34%**	**70%**	**83%**	**89%**	**Bihar, Uttar Pradesh, Maharashtra, Jharkhand, Haryana, Madhya Pradesh and Odisha**
Fincare SFB^	25%	59%	80%	93%	Tamil Nadu, Gujarat, Karnataka, Madhya Pradesh, Rajasthan, Maharashtra and Andhra Pradesh
Suryoday SFB	34%	72%	87%	94%	Maharashtra, Tamil Nadu, Odisha, Gujarat, Karnataka, Madhya Pradesh and Uttar Pradesh

Note: States are arranged in descending order of their exposure.
** Data for the month of September 2020; ^ Data for the month of December 2020, ** Data for the month of March 2021.*
Source: Company reports, CRISIL Research.

Experience of leadership team

SFBs have better management depth as compared to NBFC-MFIs, as its average team size is 19 as compared to 10 of microfinance players. Also, its average experience of 25 is higher than 21 for microfinance players. Utkarsh SFB's average management experience is 25 years which is at par with the industry average for SFBs.

<u>Experience of leadership team (Fiscal 2022)</u>

Player Name	Team size	Average experience (years)
SFBs		
AU SFB	26	19
Equitas SFB	13	26
Ujjivan SFB	13	27
Jana SFB	16	27
ESAF SFB	34	25
Utkarsh SFB	16	25
Fincare SFB	21	25
Suryoday SFB	15	23
Average	**19**	**25**
Microfinance		
Credit Access	15	19
Spandana	5	20
Average	**10**	**20**

Source: Company reports, CRISIL Research.

Profitability

Utkarsh SFB has the 2nd best cost to income ratio amongst SFBs in Fiscal 2022

Amongst SFBs, Utkarsh SFB has the 2nd best cost to income ratio of 59.11% in Fiscal 2022 after AU SFB at 57.07%. Ujjivan SFB reported the highest cost to income ratio of 71.68% during the same period.

Utkarsh SFB reported the 4th highest NIMs among the compared SFBs in Fiscal 2022

Utkarsh SFB posted the 4th highest NIMs at 7.8% after Fincare SFB (9.28%), Ujjivan SFB (8.07%) and Equitas SFB (7.89%) among the compared SFBs in Fiscal 2022.

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%
Universal banks								
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; # Banking outlets for Fiscal 2021 considered for calculation.*
Source: Company reports, CRISIL Research.

Utkarsh SFB has the lowest restructured book as a proportion of advances

Utkarsh SFB has the lowest restructured book as a proportion of advances of 1.3% among the peers in Fiscal 2022.

Utkarsh SFB has the 2nd lowest stressed book amongst SFBs

Utkarsh SFB has the 2nd lowest stressed book at 3.6% among SFBs in Fiscal 2022 after AU SFB (3.0%). Suryoday SFB had the highest stressed book amongst SFBs at 16.7% in Fiscal 2022.

Among the peer set, AU SFB's quantum of restructured book as a proportion of advances (2.5%) coupled with low NNPA (0.5%) indicates relatively low risk from existing stressed assets. Further, Utkarsh SFB also faces relatively low risk on this count with restructured book at 1.3% and NNPA at 2.3% of advances as of Fiscal 2022.

Utkarsh SFB has the 3rd highest provision coverage ratio ("**PCR*****") amongst the compared SFBs***

Utkarsh SFB has the 3rd highest PCR of 63.6% among the compared eight SFBs in Fiscal 2022 after Ujjivan SFB (92.0%) and AU SFB (75%). Utkarsh SFB also had the 3rd best LCR of 173.4% after Fincare SFB and Suryoday SFB among the compared eight SFBs in Fiscal 2022.

AU SFB has the lowest GNPA and NNPA amongst the compared peers

AU SFB has the best GNPA of 2.0% followed by Capital SFB at 2.5% and Credit Access at 3.1% among the compared peers including Banks and NBFC-MFIs as of Fiscal 2022. AU SFB also had the lowest NNPA ratio among the peers as of Fiscal 2022.

Asset Quality and Liquidity ratios for players in Fiscal 2022

Players	Provision Coverage Ratio (%)	Provisions as % of AUM	Liquidity Coverage Ratio (%)	Collection efficiency	Restructured book as % of advances	GNPA (%)	Stressed book$	NNPA (%)
SFBs								
AU SFB	75.0%	0.8%	125.0%	106%	2.5%	2.0%	3.0%	0.5%
Equitas SFB	58.6%	2.6%	134.0%	99%^	9.2%	4.1%	11.6%	2.4%
Ujjivan SFB	92.0%	6.9%	152.0%	100%	5.2%	7.1%	5.8%	0.6%
Jana SFB	32.2%**	NA	NA	NA	2.7%	5.7%	6.6%	3.9%
ESAF SFB	49.9%**	NA	132.4%*	NA	4.7%	7.8%	8.6%	3.9%
Utkarsh SFB	**63.6%**	**4.3%**	**173.4%**	**100%**	**1.3%**	**6.1%**	**3.6%**	**2.3%^^**
Fincare SFB	44.0%	6.2%	206.0%	97%	5.3%	7.8%	8.9%	3.6%
Suryoday SFB	49.2%**	8.5%	223.0%*	116.40%	10.7%	11.8%	16.7%	6.0%
Microfinance								
Credit Access	69.9%**	3.6%	NA	96%	1.8%	3.1%	2.7%	0.9%
Spandana	60.0%**	6.5%	NA	94%	18.0%	15%	24%	6%
Universal banks								
Bandhan Bank	74.3%**	8.5%	NA	99%	5.2%	6.5%	8.2%	1.7%

*Note: ** Provision coverage ratio is calculated as (GNPA-NNPA)/ GNPA; ^ Data is as of March 2021; * Data is as of December 2021; $ Stressed book = Restructured book as a % of advances + NNPA; ^^ Includes contingency provision of ₹ 650 million (0.6% of advances); NA – Not Available.*
Source: Company reports, CRISIL Research.

List of formulae

Parameters	Formula
RoA	Profit after tax / average of total assets on book
RoE	Profit after tax / average net worth
NIM	(Interest income – interest paid) / average of total earning assets on book
Yield on advances	Interest earned on loans and advances / average of total advances on book
Cost to income	Operating expenses / (net interest income + other income)
Cost of funds	Interest paid / (average of deposits and borrowings)
Non-interest income	(Total income – interest income)/ average of total assets on book
Credit cost	Provisions / average of total assets on book
Credit to Deposit Ratio	Advances/Deposit

ANALYSIS OF VARIOUS SEGMENTS

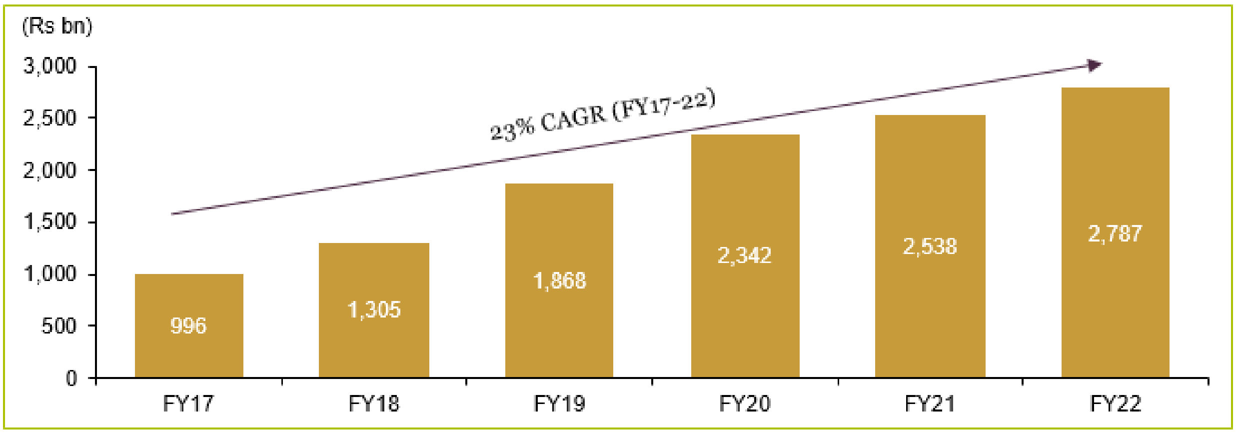
Microfinance

Industry GLP surged at 23% CAGR since Fiscal 2017 to Fiscal 2022

The microfinance industry (JLG portfolio) has recorded healthy growth in the past few years. The industry's gross loan portfolio ("**GLP**") increased at a CAGR of 23% since Fiscal 2017 to reach approximately ₹ 2.8 trillion in Fiscal 2022. The growth rate for NBFC-MFIs is the fastest as compared to other player groups.

In Fiscal 2021, the industry had been adversely impacted due to the onset of the COVID-19 pandemic. While disbursements came to a standstill in the first quarter of the year, they picked up subsequently. Disbursements reached to the pre-Covid levels for NBFC-MFI in the third and fourth quarter of Fiscal 2021. The second wave of COVID-19 led to a slow start in Fiscal 2022, however, the situation improved from the second half, as the number of cases declined and collections started improving. However, the key monitorables will be impact of any new waves if they materialise, any new regulatory interventions, collection efficiency of players, and income generation capabilities of borrowers.

GLP clocked 23% CAGR between Fiscals 2017 and 2022



*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: CRIF Highmark, Company reports, Industry and CRISIL Research.

Impact of COVID-19 pandemic

The extended nationwide lockdown to contain the spread of COVID-19 affected the income-generation ability and the savings of borrowers accessing MFIs, who typically have weaker credit profiles compared with other borrowers. About 50-60% of the micro loans were under moratorium as of August 2020. Also, because of the nationwide lockdown, and several state-imposed lockdowns thereafter, normal operations of MFIs – loan origination and collections – were a challenge, especially during the first few months post-Covid. This had an adverse impact on MFIs as their operations are field-intensive, involving high personal interactions, such as home visits and physical collection of cash.

Prior to the lockdown, many MFIs had managed to shore up their liquidity by March-end in Fiscal 2020, majority of the collection had already happened before the lockdown was announced. In fact, collection efficiency was largely intact at 98-99%. The MFIs also drew down bank loans for the purpose of on-lending in the last week of March, which is typically a period marked by high business activity. However, planned disbursements did not happen on account of the lockdown. Disbursements reached to the pre-covid level in the third and fourth quarter of Fiscal 2021 led by rural and semi-urban as the COVID-19 impact was relatively lower.

Key steps taken by the government with respect to microfinance to counter COVID-19 crisis:

- **Reducing debt servicing burden through moratorium period**: The RBI initially permitted lending institutions to allow a moratorium of three months on repayment of instalments for term loans outstanding as on March 1, 2020 and defer interest payments due on working capital facilities outstanding. The moratorium was further extended by another three months till August 31, 2020. However, the banks were instructed to provide 10% additional provisioning for availing of this benefit which could be later adjusted against the provisioning requirements for actual slippages. These measures were intended to boost confidence in the economy and provide relief to the borrowers.

- **Refinance support from RBI:** In April 2020, the RBI announced refinancing support of ₹250 billion to NABARD, which provides support to NBFC-MFIs, RRBs and co-operative banks

- **Loan interest subvention scheme:** Under this scheme, the government provided 2% interest subvention to loans given under the Mudra-Shishu scheme. These loans were up to a ticket size of ₹50,000 and are primarily given by NBFC-MFIs catering to low income groups.

- On May 5, 2021, the RBI announced that fresh lending by Small Finance Banks to NBFC – MFIs with asset size less than INR 500 Crore for on-lending to individual borrowers will be classified under Priority Sector Lending. Extending the priority-sector lending eligibility to NBFC - MFIs with asset size up to ₹5,000 million encouraged flow of credit to smaller MFIs, which were facing relatively bigger funding-access challenges. The facility to SFBs was made available up to March 31, 2022.

- The RBI announced special long term repo operation ("**SLTRO**") programme for SFB amounting ₹100 billion to soften the impact of the second pandemic wave. The first auction took place on May 17, 2021 and on subsequent months till the amount is fully utilised. The amount borrowed from this scheme was to be utilised to lend to small business units and other unorganised sectors.

- On June 28 2021, the Finance Minister announced the Credit Guarantee scheme through micro finance institutions ("**MFIs**") for the first 2.5 million customers for a maximum tenure of 3 years. The 75% of guarantee was provided to scheduled commercial banks for ticket size up to ₹ 0.125 million to new or existing NBFC-MFIs. This addressed the severe cash flow distress caused by the 2nd wave of the pandemic to the individuals and small businesses.

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 2022, the microfinance industry had grown at a CAGR of 23% since Fiscal 2017. In Fiscal 2022, the industry grew by 9.8% year on year to reach ₹2.8 trillion as of March 2022.

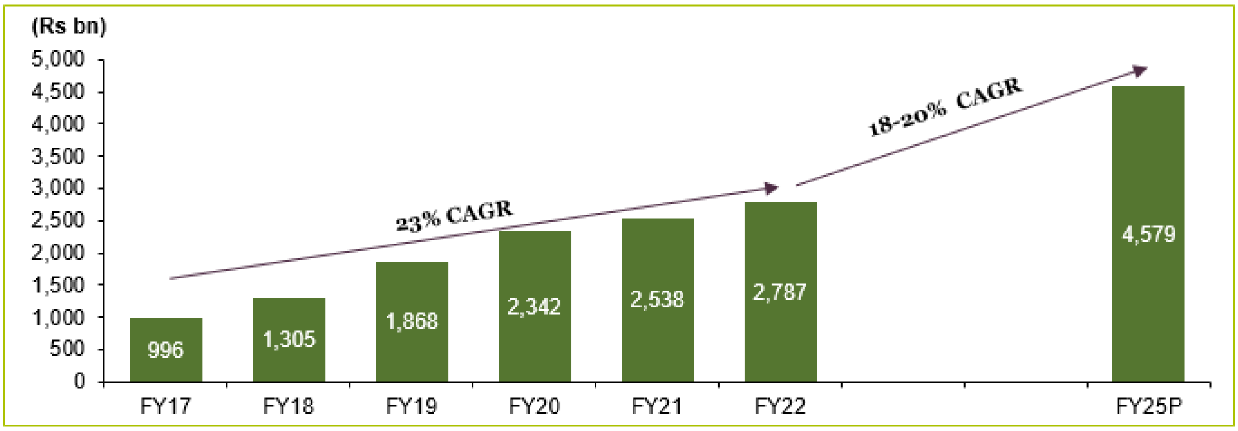
CRISIL Research expects the MFI loan portfolio to clock 18-20% CAGR. Key drivers behind superior growth outlook of the MFI industry include increasing presence of MFIs deep into the hinterland and expansion into newer states, faster growth in rural segment, expansion in average ticket size, and support 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 Reserve Bank of India ("**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 Research 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.

MFI Industry GLP to grow at 18-20% CAGR over Fiscal 2022-25



*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 Research.

Competitive dynamics

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

Key participants in the MFI lending business are:

- Banks-SHGs, which refers to banks who provide microcredit under the SGH programme
- Banks (direct and indirect through BCs) includes portfolios for direct and indirect lending (through BCs) by banks; private banks are key constituents
- NBFC-MFIs includes MFIs exclusively focused on the microfinance business, and accordingly registered as NBFC-MFIs with the RBI. Major players in this category include Satin Creditcare, Credit Access Grameen Ltd (formerly Grameen Koota Financial Services Ltd) and Satin Creditcare Network Limited
- SFBs: This category includes 12 players (AU, Capital, ESAF, Equitas, Fincare, Jana, North East, Shivalik, Suryoday, Unity, Ujjivan, and Utkarsh), which were formerly NBFC-MFIs/NBFCs, but have now converted into SFBs
- NBFCs include ASA, Fullerton, L&T Finance, and Reliance Commercial Finance Ltd, each of which has a microcredit lending business, in addition to other lending businesses
- Non-profit MFIs refers to MFIs registered as not-for-profit organisation, such as Cashpor

NBFC-MFIs and non-profit MFIs are the only two player groups with loan portfolios exclusively focused towards microcredit. Some of the well-established MFIs have converted to SFBs or have been acquired by banking institutions, which has led to a change in the landscape.

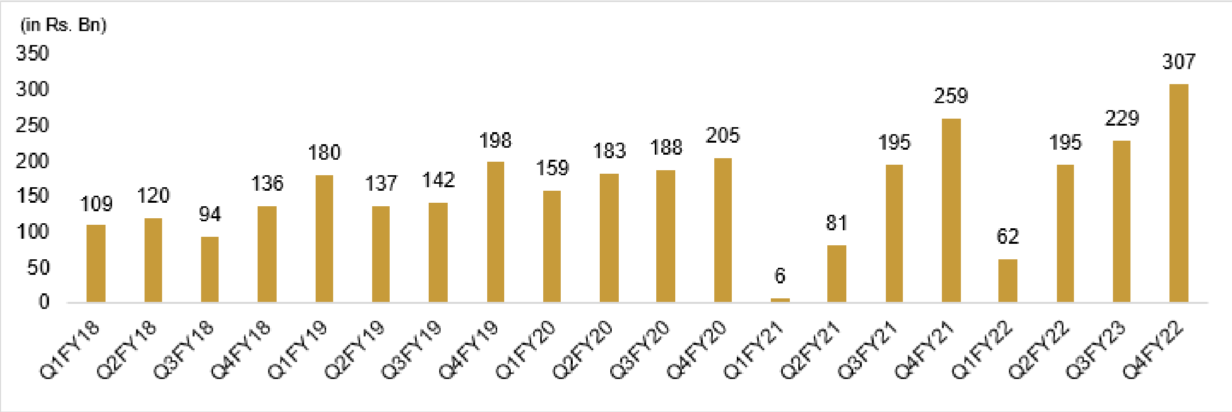
After commencement of operations, SFBs with microfinance business started looking at other asset classes, such as affordable housing, SMEs and vehicle finance, to provide buoyance to the loan book. While the strategy is to diversify into newer products, sustained growth of the microfinance business will depend on strategies of individual SFBs. Though most players plan to diversify their portfolio and reduce the portion of microfinance loans, some players continue to grow their microfinance loan book. However, this growth is a bank-specific strategy.

Disbursements have surpassed pre-COVID-19 levels

MFI loan disbursements dropped significantly in the first quarter of Fiscal 2021 on account of negligible collections due to the moratorium granted to customers post-COVID-19 and focus of players on preserving liquidity. 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-19 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 Quarter 1 of Fiscal 2022. However, with a recovery in economy from July 2021, collections started to improve, and disbursements increased by 141% and 17% on-year in Quarter 2 of Fiscal 2022 and Quarter 3 of Fiscal 2023 respectively. In Quarter 4 of Fiscal 2022 as well, disbursements continued to remain robust and witnessed a growth of 19% on year. Collection efficiency of most players reached 98-99% in the fourth quarter of Fiscal 2022.

Disbursements gaining traction after COVID-19 impact



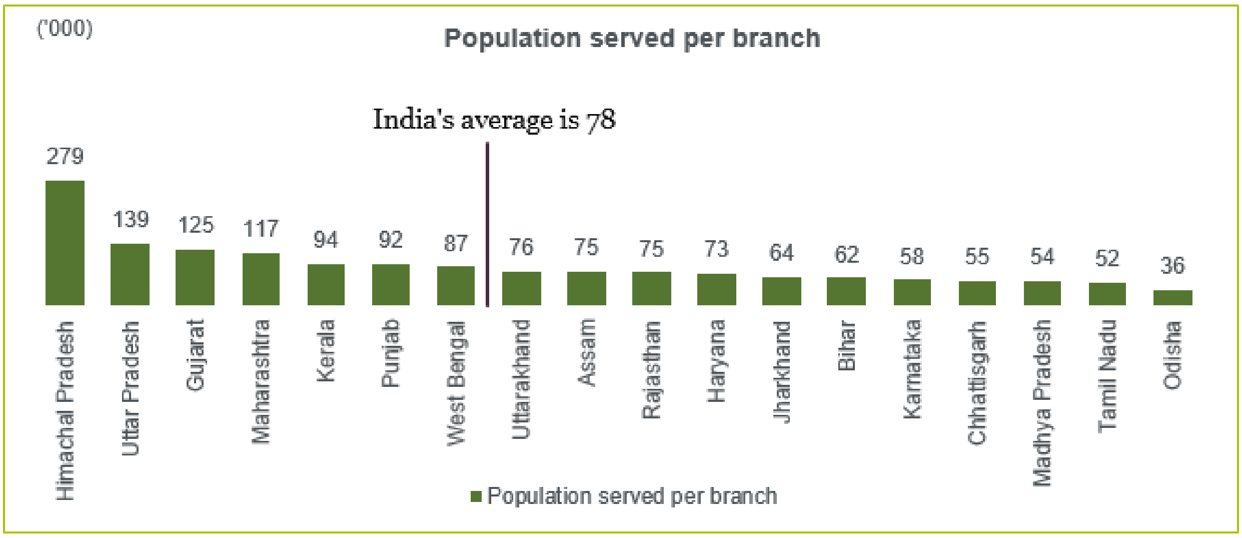
Note: E: Estimated, Data includes data for NBFC-MFI.
Source: MFIN, CRISIL Research.

Players tapping newer states and districts to widen client base

In the last few years, many MFIs have opened branches in untapped districts, thus increasing their penetration. States including Himachal Pradesh, Uttar Pradesh, Gujarat, Maharashtra, Kerala, Punjab and West Bengal have highly penetrated as these states have at least one branch for 90,000 people. In states where the presence of MFIs and banks is strong, CRISIL Research has witnessed an increase in ticket size as well.

Going forward, CRISIL Research expects penetration to deepen, which will further drive growth. Uttar Pradesh, Gujarat and Himachal Pradesh are the few states with the large number of population unserved and, hence, provides an opportunity for existing players to improve their penetration and market share.

Total branches of MFIs in each state/UT

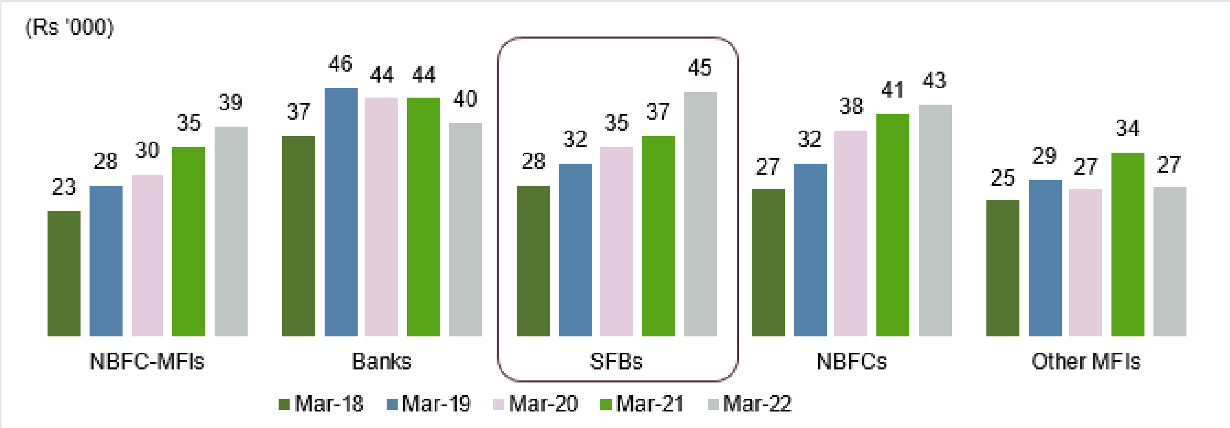


Note: Data includes only NBFC-MFI players and those states where five or more MFIs are operating.
Source: MFIN, CRISIL Research.

Average ticket size to expand, but at slower pace

The average ticket size of the MFI loans of SFB has risen by approximately 13% over Fiscals 2018 to 2022 to ₹45,238 in Fiscal 2022. Going forward, CRISIL Research expects MFI ticket size growth would be higher in newer under-penetrated states, but ticket size growth in other states with high penetration is expected to be lower. Further, growth would be faster in rural areas, where ticket sizes are relatively low. Consequently, increase in average ticket size at the industry level is projected to be much lower than in the past.

Average ticket size of NBFC-MFI players lower compared to other player groups



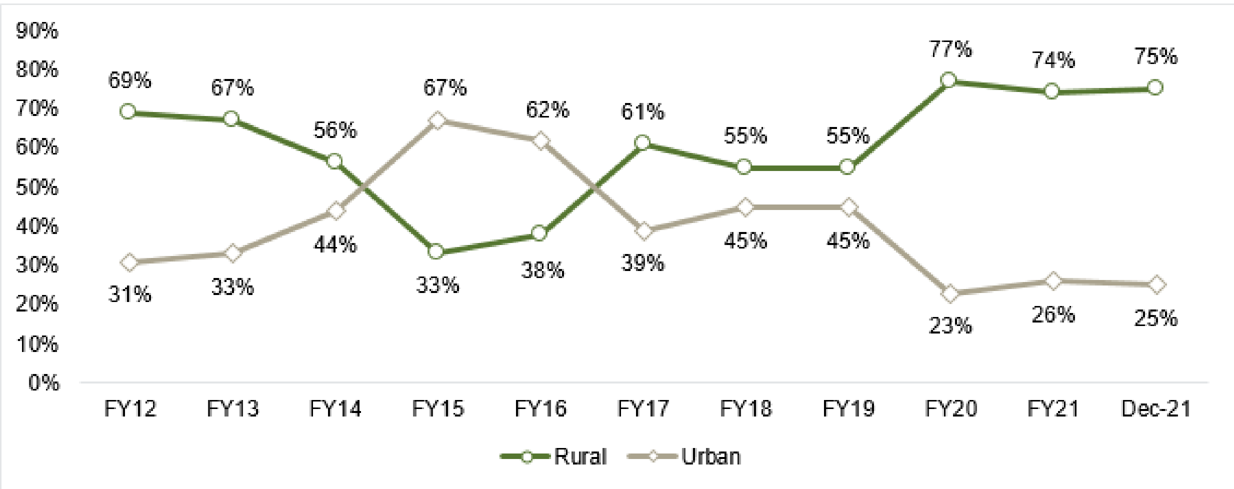
Note: Average ticket size on the basis of disbursement.
Source: MFIN, CRISIL Research.

Higher share of rural segment in MFI business to drive growth

CRISIL Research 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 Research 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 Research.

With the government's focus on financial inclusion and increasing number of financial institutions opening up branches in the unbanked areas, CRISIL Research has seen that demand for loan is higher in rural areas. As of December 2021, 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 December 2021)

(₹billion)	Disbursement (April-December 2021)	Share of disbursement	Portfolio outstanding	Share of GLP	Share of borrowers
Rural	475	71%	647	75%	75%
Urban	194	29%	217	25%	25%

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 Research.

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.

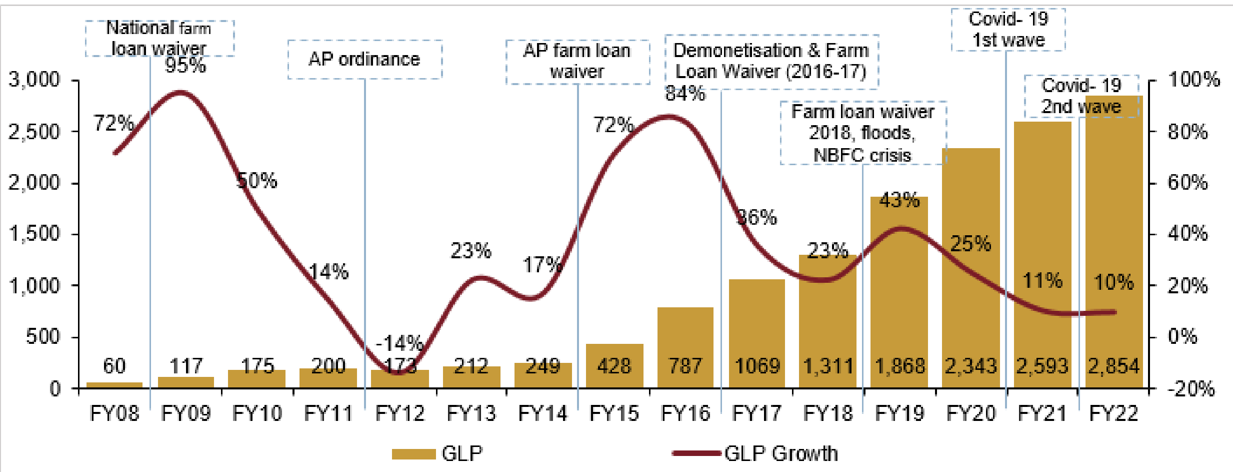
However, the rural economy has been resilient in the last year, amidst the COVID-19 pandemic. India has witnessed above normal, timely and largely well distributed monsoon, benefitting the agriculture industry and rural India. The government is also committed to their cause towards rural India. For instance, 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.

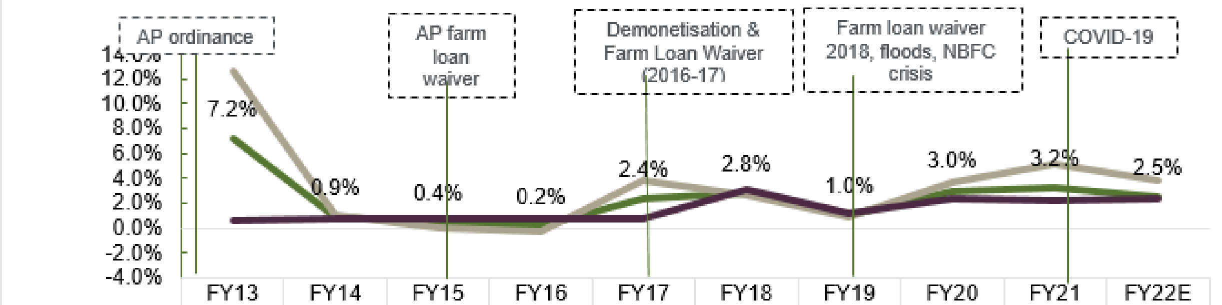
MFI industry has shown resilience over the past decade



*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 Research.

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

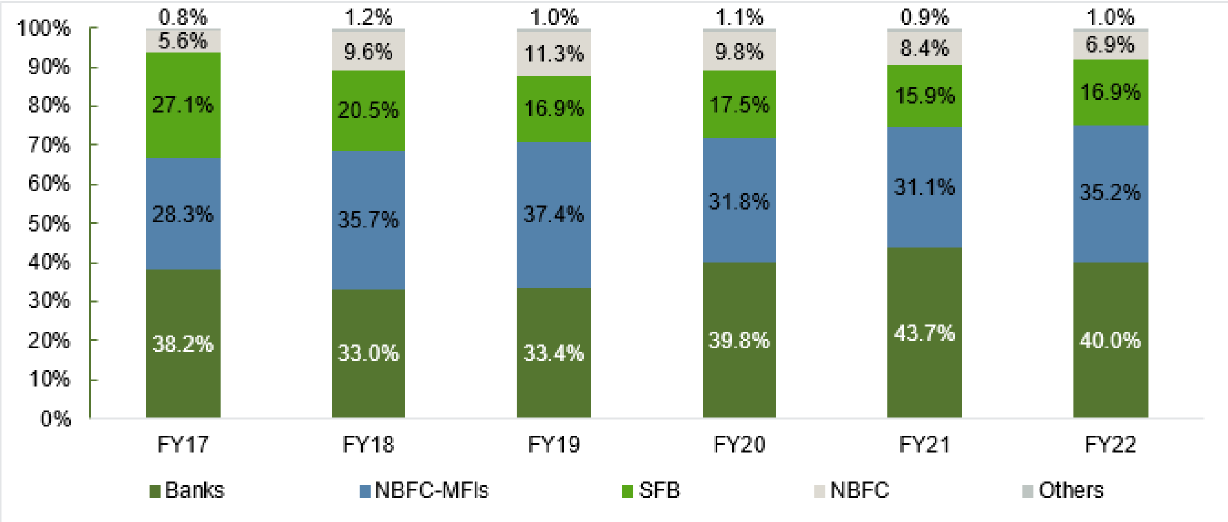


	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E
Overall	7.2%	0.9%	0.4%	0.2%	2.4%	2.8%	1.0%	3.0%	3.2%	2.5%
MFIs	12.6%	1.1%	0.0%	-0.3%	3.8%	2.6%	0.9%	3.6%	5.2%	3.8%
SFBs	0.6%	0.7%	0.8%	0.8%	0.8%	3.1%	1.2%	2.4%	2.2%	2.3%

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 Research.

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



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Source: MFIN, CRISIL Research.

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 – up to ₹ 1,25,000 for rural areas and ₹ 2,00,000 for urban and semi-urban areas) Board-approved policy for assessment of household income
Ticket size of loans	₹ 75,000 in the first cycle and ₹ 1,25,000 in the subsequent cycles		
Tenure of loans	Not to be less than 24 months for loan amount in excess of ₹ 30,000		
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: </u>50% of monthly household income
Overall borrower indebtedness	Should not exceed ₹ 1,25,000	No restrictions for Banks and SFBs	

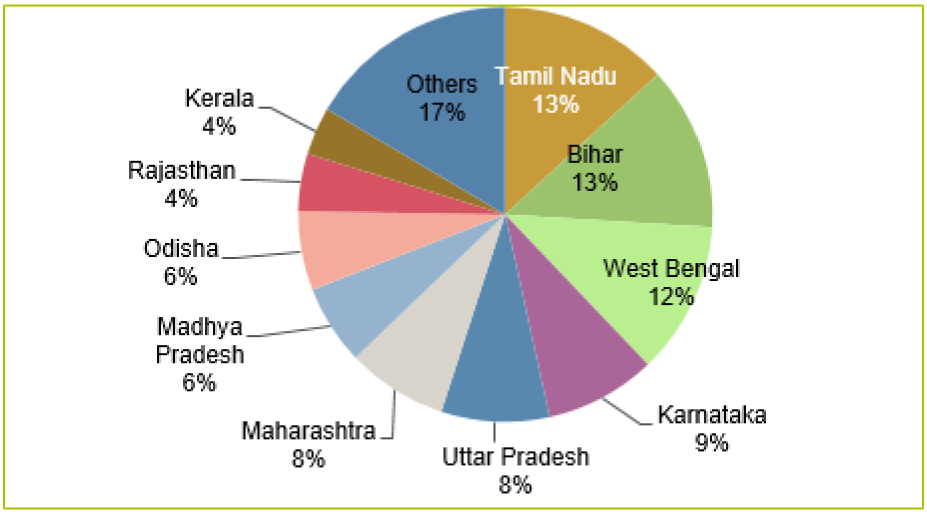
Note: Regulated entities: All Commercial Banks (including Small Finance Banks, Local Area Banks, and Regional Rural Banks) excluding Payments Banks, All Primary (Urban) Co-operative Banks/ State Co-operative Banks/ District Central Co-operative Banks, All Non-Banking Financial Companies (including Microfinance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

STATE-WISE ANALYSIS

Top 10 states contribute about 83% of MFI loans

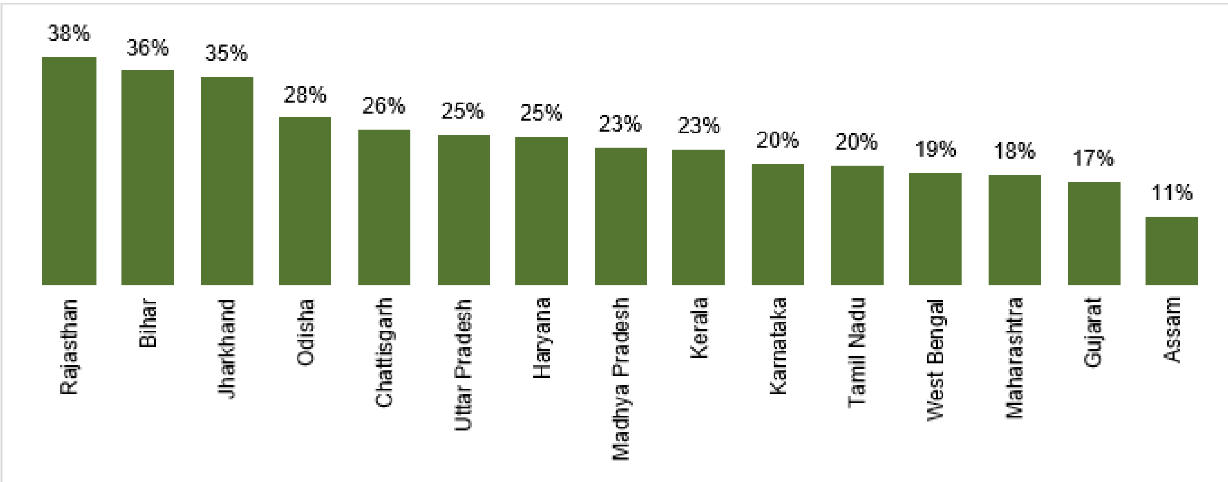
About 83% of the gross loan portfolio is concentrated in the top 10 states with Tamil Nadu (13%), Bihar (13%) and West Bengal (12%) recording the highest shares as at March 2022. Among the top 15 states, Rajasthan, Bihar, Jharkhand and Odisha have witnessed a CAGR of 38%, 36%, 35% and 28% respectively 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 Research.

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 Research.

Credit variation across various districts in states continues to decrease

State-wise concentration of MFI loans in various districts

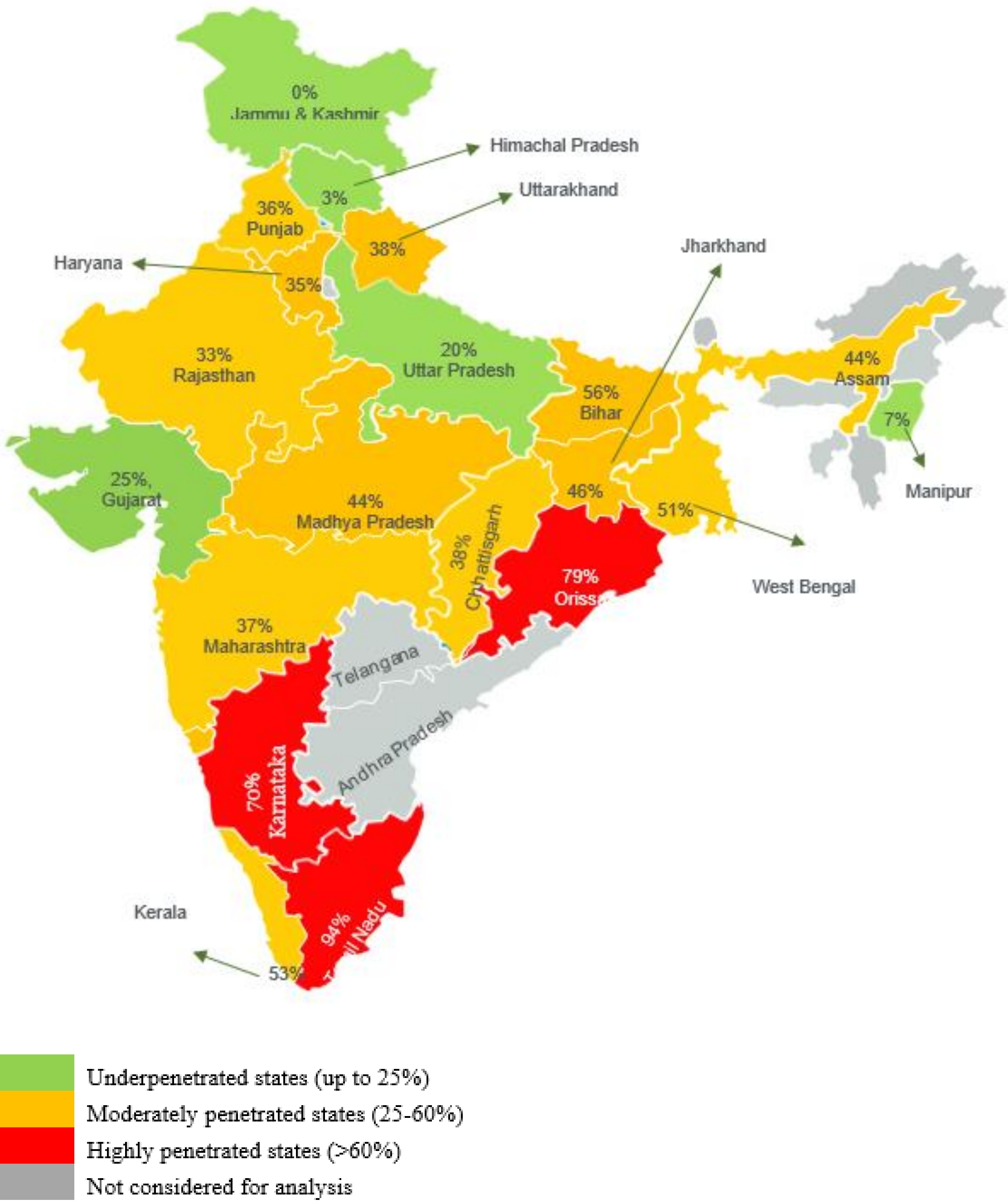
States	GLP as of March 2021 (₹billion)	Top 5 districts	Contribution of Top 5 district to GLP	
			March 2017	March 2022
Tamil Nadu	368	Cuddalore, Viluppuram, Thanjavur, Kancheepuram and Madurai	26%	27%
Bihar	356	Samastipur, Purba Champaran, Muzaffarpur, Madhubani and Begusarai	27%	31%
West Bengal	332	North 24 parganas, Murshidabad, Jalpaiguri, Barddhaman and Nadia	41%	43%
Karnataka	242	Mysore, Belgaum, Bangalore, Tumkur and Hassan	43%	35%

States	GLP as of March 2021 (₹billion)	Top 5 districts	Contribution of Top 5 district to GLP	
			March 2017	March 2022
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	Thiruvanantpuram, 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 Research.

Underpenetrated states to drive growth for MFI in the coming years

CRISIL Research expects growth in the MFI portfolio to come from states that have a relatively lower penetration. Thus, CRISIL Research 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 Research.

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 fiscal year.*

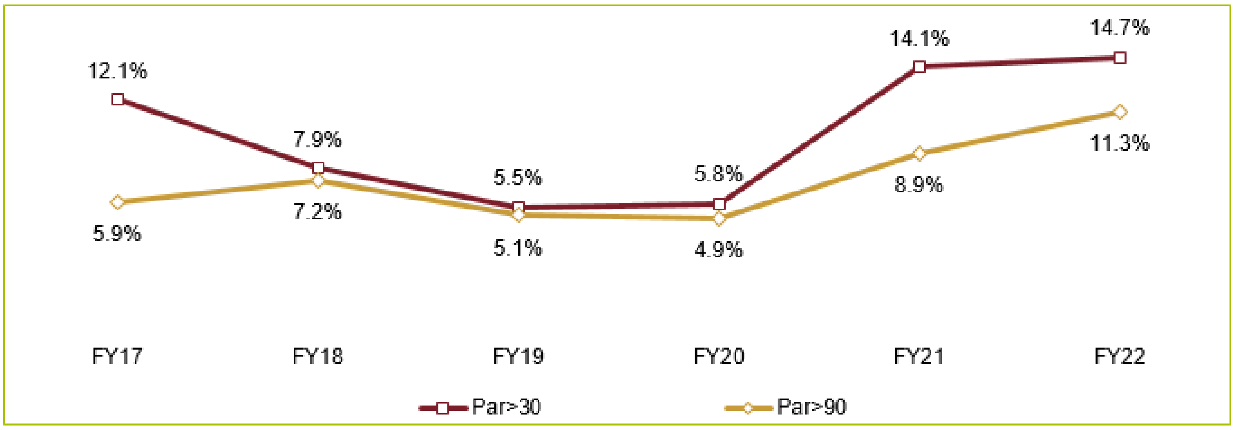
ASSET QUALITY

The nationwide lockdown imposed in March 2020 to control the spread of COVID-19 and the subsequent moratorium granted by RBI adversely impacted collections and repayments from MFI borrowers leading to a sharp rise in NPAs in Fiscal 2021.

The PAR>30 and PAR>90 for the industry shot up to 14.1% and 8.8% respectively as of March 2021. 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. For full normalisation of asset quality, improvement in PAR has to sustain and there should be no material slippages from the restructured portfolio. Most of the larger players have navigated the pandemic by focusing on provisioning and capitalisation buffers.

The newly originated book (loans disbursed after July 2021) has demonstrated a steady performance, with PAR>30 estimated at just 1 to 2%.

Asset quality trend over the years



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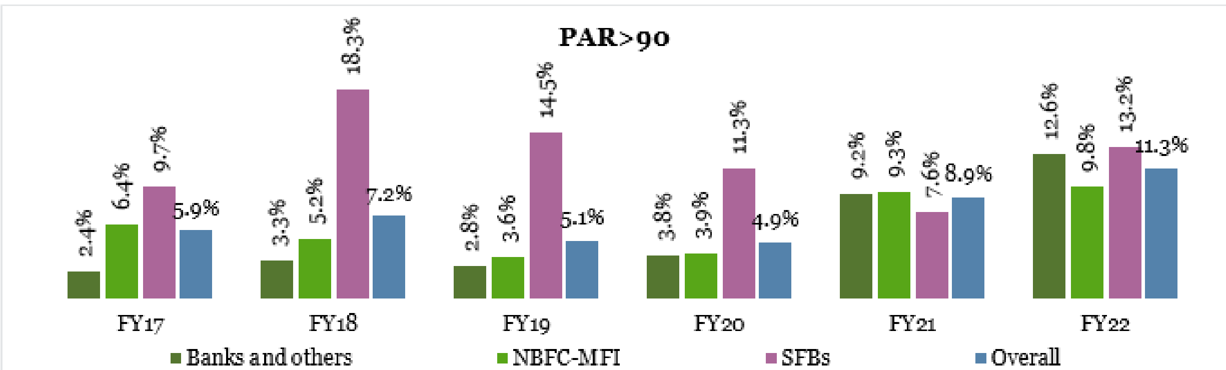
2) PAR 30+ and PAR 90+ include delinquency beyond 180 days of MFI industry.
Source: CRIF Highmark, CRISIL Research.

Asset quality of Banks, NBFC-MFIs better than the industry over Fiscals 2017 to 2020; banks have seen significant deterioration in asset quality in last 2 years

As at March 2022, overall PAR >90 for the industry as a whole was 11.3%, but SFBs have relatively higher PAR >90 at 13.2% as at the same date and is still higher than pre-pandemic level.

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



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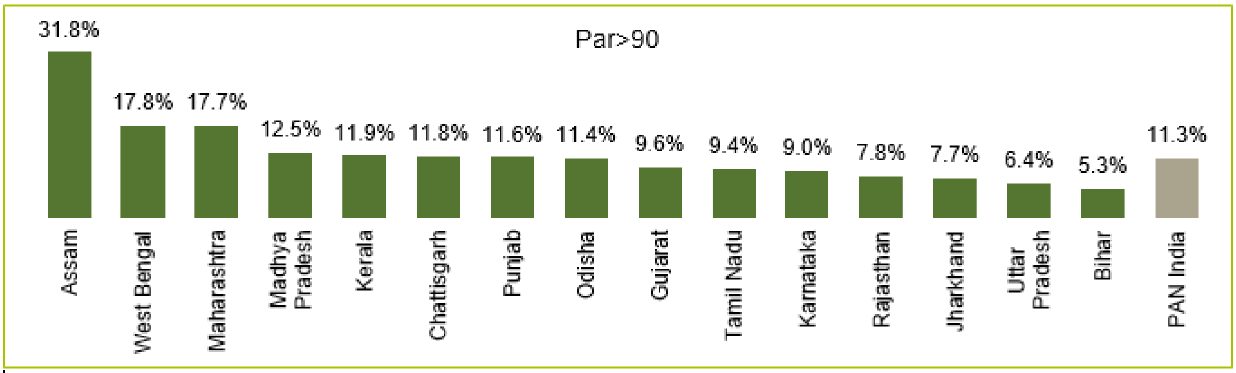
2) Note: PAR 90+ includes delinquency beyond 180 days of MFI industry.
Source: CRIF Highmark, CRISIL Research.

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



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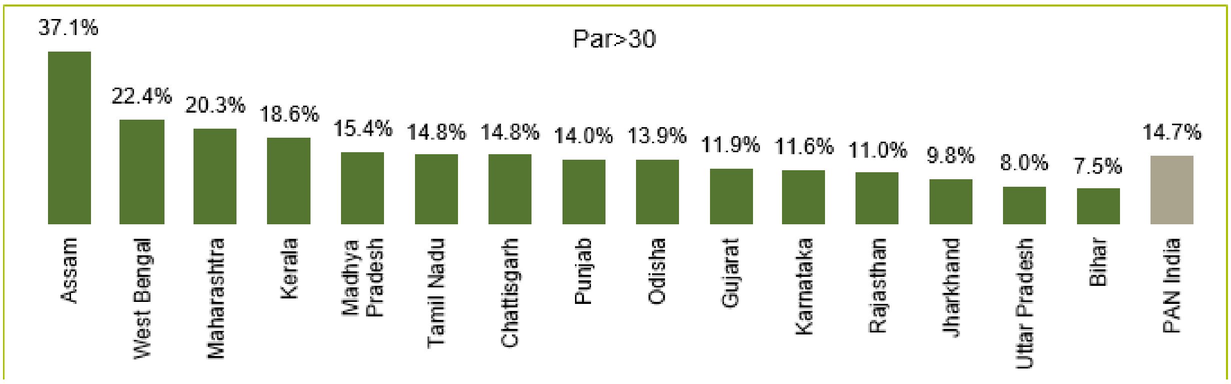
2) PAR 90+ includes delinquency beyond 180 days.
Source: CRIF Highmark, CRISIL Research.

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



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2) PAR 30+ includes delinquency beyond 180 days.
Source: CRIF Highmark, CRISIL Research.

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%

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	
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, Thiruvananthpuram 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 Research.

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 Research 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 Research 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 Research 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 Research.

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.

Profitability (RoA) of microfinance industry to improve in Fiscal 2023

RoA tree	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022^{E}	Fiscal 2023^{P}
Interest income	17.7%	19.1%	18.4%	17.5%	17.3%	18.0%
Interest expense	8.6%	8.4%	7.7%	7.7%	7.7%	8.3%
Net interest income	9.1%	10.6%	10.7%	9.8%	9.6%	9.7%
Opex	5.3%	5.5%	5.4%	5.1%	5.1%	5.4%
Other income	1.2%	2.0%	2.5%	1.2%	1.5%	1.9%
Credit cost	1.5%	1.0%	2.7%	5.0%	4.2%	3.0%
Tax	1.2%	2.1%	1.6%	0.2%	0.5%	1.0%
RoA	2.3%	4.1%	3.5%	0.7%	1.3%	2.2%

Note: E: Estimated; P: Projected.
Source: CRISIL Research.

MSME FINANCE

MSME loans witnessed a reasonable growth in the past

MSME loans grew at a fast pace, registering a CAGR of 11% over Fiscals 2017 and 2021. Over the years, more data availability and Government initiatives like GST has led to lenders' increasing focus, especially the NBFCs, on the underserved segment of MSME customers as lending to this segment has become easier compared to the past. In Fiscals 2019 and 2020, however, 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. Due to liquidity constraints for NBFCs, the growth slowed in Fiscal 2019.

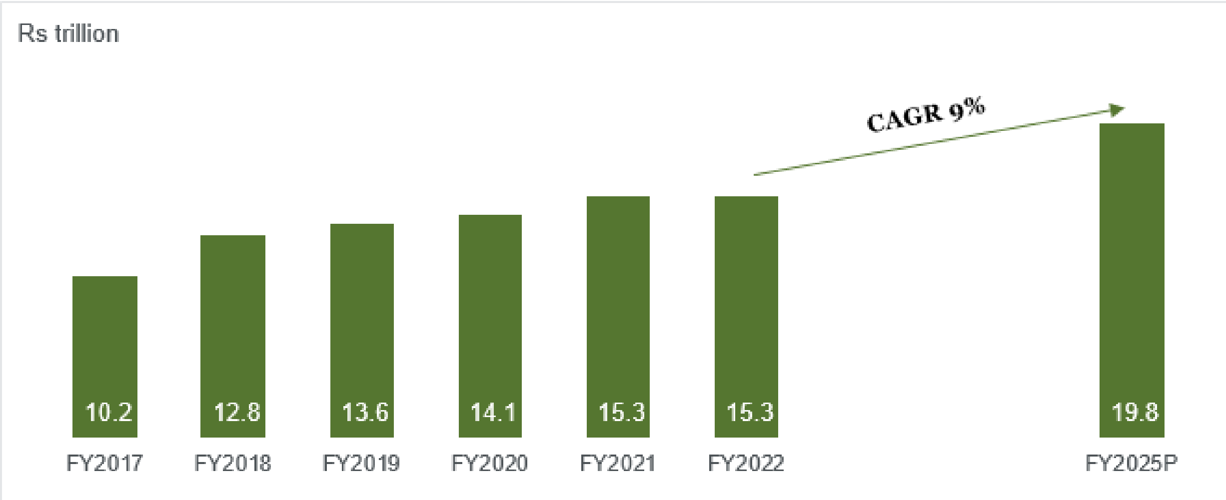
In Fiscal 2021, the nationwide lockdown to contain the spread of the pandemic disrupted economic activity, hit production facilities, impacted working capital needs and supply chains along with future investments and expansions. Domestic supplies and supplies from imports also suffered, affecting both, their availability and cost. Contractual and wage labour was also hit due to more layoffs. MSMEs in the sectors such as hotels, tourism, logistics, construction, textiles and gems and jewellery suffered the most during the first half of the fiscal year. In the second half of the fiscal year, MSMEs started recovering with economic activity. However, in the first quarter of Fiscal 2022, owing to the second wave of pandemic, MSMEs suffered due to local lockdowns as economic activity also declined.

ECLGS was announced as part of the Atmanirbhar Bharat Package in 2020, with the objective of helping businesses including MSMEs meet their operational liabilities and resume businesses. With the hit to the economy in the first quarter, the government extended the ECLGS then ending in June 2021 to September 2021 (currently extended till March 31, 2023), which supported the sector to revive from degrowth in the first quarter of Fiscal 2022. As of March 2022, loans sanctioned under the scheme crossed ₹ 3.19 trillion (of ₹ 5 trillion), with about 64% of the guarantees issued for loans sanctioned to MSMEs, and the disbursement aggregated ₹2.59 trillion. In

Union budget 2022-23, the allocation under ECLGS was increased from ₹ 4.5 trillion to ₹ 5.0 trillion, and the timeline for sanctions has been extended till March 2023. The enhancement of ₹500 billion is earmarked exclusively for hospitality and related enterprises.

Revival of economic activity, strong export and domestic support, coupled with a mild third wave, helped the segment to remain stable in Fiscal 2022. Going forward, CRISIL Research expects the MSME portfolio to grow at 9% CAGR over Fiscals 2022 and 2025, 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 9% CAGR over Fiscals 2022 and 2025



Note: P: Projected; Data excludes data for LAP.
Source: CRISIL Research.

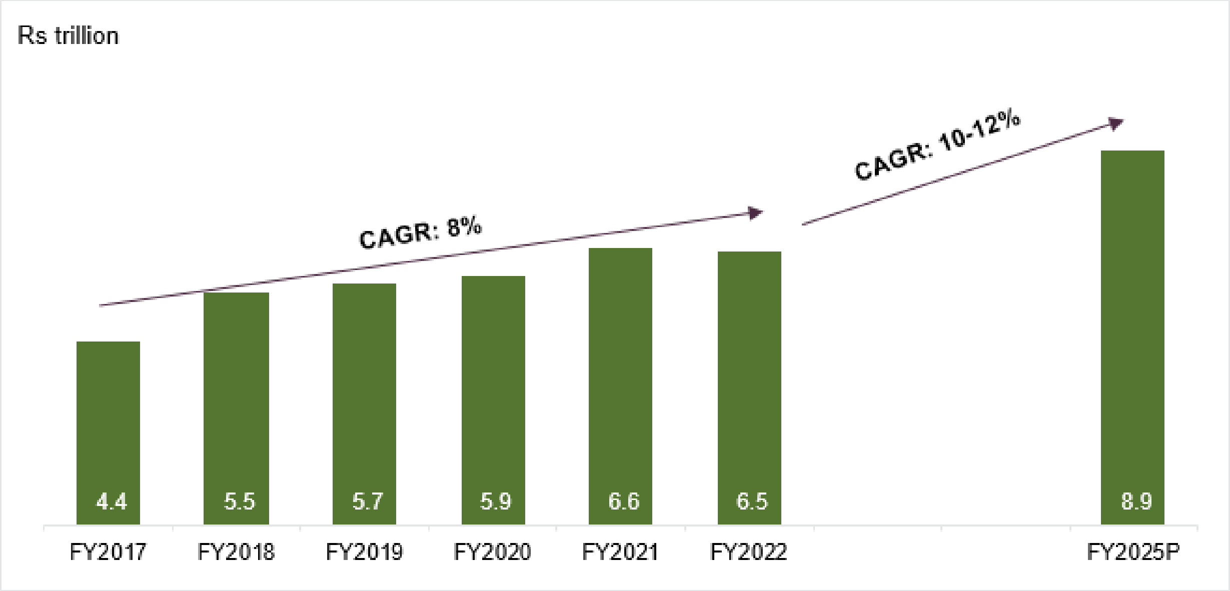
NBFCs outpace banks' MSME lending over Fiscals 2017 to 2022

Though banks account for a giant share of lending to this segment (approximately 90%), NBFCs gained approximately 3% of market share over Fiscals 2017 to 2022, 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. In Fiscal 2021, with NBFCs finding it difficult to raise funds and turning cautious, Banks tapped into this segment and increased their share. However, in Fiscal 2022, NBFCs again increased their share as situation normalised, economic activity picked pace and collection efficiency improved.

Banks still account for dominant share in MSME credit

Note: E - Estimated; Data excludes data for LAP.
Source: CRISIL Research.

MSME (ticket size lesser than ₹ 20 million) to grow at a faster 10% to 12% CAGR over Fiscals 2022 to 2025



Note: P: Projected; Data excludes data for LAP.
Source: CRISIL Research, industry.

Growth drivers

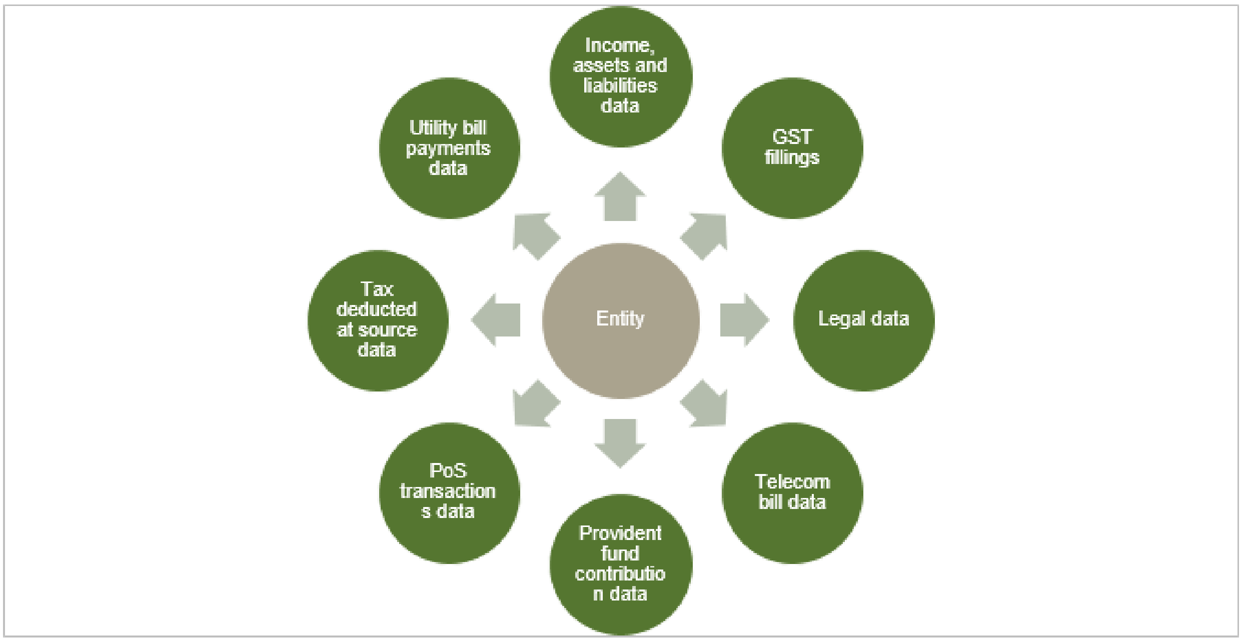
Low credit penetration for MSMEs

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 untappesd market offers huge growth potential for financial institutions.

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 ₹ 457 trillion in Fiscal 2022. Within UPI, the quantum of person-to-merchant payments has zoomed from ₹ 6.2 trillion in Fiscal 2021 to ₹ 15.9 trillion in Fiscal 2022. 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.

Multiple data points can be used for credit assessment



Source: CRISIL Research.

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 of time.

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 post moratorium in Fiscal 2021

GNPAs in MSME below ₹ 20 million for banks have hovered in the range of 5% to 7% between Fiscal 2017 to Fiscal 2020. While 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. Going forward, as the GDP growth recovers and cash flows for MSMEs stabilize, the GNPA levels are expected to moderate gradually after Fiscal 2022.

MSME profitability hit due to higher credit cost; to improve gradually from 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 impact of second wave in first quarter of the fiscal year. However, it is expected to improve marginally from Fiscal 2023 onwards with improving collection efficiency, increasing data availability and improvement in the efficacy of the credit assessment process of MSME lenders.

Operational expenses remained relatively higher due to slower business growth in Fiscal 2021 and Fiscal 2022 but are expected to decline going forward as by leveraging technology, financiers would be able to reduce the cost of customer acquisition, credit assessment and documentation, and provide credit to customers cost-effectively.

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

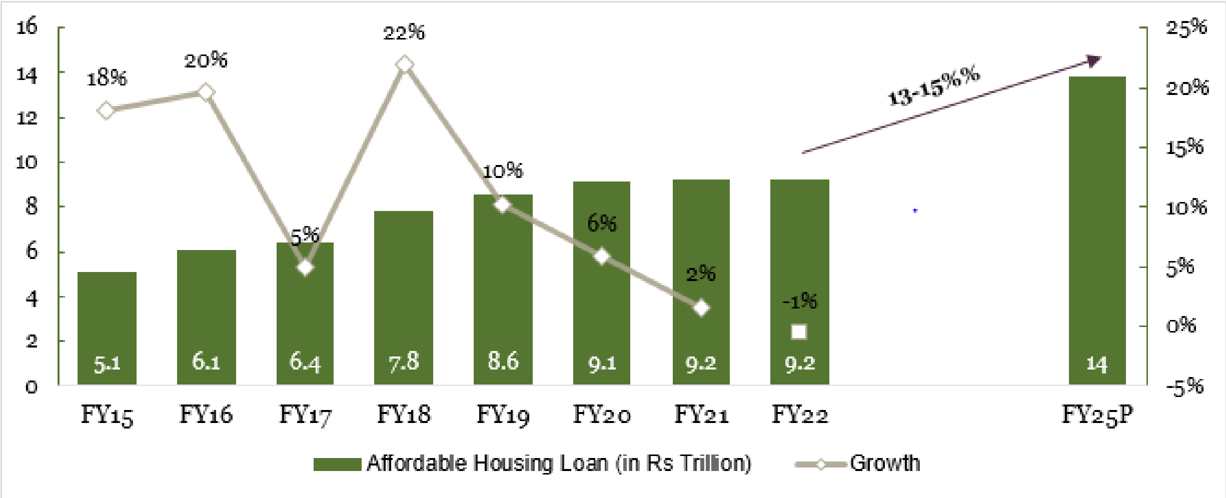
Housing loans (up to ₹ 2.5 million ticket size) logged a CAGR of approximately 12% during Fiscals 2015 to 2020. This was largely because of the government's increased focus on the housing loans (up to ₹ 2.5 million) segment. In Fiscal 2019, however, the growth slowed down considerably to 10% on year 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 Research 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 Research.

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

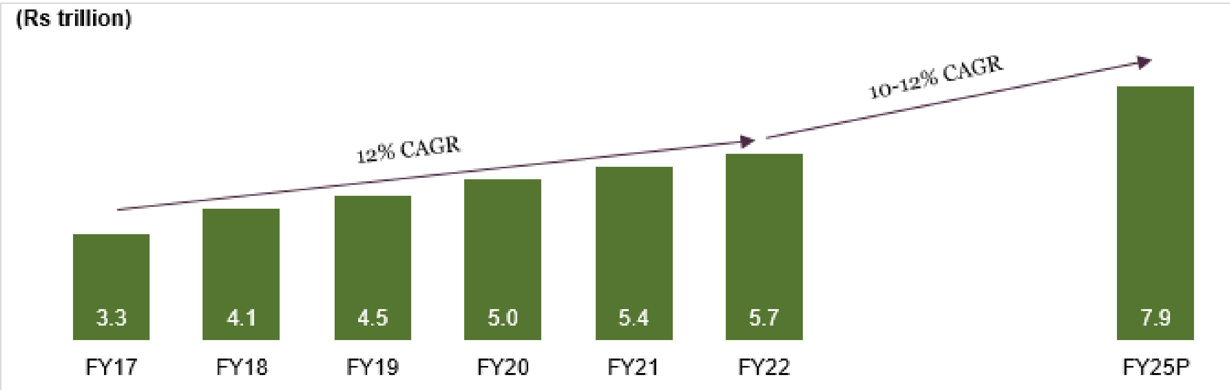
- Higher comfort for lenders: Lenders are comfortable disbursing LAP loans, as they offer favourable risk-return characteristics, compared with MSMEs and unsecured loans. They also offer higher recovery in case of default (supported by the Securitisation and Reconstruction of Financial Assets and Enforcement 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 out



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

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 Research 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.

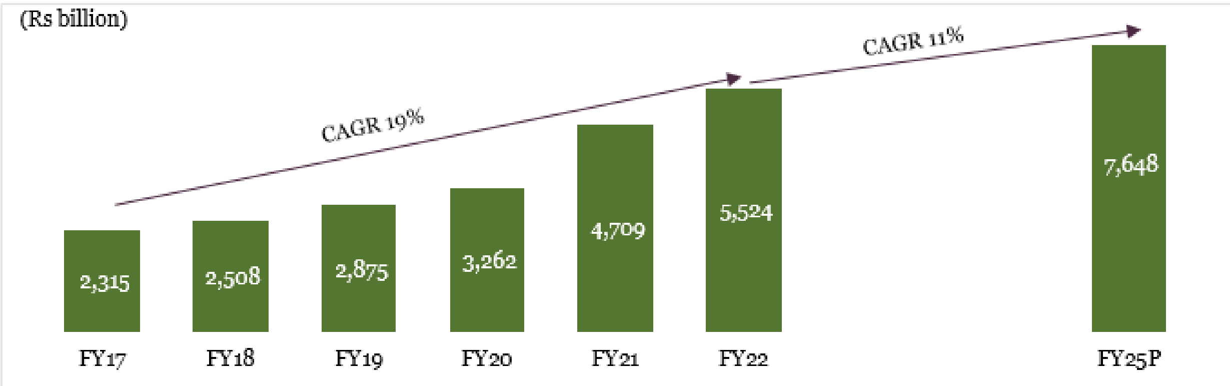
In Fiscal 2020, gold loan industry (including Banks and NBFCs) AUM grew approximately 13% YoY to reach ₹ 3.2 trillion on account of increased focus of players on diversifying their regional presence, strong growth in non-southern regions and rise in gold prices by approximately 19% in Fiscal 2020.

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 Research 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 Research.

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

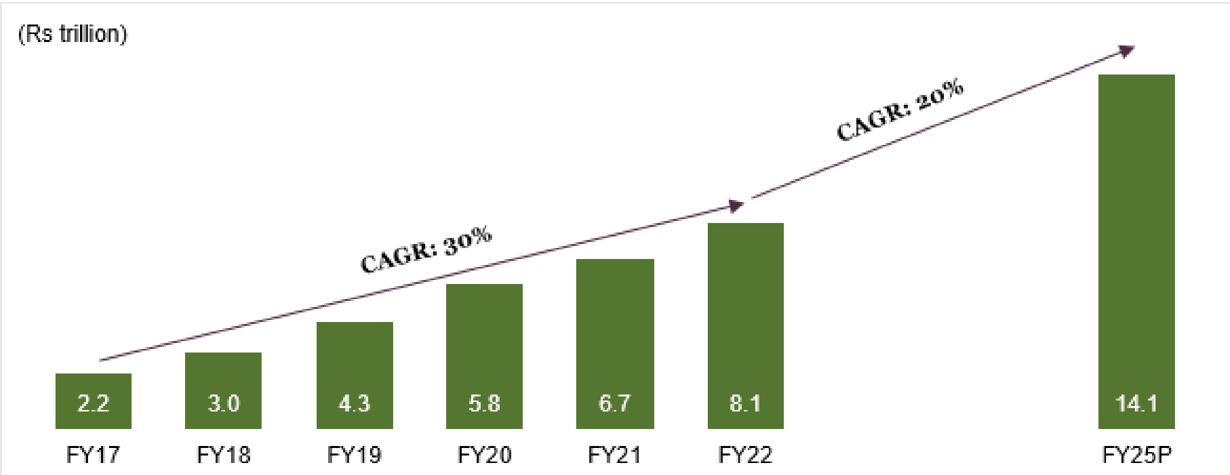
The personal loan market has seen its share of ups and downs - sharp slowdown marked with high defaults during Fiscal 2008 (around the global financial crisis), followed by a period of recovery and significant growth. In Fiscal 2017 through Fiscal 2022, the personal loan market has grown at a stupendous 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., bring 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 Research.

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 GNPAs 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:

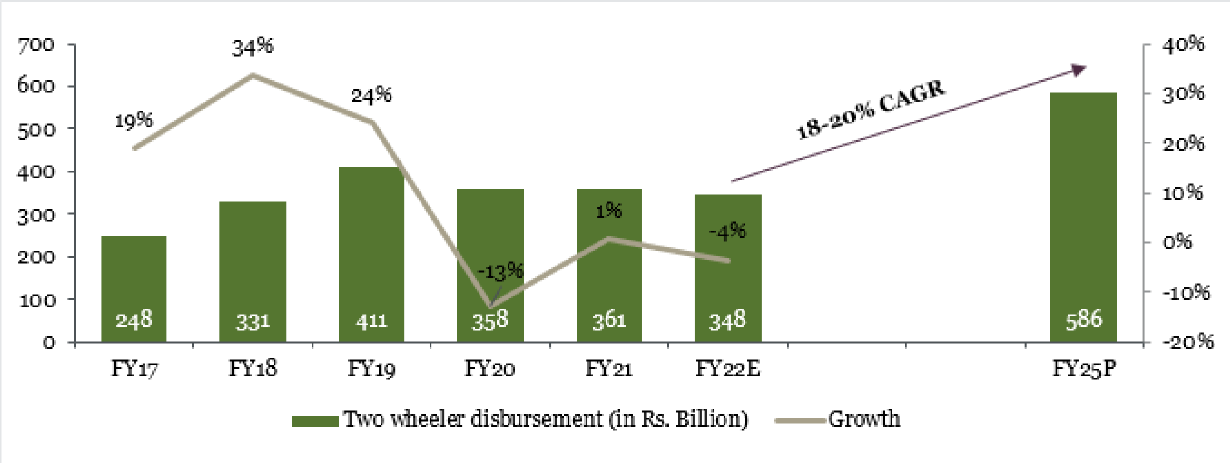
- Manufacturers focus on expansion in distribution network in semi-urban and rural areas, new model launches in the affordable segment for scooters and premium segment for motorcycles.
- Improving rural productivity, diversification towards horticultural crops, government income support schemes and structural 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 Research 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 Research.

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 Research 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%

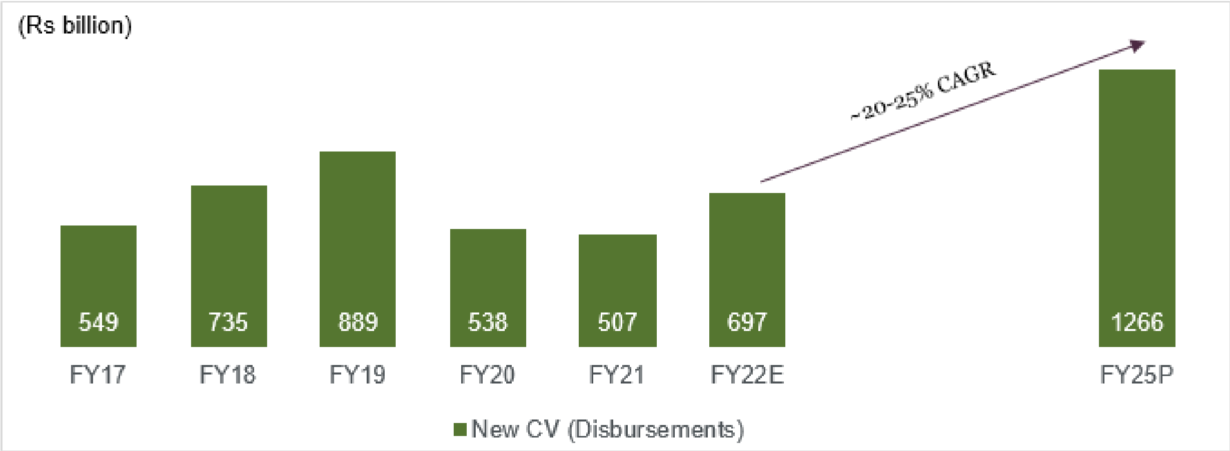
Note: P: Projected.
Source: SIAM, CRISIL Research.

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 Research, 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 Research.

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 22 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 24 and 359, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Statements included in this Draft Red Herring Prospectus. References to "we", "us", "our", "the Bank" or "our Bank" refers to Utkarsh Small Finance Bank Limited.

Unless otherwise indicated, industry and market data used in this section has been derived from the report "Report on Small Finance Banks and various loan products" dated July, 2022 (the "CRISIL Report") prepared and released by CRISIL Limited 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 Company at https://www.utkarsh.bank/ipo-2022-documents 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 20.

Overview

We are an SFB in India and recorded the second fastest AUM growth between Fiscal 2019 and Fiscal 2022 among SFBs with AUM of more than ₹ 50 billion. (*Source: CRISIL Report*) 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 22 States and Union Territories with 686 Banking Outlets and 12,617 employees, as of March 31, 2022. As of March 31, 2022, 27.70% 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, 2022, we had 3.14 million customers (both deposit and credit) majorly located in rural and semi-urban areas primarily in the states of Bihar, Uttar Pradesh and Jharkhand that have the best asset quality among other states but with low and moderate credit penetration (*Source: CRISIL Report*). As of March 31, 2022, these states constituted 34.27%, 26.53% and 7.10% 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, 2022, we had tie-ups with 10 BCs to source customers and 187 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 ₹ 52,352.12 million as of March 31, 2020 to ₹ 75,075.68 million as of March 31, 2021 and further to ₹ 100,741.83 million. Our total number of deposit customers, that include microbanking customers to whom we also offer 'joint liability group' ("**JLG**") loans, were 0.43 million, 0.88 million and 1.50 million, as of March 31, 2020, 2021 and 2022, respectively. Our retail term deposits comprised 34.66%, 39.83% and 37.28% of our total deposits, as of March 31, 2020, 2021 and 2022, respectively, while CASA as a percentage of overall deposits was 13.50%, 17.68% and 22.37% as of March 31, 2020, 2021 and 2022, respectively. We have been focusing on growing a stable and sustainable CASA base and our CASA was ₹ 22,532.85 million as of March 31, 2022.

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, 2022, 9,466 employees used handheld devices/ digital services for onboarding 4,80,714 saving account customers.

We are led by our Managing Director and chief executive officer, Mr. Govind Singh, who has over 25 years of experience in the banking and financial services sector. Our Board comprises 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 (previously known as CDC Group plc), RBL Bank Limited, International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, Housing Development Finance Corporation Limited, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Limited, 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,**		
	2020	**2021**	**2022**
	(₹ million, except percentages)		
Gross Loan Portfolio	66,609.45	84,156.60	106,307.25
Disbursements	65,592.47	59,140.08	90,462.79
Deposits	52,352.12	75,075.68	100,741.83
Credit to Deposit Ratio	119.99%	109.45%	101.53%
Capital & Reserves	10,194.99	13,683.53	15,722.97
Net Interest Income	7,282.24	8,392.46	10,608.51
Net Interest Margin	10.13%	8.20%	8.75%
Profit before taxes	2,504.16	1,514.36	797.13
Net profit for the year	1,867.43	1,118.15	614.62
Return on Average Assets	2.51%	1.05%	0.48%
Return on Average Equity	20.32%	9.99%	4.14%
Average Yield	18.19%	15.46%	15.24%
Cost of Funds	9.40%	8.27%	7.47%
CASA + Retail Term Deposit Ratio (as percentage of total deposits)	48.16%	57.51%	59.64%
CASA Ratio	13.50%	17.68%	22.37%
Provision Coverage Ratio (including technical write off)	95.64%	80.42%	72.82%
Cost to Income Ratio	57.64%	56.54%	59.11%
Gross NPA as a percentage of Gross Advances (%)	0.71%	3.75%	6.10%
Net NPA as a percentage of Net Advances (%)	0.18%	1.33%	2.31%

As of March 31, 2020, 2021 and 2022 our CRAR was 22.19% (Tier I capital of 19.41%), 21.88% (Tier I capital of 19.98%) and 21.59% (Tier I capital of 18.08%), respectively. Our Bank's provisioning and write-off policy is more stringent than norms prescribed by the RBI. As of March 31, 2020, 2021 and 2022, our gross NPAs were ₹ 446.55 million, ₹ 3,152.89 million and ₹ 6,481.57 million, respectively, and accounted for 0.71%, 3.75% and 6.10% of our Gross Advances, respectively. Our net NPAs were ₹ 110.94 million, ₹ 1,088.14 million and ₹ 2,357.92 million and accounted for 0.18%, 1.33% and 2.31% of our Net Advances, as of March 31, 2020, 2021 and 2022.

As of March 31, 2020, gross NPAs in our microbanking, retail, wholesale and housing loan segments accounted for 0.60%, 3.55%, 0.00% and 0.56% of our Gross Advances, respectively while 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. Further, 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. 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 (Stable)" by CARE and "[ICRA] A (Positive)" 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, 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 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. Based on bank credit accounts in rural areas, Himachal Pradesh, Odisha, Jharkhand and Bihar have more than 45% of the credit accounts in rural areas, as of March 31, 2022. Further, Bihar, Uttar Pradesh, and Jharkhand has the best asset quality amongst the other states and has 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*).

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, 2020, 2021 and 2022, our microbanking portfolio constituted 87.93%, 81.98% and 75.28% of our total Gross Loan Portfolio and were to our microbanking loan customers primarily present in rural and semi-urban areas across 151 districts, as of March 31, 2022.

Our total customers (both deposit and credit) have been continuously increasing and our customer base grew from 2.75 million customers as of March 31, 2020, to 2.90 million customers as of March 31, 2021 and further to 3.14 million customers as of March 31, 2022. As of March 31, 2020, 2021 and 2022, we generated 73.26%, 68.47% and 63.23% 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, 2020 and 2021 and 2022, 91.32%, 86.15% and 83.04% of our gross loan portfolio qualified as 'priority sector lending', as compared to the regulatory requirement of 75% for SFBs. We also stand to benefit from the recent re-classification norms prescribed by the RBI pursuant to which, from 2022 onwards, our incremental priority sector credit to certain districts (where the credit flow is comparatively lower) will be eligible for a PSL weightage of 125% and 100%, respectively. As of March 31, 2022, these districts accounted for 49.98% and 40.11% 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 ₹ 52,352.12 million as of March 31, 2020 to ₹ 75,075.68 million as of March 31, 2021 and to ₹ 100,741.83 million as of March 31, 2022, while our deposit only customers have increased from 0.23 million as of March 31, 2020 to 0.38 million as of March 31, 2021, and were 0.65 million as of March 31, 2022. The percentage of our non-callable deposit to our total deposits was 27.44%, 35.13% and 33.16%, as of March 31, 2020, 2021 and 2022, respectively, while the average tenor of our term deposits was 1.59 years, 1.75 years and 1.96 years, as of March 31, 2020, 2021 and 2022, respectively. The average ticket size of our deposits based on number of deposit accounts was ₹ 121,056, ₹ 85,163 and ₹ 67,303, as of March 31, 2020, 2021 and 2022.

Our CASA franchise has increased from ₹ 7,066.64 million as of March 31, 2020 to ₹ 13,269.92 million as of March 31, 2021 and was ₹ 22,532.85 million as of March 31, 2022. Our CASA to total deposits ratio was 13.50% as of March 31, 2020 and was 17.68% as of March 31, 2021 and increased to 22.37% as of March 31, 2022. 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 9.40% in Fiscal 2020 to 8.27% in Fiscal 2021, and was 7.47% in Fiscal 2022.

A continuous growth in our customer base has led to diversification of our deposit franchise and our retail deposit base has grown from ₹ 18,145.19 million as of March 31, 2020 to ₹ 29,905.18 million as of March 31, 2021 and was ₹ 37,553.56 million as of March 31, 2022. The ratio of our retail term deposits to total deposits, as of March 31, 2020, 2021 and 2022 was 34.66%, 39.83% and 37.28%, 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, 2022, 58.45%, 37.18%, 2.89% and 1.48% 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, 2020, our deposit base was spread across 17 States and Union Territories in India, with 71.18%, 13.64%, 0.14% and 15.04% of our deposits in the Northern, Eastern, Southern, and Western regions of India, respectively, while 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. In addition, 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. We had the second lowest share of deposits from top state in overall deposits among SFBs with AUM of more than ₹ 50 billion in Fiscal 2022. (*Source: CRISIL Report*)

Diversified distribution network with significant cross-selling opportunities

We have an extensive physical network of Banking Outlets and as of March 31, 2022, we had 686 Banking Outlets across 22 States and Union Territories covering 224 districts in India of which 434 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, 2022, 63.27% 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 65 districts. As of March 31, 2022, 27.70% 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 507 Banking Outlets as of March 31, 2020 to 558 Banking Outlets as of March 31, 2021 and to 686 Banking Outlets as of March 31, 2022. Of our 686 Banking Outlets, as of March 31, 2022, we have internally classified 493 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, 2022, we have arrangements with 10 BCs to grow our asset portfolio and had tie-ups with 187 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, 2022, we had a network of 209 on-site and 6 off-site ATMs. As of March 31, 2022, we have also set-up 310 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 recently launched a loan product that is customized specifically to address the financial requirements of street vendors. We offer our graduating customers with a variety of asset products including individual loans, 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, 2020, 2021 and 2022, 9.06%, 21.10% and 35.16% 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, 2020, 2021 and 2022, our percentage of gross NPAs to Gross Advances was 0.71%, 3.75% and 6.10%, respectively, while our percentage of net NPAs to Net Advances was 0.18%, 1.33% and 2.31% respectively. We had the third highest provision coverage ratio among SFBs with AUM of more than ₹ 50 billion in Fiscal 2022. (*Source: CRISIL Report*) Our provision coverage ratio (including technical write-offs) was 95.64%, 80.42% and 72.82% in Fiscal 2020, 2021 and 2022, respectively.

Stable growth with cost efficient operational performance

Our Gross Loan Portfolio has grown from ₹ 66,609.45 million as of March 31, 2020 to ₹ 84,156.60 million as of March 31, 2021 and was ₹ 106,307.25 million, as of March 31, 2022. We recorded the second fastest AUM growth of 31.6% between Fiscal 2019 and Fiscal 2022 among SFBs with AUM of more than ₹ 50 billion. (*Source: CRISIL Report*) Our disbursements declined from ₹ 65,592.47 million as of March 31, 2020 to ₹ 59,140.08 million as of March 31, 2021 but increased to ₹ 90,462.79 million as of March 31, 2022. Our deposits have also grown consistently and were 52,352.12 million as of March 31, 2020 and grew to ₹ 75,075.68 million as of March 31, 2021, and were ₹ 100,741.83 million as of March 31, 2022.

We have a comfortable liquidity profile that is backed by shorter tenure microbanking lending and sufficient liquidity buffer and as of March 31, 2022, our Liquidity Coverage Ratio (“**LCR**”) was 153.15% as against regulatory requirement of maintaining LCR of 90%. We are well above the regulatory capital requirements, having a SLR, CRR and CAR of 32.23%, 6.33% and 21.59%, respectively, as of March 31, 2022. 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 ₹ 13,076.87 million in Fiscal 2020 to ₹ 15,809.87 million in Fiscal 2021 and was ₹ 18,488.13 million in Fiscal 2022. Our Net Interest Income in Fiscal 2020, 2021 and 2022 was ₹ 7,282.24 million, ₹ 8,392.46 million and ₹ 10,608.51 million, respectively. Our Net Interest Margin in Fiscal 2020, 2021 and 2022 was 10.13%, 8.20% and 8.75%, respectively. Our net profit for the year, as restated, for Fiscal 2020, 2021 and 2022 was ₹ 1,867.43 million, ₹ 1,118.15 million and ₹ 614.62 million, respectively. As a result of our performance, our return on total average assets was 2.51%, 1.05% and 0.48%, as of March 31, 2020, 2021 and 2022, respectively, while our return on average equity was 20.32%, 9.99% and 4.14%, 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 is second lowest among SFBs with AUM of more than ₹ 50 billion (*Source: CRISIL Report*). Our cost-efficient operations are attributable to our automation and digitization of various processes including disbursements of loans in the microbanking business. Our cost-to-income ratio has reduced from 57.64% in Fiscal 2020 to 56.54% in Fiscal 2021 and was 59.11% in Fiscal 2022. Our provision coverage ratio (including technical write off) was 95.64% 80.42% and 72.82% in Fiscals 2020, 2021 and 2022.

Leadership complementing our strengths

Our Promoter, Utkarsh CoreInvest Limited, has a number of institutional investors including British International Investment plc (previously known as CDC Group plc), RBL Bank Limited, International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, Housing Development Finance Corporation Limited, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Limited and Faering Capital India Evolving Fund, 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 40.07%, 48.39% and 48.02% of total term deposits as of March 31, 2020, 2021 and 2022, 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 6.75%, 6.04% and 5.87%, respectively, and the average cost of term deposits was 9.55%, 8.39% and 7.30%, respectively, each as of March 31, 2020, 2021 and 2022. 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 including internet payment gateway, UPI payment solutions, e-NACH and public financial management system.

Increase share of fee income and capitalize on cross-selling opportunities

In order to create a robust revenue stream, we intend to further diversify our fee and non-interest based revenues. We intend to achieve this by generating fee income from our own products and cross-selling third-party products 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 Draft 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, 2020

S. No.	Name of Insurance Partner	Validity
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. We have invested significantly to improve our data security infrastructure and cyber security components.

We are building data center infrastructure to focus on high availability and a disaster recovery data centre. In addition, we are in process of implementing maximum data availability through our near disaster recovery data centre. Towards this, we have commenced work on implementing applications and platform for business enablement. These upgrades and deployments are a part 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

The World Health Organization declared the 2019 novel coronavirus ("**COVID-19**") outbreak a Public Health Emergency of International Concern on January 30, 2020, and a pandemic on March 11, 2020. Further, on March 14, 2020, India declared COVID-19 as a "notified disaster" and imposed a nationwide lockdown that was announced on March 24, 2020. However, banking services were determined to be operating in an essential industry, which allowed us to continue our operations at majority of our Banking Outlets during the nationwide lockdown with limited workforce and other safety measures. The COVID-19 pandemic has caused substantial disruption to the global economy and created significant volatility and disruption in financial markets.

In order to address the financial implications of the COVID-19 pandemic, central banks around the world, including India, had taken monetary, fiscal and administrative measures. 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 are eligible for moratoriums on instalments and working capital facilities on interest due during a period of six months, *i.e.*, from March 1, 2020 until August 31, 2020 by the RBI, contingent on the lending institutions satisfying themselves that the same was necessitated on account of the economic fallout from COVID-19. Such moratorium period shall be excluded by the lending institutions (including SFBs) for calculating the number of days past-due for the purpose of asset classification under the income recognition and asset classification norms prescribed by the RBI, in respect of all accounts classified as standard as on February 29, 2020. In line with these guidelines, we 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 23.27*" on page 338.

The second week of April 2021 saw a resurgence in COVID-19 with a second wave of infections spreading across the country. Considering the resurgence of COVID-19, our Bank again implemented its Business Continuity Plan ("**BCP**") and recommenced review calls with the Crisis Management Team ("**CMT**") chaired by our Managing Director and chief executive officer, Mr. Govind Singh in April 2021. The CMT undertakes BCP review to discuss and undertake necessary preventive measures. Some of the measures implemented by the Bank include employees reporting to office as per a staggered schedule to ensure COVID-19 appropriate behavior and encouraging employees to work-from-home wherever feasible.

We have taken various measures to efficiently manage and operate our Banking Outlets with reduced manpower and manage other channels such as ATMs, internet banking, mobile banking and call centres. Our Banking Outlets continued to operate in all States except in few States and districts where Banking Outlets remained closed or were operating with curtailed business hours in line with directives from the local administration and State Level Bankers' Committee. We have also set up a virtual room to reach out to our microbanking customers on a daily basis. Our Central Processing Centres at Mumbai and Varanasi continued its daily operations with staff being rostered daily to ensure timely settlement of all transactions. We have focused on providing effective banking services to our customers without compromising the health of our employees. Customers too have been encouraged to adopt digital channels in greater measure to mitigate the risk of COVID-19.

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 have 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 lowest restructured portfolio as a proportion of advances and the second lowest stressed book among SFBs with AUM of more than ₹ 50 billion in Fiscal 2022. (*Source: CRISIL Report*)

Our Bank maintains adequate liquidity buffer to meet funding requirements over the next three months. Our Bank's liquidity coverage ratio was 153.15% as of March 31, 2022 and had the third best liquidity coverage ratio among SFBs with AUM of more than ₹ 50 billion in Fiscal 2022. (*Source: CRISIL Report*)

Collection Efficiencies and Moratorium Information

Collection efficiency is calculated as the aggregate EMI amounts collected (excluding prepayment) in the relevant period divided by the current month EMI due for collection in such period.

The following table sets forth information relating to our collection efficiencies for the months ended July 31, 2021 to March 31, 2022:

Asset Products/ Channels	July 2021	August 2021	September 2021	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022
Microbanking Loans	92.50%	91.47%	93.83%	95.82%	92.28%	98.52%	99.84%	102.11%	102.14%
Retail Loans	89.80%	90.61%	89.67%	89.35%	91.82%	100.00%	96.00%	96.72%	99.64%
Housing Loan	96.70%	96.21%	94.82%	79.10%	89.20%	96.13%	96.98%	86.78%	94.00%
Wholesale Loan	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
BC	95.93%	93.25%	99.17%	96.53%	96.14%	97.71%	97.03%	97.98%	97.94%
CV and CE	103.54%	81.61%	66.88%	81.76%	86.73%	98.12%	96.88%	97.53%	101.86%
Total	92.97%	92.02%	94.20%	95.81%	92.79%	98.62%	99.64%	101.56%	101.76%

Notes:

- *Collection efficiency is calculated as the aggregate EMI amounts collected (excluding prepayment) in the relevant period divided by the current month EMI due for collection.*

In order to address the impact of the COVID-19 pandemic on our Bank's business and in line with the RBI guidelines on COVID-19 regulatory package, our Bank made COVID-19 related provisions amounting to ₹ 499.57 million, ₹ 1.74 million and reversed provision outstanding as of March 31, 2021 of ₹ (501.32) million, in Fiscal 2020, Fiscal 2021 and 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. Further, as of March 31, 2022, our Bank carried an additional adhoc provision of ₹650.00 million.

The table below sets forth details of our state wise collection efficiency for the months ended July 31, 2021 to March 31, 2022 for our microbanking portfolio:

State	July 2021	August 2021	September 2021	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022
Bihar	90.04%	88.32%	91.11%	92.43%	87.77%	95.79%	98.94%	102.03%	102.77%
Uttar Pradesh	94.33%	92.86%	95.36%	97.32%	95.40%	101.14%	101.24%	102.30%	101.10%
Jharkhand	92.79%	93.75%	95.32%	96.23%	93.98%	101.18%	98.15%	103.64%	103.64%
Odisha	97.56%	98.43%	99.37%	103.94%	99.44%	100.47%	100.49%	100.60%	100.27%
Madhya Pradesh	96.62%	97.32%	97.71%	102.22%	100.32%	101.10%	101.68%	103.28%	101.61%
Uttarakhand	96.45%	96.58%	100.06%	103.25%	97.57%	100.43%	102.41%	102.05%	103.95%
NCT Of Delhi	94.54%	95.41%	99.26%	101.78%	97.91%	100.39%	101.30%	102.31%	104.58%
Maharashtra	95.56%	96.12%	96.63%	102.42%	97.95%	99.76%	99.99%	100.10%	99.80%
Chhattisgarh	100.53%	100.87%	100.74%	104.00%	101.45%	102.76%	102.62%	105.28%	103.12%
Himachal Pradesh	99.96%	99.93%	100.22%	103.44%	99.73%	100.31%	100.12%	99.67%	99.10%
Haryana	92.08%	91.81%	94.18%	96.00%	91.78%	96.81%	98.63%	99.89%	103.15%
Rajasthan	-	-	-	-	-	-	-	-	100.00%
Total	**92.50%**	**91.47%**	**93.83%**	**95.82%**	**92.28%**	**98.52%**	**99.84%**	**102.11%**	**102.14%**

Notes:

- *While our Bank's Banking Outlets are present in across 22 States and Union Territories, as of March 31, 2022, our microbanking portfolio is present in the 12 States and Union Territories mentioned above.*

The table below sets out our on-time collection efficiency for our microbanking portfolio:

State	July 2021	August 2021	September 2021	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022
Bihar	85.46%	85.09%	86.86%	85.28%	83.18%	87.09%	87.59%	89.70%	90.59%
Uttar Pradesh	90.42%	90.82%	91.87%	91.39%	90.22%	92.54%	93.42%	94.31%	94.80%
Jharkhand	88.28%	89.93%	90.97%	90.10%	89.55%	91.55%	91.96%	92.85%	93.85%
Odisha	96.62%	97.45%	98.33%	98.70%	98.66%	98.95%	99.05%	99.25%	99.38%
Madhya Pradesh	91.20%	93.01%	93.51%	93.89%	93.79%	94.22%	95.06%	96.02%	96.20%
Uttarakhand	93.16%	94.32%	96.28%	95.58%	95.29%	95.92%	96.08%	96.42%	97.02%
NCT Of Delhi	87.23%	91.39%	92.95%	92.04%	91.82%	92.02%	92.10%	92.87%	93.64%
Maharashtra	92.93%	94.32%	94.63%	94.85%	94.58%	95.53%	95.58%	96.10%	96.51%
Chhattisgarh	89.61%	91.84%	92.20%	92.46%	91.97%	92.57%	92.94%	93.80%	94.48%
Himachal Pradesh	99.64%	99.56%	99.79%	99.72%	99.59%	99.65%	99.58%	99.43%	98.95%
Haryana	89.67%	90.01%	91.48%	89.83%	89.24%	89.95%	90.01%	90.84%	91.78%
Rajasthan	-	-	-	-	-	-	-	-	100.00%
Total	**88.29%**	**88.62%**	**89.98%**	**89.05%**	**87.69%**	**90.41%**	**90.98%**	**92.38%**	**93.10%**

Notes:

- *On-time collection efficiency (adjusted for collections against past month dues) is calculated as the aggregate EMI amounts collected (excluding prepayment and collections in excess of current month demand) in the relevant period divided by the current month EMI due for collection. Accordingly, if in any month a customer also paid the overdue amount, apart from regular dues, then the overdue amount collected has not been included while computing on-time collection efficiency.*
- *While our Bank's Banking Outlets were present in across 22 States and Union Territories, as of March 31, 2022, our microbanking portfolio is present in the 12 States and Union Territories mentioned above.*

Asset Quality

The table below sets out the Special Mention Accounts ("**SMA**") portfolio of our Bank as of March 31, 2022:

Product	Gross Loan Portfolio (₹ million)	SMA 1 (₹ million)	SMA 2 (₹ million)	SMA 1 %	SMA 2 %
Microbanking Loans	80,024.07	1,449.84	789.73	1.81%	0.99%
Retail Loans	8,400.39	149.79	83.70	1.78%	1.00%
Wholesale Lending	9,261.15	-	-	-	-
Housing Loans	3,592.51	47.99	30.20	1.34%	0.84%
BC	2,244.16	25.68	20.98	1.14%	0.93%
CV and CE	2,121.59	15.02	9.45	0.71%	0.45%
Others*	663.38	0.98	0.42	0.15 %	0.06%
Total	**1,06,307.25**	**1,689.30**	**934.48**	**1.59%**	**0.88%**

Notes

**Others includes overdrafts, staff loans and gold loans.*

Disbursements

There has been a consistent increase in our disbursements in Fiscal 2022. The growth in disbursements was led by normalization of operating and business environment and increase in our Banking Outlets. Our Bank has opened 128 new Banking Outlets in Fiscal 2022. Our Bank's Banking Outlets increased from 507 as of March 31, 2020 to 558 as of March 31, 2021 and to 686 as of March 31, 2022.

The table below sets forth details of our Bank's disbursements for the months ended July 31, 2021 to March 31, 2022 across our product / channels:

Product / Channel	July 2021	August 2021	September 2021	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022
					(₹ million)				
Micro Finance	5,120.20	5,119.92	5,850.91	2,863.11	7,859.02	9,599.23	7,512.01	9,352.86	13,260.02
Retail Loans	409.68	507.49	443.80	430.65	333.06	481.26	438.72	447.62	590.56
Wholesale Lending	515.00	510.80	1,279.93	418.22	829.78	608.80	127.22	1,442.25	1,174.81
Housing Loan	189.76	216.23	174.45	177.43	87.23	209.28	155.26	154.49	225.14
BC	142.32	190.34	208.46	153.07	119.52	214.24	213.57	213.15	282.60
CV and CE	116.44	66.36	81.68	81.69	79.39	185.11	129.06	192.88	294.99
Others*	1.73	3.18	2.11	0.95	1.22	2.64	4.45	2.51	3.10
Total	**6,495.13**	**6,614.32**	**8,041.34**	**4,125.12**	**9,309.22**	**11,300.56**	**8,580.29**	**11,805.76**	**15,831.22**

Notes:
** Others includes staff loans, gold loan*

Liabilities

Deposits

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

	Year ended March 31, 2020		Year ended March 31, 2021		Year ended March 31, 2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
			(₹ million, except percentages)			
Demand Deposits	1,191.62	2.28%	1,597.72	2.13%	3,624.79	3.60%
Savings Bank Deposits	5,875.02	11.22%	11,672.20	15.55%	18,908.06	18.77%
Term Deposits	45,285.48	86.50%	61,805.76	82.32%	78,208.98	77.63%
Total Deposits	**52,352.12**	**100.00%**	**75,075.68**	**100.00%**	**1,00,741.83**	**100.00%**

Our CASA ratio was 13.50%, 17.68%, 22.37% as of March 31, 2020, March 31, 2021 and March 31, 2022, 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,					
	2020		2021		2022	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Microbanking Loans	58,568.27	87.93%	68,993.84	81.98%	80,024.07	75.28%
Housing Loans	854.91	1.28%	2,195.85	2.61%	3,592.51	3.38%
Retail Loans	2,460.62	3.69%	5,311.36	6.31%	8,400.39	7.90%
Wholesale Lending	3,095.05	4.65%	5,031.09	5.98%	9,261.15	8.71%
BC	1,233.46	1.85%	1,947.11	2.32%	2,244.16	2.11%
CE and CV	-	-	127.82	0.15%	2,121.59	2.00%
Others*	397.14	0.60%	549.53	0.65%	663.38	0.62%
Gross Loan Portfolio	**66,609.45**	**100.00%**	**84,156.60**	**100.00%**	**1,06,307.25**	**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 24 months. The interest rates on our microbanking loans are fixed and currently the rate of interest is 23% per annum. In the microbanking loan segment, our Bank offers loans through the 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 2022, the average ticket size of these loans was ₹ 0.03 million (based on loan outstanding), and they were disbursed for an average tenure of 22.71 months. The average yield for our microbanking segment was 20.53% in Fiscal 2022. In Fiscal 2020, 2021 and 2022, disbursements under this segment were ₹ 60,052.47 million, ₹ 48,161.21 million and ₹ 72,739.52 million, respectively. As of March 31, 2022, the Gross NPAs for this product segment were ₹ 6,027.49 million, representing 7.53% of our Gross Advances in this product segment.

As of March 31, 2022, microbanking customers were engaged primarily in agriculture and allied activities including animal husbandry, services and trading and other activities.

The number of new to bank customers for our microbanking segment as of the periods indicated:

	As of March 31,		
	2020	2021	2022
Total Microbanking Loan Accounts	2,504,008	2,510,257	2,435,770

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, 2022, our Bank was serving JLG customers through a network of six (6) 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,		
	2020	2021	2022
Number of States	11	11	12

	As of March 31,		
	2020	**2021**	**2022**
Number of micro banking outlets	404	420	493
Total number of centres	154,030	164,555	163,809

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, 2022, 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 for rural areas. The methodology includes fortnightly/ bi-fortnightly centre meetings and 'stepped-up' loans that can grow each time a client takes a loan and successfully repays, thereby demonstrating good creditworthiness and the need for higher amount of loan.

Credit Process and Evaluation

The first step towards lending is the identification of potential areas for operation. Accordingly, a specified area is allocated to credit officers. The process of credit evaluation is conducted by an assistant branch manager or a branch manager or above.

The JLG lending process involves the credit officer conducting a village or locality survey followed by a report to the branch manager. The credit officer 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, 2022, the number of outstanding '*Utkarsh Pragati*' loans were 342,943.

Utkarsh Kiran: These loans range between ₹ 35,000 and ₹ 75,000. The 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, 2022, the number of outstanding '*Utkarsh Kiran*' loans were 20,30,136.

Utkarsh Asha: These loans range between ₹ 80,000 and ₹ 100,000. The repayment tenure for such loans is 12/14 months (loans above ₹ 20,000 are for a minimum of 24 months and a maximum of 36 months). As of March 31, 2022, the number of outstanding '*Utkarsh Asha*' loans were 2,444.

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 ₹ 1,00,000 to ₹ 2,50,000. 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 As of March 31, 2022, the number of outstanding individual business loans were 13,398.

Microbanking Business Loans (Non-Microfinance): These loans range from ₹ 100,000 to ₹ 200,000 and subsequent cycle of ₹ 1,00,000 to ₹ 2,50,000. The repayment tenure for such loans is 24 months to 48 months.

PM SVANidhi Loan Scheme: The Ministry of Housing and Urban Affairs has recently launched Prime Ministers Street Vendor's Atmanirbhar Nidhi ("**PM SVANidhi**"), a special Micro Credit Facility Scheme for providing affordable loan to street vendors to resume their livelihoods that have been adversely affected due to the COVID-19 pandemic. PM SVANidhi loan product is designed to meet such customers' current livelihood support requirement. The loan is for a maximum amount of ₹ 10,000 and the tenor of the loan is 12 months and rate of interest of 15% per annum. As of March 31, 2022, the number of outstanding loans under *PM SVANidhi Loan Scheme* were 1,910.

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 ₹ 50,001 and ₹ 250,000,000. In Fiscal 2022, the average ticket size of these loans was ₹ 1.14 million (based on loans outstanding), and they were disbursed for an average tenure of 95.57 months. The average yield for our retail loan segment was 13.42% in Fiscal 2022. In Fiscal 2020, 2021 and 2022, disbursements under this segment were ₹ 1,557.09 million, ₹ 3,680.85 million and ₹ 4,565.01 million, respectively. As of March 31, 2020, 2021 and 2022, the number of outstanding retail loans were 6,603, 6,725 and 7,395, respectively. As of March 31, 2022, the Gross NPAs for this business segment were ₹ 155.72 million representing 1.85% of our Gross Advances in this product segment. Non-individual entities, such as MSMEs, accounted for, 33.27% of our total retail loans segment in Fiscal 2022.

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, 2022, we had collaborated with 187 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:

<u>*Unsecured Products*</u>

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 Loan 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 13% 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 14% to 17% 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.

<u>*Secured Products*</u>

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 10 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 10 years and are offered at an interest rate between 11% to 17% per annum.

Bank has also introduced new variants under LAP product during the first quarter of Fiscal 2023. These variants are Utkarsh Elite & LAP BT Multiplier for existing borrowers. Maximum loan amount under these variants is ₹ 10,000,000.

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 10 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 10 years and are offered at an interest rate between 11% to 16% per annum.

Utkarsh Biz Secure: These loans are offered to individuals primarily belonging to micro and small enterprise segment that meet our eligibility criteria. These loans range between ₹ 1,000,001 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: We recently commenced providing commercial vehicle and construction equipment loans to new customers and existing customers. These loans starts from ₹ 200,000 and are secured against the vehicle funded offered as collateral. The repayment tenure for such loans is between 12 to 60 months and are offered at an interest rate ranging between 10% - 15% per annum. Our commercial vehicle finance customers typically include fleet operators such as bus service providers, goods carriers, chemical transporters, and vehicle transporters. As of March 31, 2022, the amount outstanding under this segment was ₹ 2,121.59 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, 2022, a total of 20 general Banking Outlets in nine States were offering our gold loan product. As on March 31, 2022, gold loans outstanding were ₹ 0.85 million with portfolio loan to value (LTV) of 63.93%.

We offer two schemes under our gold loan product:

Utkarsh Navya: The loan amounts range between ₹ 10,000 and ₹ 15,00,000 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 ₹ 15,00,000 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, 2022, our wholesale lending business had 81 customers spread across India.

Our wholesale facilities range between ₹ 10 million and ₹ 500 million and are offered at an interest rate ranging between 8.00% to 14.50% per annum with a tenor of upto seven (7) years. In Fiscal 2022, the average ticket size of these loans was ₹ 80.53 million (based on loans outstanding), and they were disbursed for an average tenure of 58.17 months. The average yield for our wholesale lending segment was 9.74% in Fiscal 2022. In Fiscal 2020, 2021 and 2022, disbursements under this segment were ₹ 2,171.00 million, ₹ 4,106.50 million and ₹ 8,096.22 million, respectively. As of March 31, 2020, 2021 and 2022, the number of outstanding wholesale loans were 46, 77 and 115, respectively. As of March 31, 2022, there were no Gross NPAs for this product segment.

We source customers for our wholesale lending segment through various channels such as references from relationship managers, existing customers' references, empaneled channel partners and industry/segment conferences/seminars. The facilities are provided after due diligence on the entity and their business model, financial performance, security value, internal and external ratings and other necessary dedupes by our credit and risk departments.

Collection: Collections are handled by our relationship managers, and if a customer fails to pay on the due date, the relationship manager engages with the customer. If the account is overdue by more than 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 2022, the average ticket size of these loans was ₹ 1.46 million (based on loans outstanding), and they were disbursed for an average tenure of 205.05 months. The average yield for our housing loan segment was 10.16% in Fiscal 2022. In Fiscal 2020, 2021 and 2022, disbursements under this segment were ₹ 544.10 million, ₹ 1,532.28 million and ₹ 1,896.08 million, respectively. As of March 31, 2020, 2021 and 2022, the number of outstanding housing loans were 895, 1,672 and 2,462, respectively. As of March 31, 2022, the Gross NPAs for this product segment were ₹ 165.77 million representing 4.61% 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 new loan after takeover is for an amount ranging from ₹ 500,000 to a maximum of ₹ 10,000,000. The tenure for such loans range from three years 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,**					
	2020		**2021**		**2022**	
	Gross NPA (₹ million)	**Gross NPA %**	**Gross NPA (₹ million)**	**Gross NPA %**	**Gross NPA (₹ million)**	**Gross NPA %**
Home Loan#	3.82	0.66	12.92	2.43	13.23	3.08%
Home Loan for Repair and Renovation##	-	-	0.46	3.02	-	-
Home Loan Plus	0.97	3.24	0.51	0.61	3.89	1.82%
Takeover of loan	-	-	1.99	3.48	1.43	3.29%
Utkarsh Grih Aadhar	-	-	-	-	-	-
Utkarsh Grih Pragati			-	-	102.07	6.58%
Utkarsh Grih Pride	-	-	-	-	-	-
Utkarsh Grih Saral	-	-	-	-	3.41	7.06%
Utkarsh Grih Sudhar	-	-	-	-	-	-
Utkarsh Grih Suvidha	-	-	-	-	6.46	1.59%
Utkarsh Grih Unnati	-	-	-	-	35.28	5.00%
Total	**4.79**	**0.56%**	**15.88**	**0.72%**	**165.77**	**4.61%**

Notes:
 # Discontinued in Fiscal 2020
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, 2022, our BCs were responsible for sourcing and/or servicing customers for 2.11% 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, 2022, our Bank had entered into partnership with 10 BCs in Madhya Pradesh, Chhattisgarh, Haryana, Rajasthan, Maharashtra, Telangana, Andhra Pradesh, Karnataka and West Bengal. As of March 31, 2022, the portfolio under the BC segment amounted to ₹ 2,244.16 million.

The details of our BCs as of March 31, 2022 are as follows:

S. No.	Partner	Type	Business	Agreement/ Issue Date	Validity
1.	Origo Finance Private Limited	Business Correspondent Agreement	Source MSME Loans	February 4, 2021	February 3, 2024
2.	Janakalyan Consultancy & 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 Services 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 & Loan Against Property	October 25, 2019	October 24, 2022
6.	Arth Micro Finance Private Limited	Business Correspondent Agreement	Source Micro Loans	December 24, 2019	December 23, 2022
7.	Kamal Fincap Private Limited	Business Correspondent Agreement	Source Micro Loans	June 16, 2020	June 16, 2023
8.	Saksham Gram Credit Private Limited	Business	Source Micro Loans, Loan	October 9, 2020	October 8, 2023

S. No.	Partner	Type	Business	Agreement/ Issue Date	Validity
		Correspondent Agreement	Against Property and MSME Loans		
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

The details of our BCs after March 31, 2022 are as follows:

S. No.	Partner	Type	Business	Agreement/ Issue Date	Validity
1	UGRO Capital Limited	Business Correspondent Agreement	Source Loan Against Property and MSME Loans	May 06, 2022	May 05, 2025
2	Mintifi Finserve Private Limited	Business Correspondent Agreement	Supply Chain Finance OD	April 05, 2022	April 05, 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, 2022, we had 1,370,405 savings accounts. Interest rate for our domestic savings account presently is ranging from 4.25% upto 7.00% 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 free unlimited domestic transactions at any ATM 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. 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 maintained. This account can be opened jointly with a guardian and can be operated by the parent/ guardian until the minor becomes a major and further, the account can be converted into a regular savings account when the minor becomes a major. Customers are offered unlimited free domestic transactions at any ATM. The interest is calculated on daily product basis and credited quarterly.

Corporate Salary Standard Account: This account provides a variety of features and primarily caters to the 'blue-collar' employees of an organization. No minimum balance is required to be maintained and there are no charges for non-maintenance of minimum balance. A Classic Rupay debit card is issued with no annual maintenance charges for the first year. A corporation is required to have a minimum of 20 employees with an average salary of ₹ 10,000 per month with a minimum monthly salary upload of ₹ 200,000 to qualify for various features of this account. Customers are offered unlimited free domestic transactions at any ATM. The interest is calculated on daily product basis and credited quarterly.

Corporate Salary Premium Account

No minimum balance is required to be maintained and there are no charges for non-maintenance of minimum balance. An EMV Platinum Rupay debit card is offered with no annual maintenance charges for the first year. A corporation is required to have a minimum of 20 employees with an average salary of ₹ 50,000 per month with a minimum monthly salary upload of ₹ 1,000,000 to qualify for various features of this account. Customers can undertake unlimited domestic transactions at any ATM. The interest is calculated on daily product basis and credited quarterly.

*Basic Savings Bank Deposit Accounts ("**BSBDA**")/ BSBDA Small:* No average 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.

Staff Salary- Standard: Standard staff account employees of our Bank and Utkarsh CoreInvest Limited, upto the grade of senior executive. Once the relevant person no longer remains an employee of our Bank, the account is converted into a regular savings account.

Staff Salary – Premium: Premium account for the staff of our Bank and Utkarsh CoreInvest Limited, from Assistant Manager and above. Once the relevant person no longer remains an employee of our Bank, the account is converted into a regular savings account.

Institutional Savings Account Standard: No average monthly balance is required to be maintained, however, an initial deposit of ₹ 25,000 is required for opening the account. In addition, other services include, unlimited number and amount of deposit and withdrawals at our Banking Outlets, competitive charges for NEFT/ RTGS and internet banking facilities. The interest is calculated on daily product basis and credited quarterly.

Institutional Savings Account Premium: No average monthly balance is required to be maintained, however, an initial deposit of ₹ 100,000 is required for opening the account. In addition, other services include, unlimited number and amount of deposit and withdrawals at our Banking Outlets, competitive charges for NEFT/ RTGS and internet banking facilities. The interest is calculated on daily product basis and credited quarterly.

Institutional Saving Account Government: This account is specifically designed for Government institutions. No average balance is required to be maintained. In addition, other services, include, unlimited Banking Outlet cash transactions, free demand draft facility and unlimited free RTGS/ NEFT.

Current Accounts

Our current accounts are demand deposits for customers that do not accrue interest. We offer various types of current accounts which are equipped with a variety of services, including banking solutions, such as, corporate internet banking, to cater to the various requirements of entities/ customers to manage their businesses. We do not pay interest on our current accounts. As of March 31, 2022, we had 25,312 current accounts.

We offer the following current accounts to our customers:

Business Standard Account: An average quarterly balance of ₹ 10,000 at metro/ urban Banking Outlets and ₹ 5,000 at semi-urban/ rural Banking Outlets is required to be maintained. We provide free cash deposit of ₹ 200,000 per month and unlimited cash withdrawal at the home Banking Outlet. In addition, other features, include, free 150 transactions per quarter, no debit card annual charges on Rupay Classic debit card for the first year, cash/cheque pick-up facility for our customers and competitive charges on digital transactions.

Business Premium Account: An average quarterly balance requirement of ₹ 50,000 is required to be maintained. We provide free cash deposit of ₹ 1,000,000 per month, 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.

Institutional Current Account Basic: No average monthly balance is required to be maintained, however, an initial deposit of ₹ 25,000 is required for opening the account. In addition, other services include, unlimited number and amount of deposit and withdrawals at our Banking Outlets, competitive charges for NEFT/ RTGS and internet banking facilities.

Institutional Current Account Premium: No average monthly balance is required to be maintained, however, an initial deposit of ₹ 100,000 is required for opening the account. In addition, other services include, unlimited number and amount of deposit and withdrawals at our Banking Outlets, and free NEFT/ RTGS and internet banking facilities.

Institutional Current Account Government: This account is specifically designed for Government Institutions. No average balance is required to be maintained. In addition, other services, 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.

Escrow Bank Account: In this account funds are held before they are transferred to the ultimate beneficiary account. 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 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.

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 ₹ 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.

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.

Other Products and Services

As of March 31, 2022, we offered a range of third-party products, including (i) distribution of life insurance, health, motor, accidental and other general insurance products, and mutual funds schemes; (ii) money transfer services – inward remittances; (iii) integrated bill payment system; and (iv) distribution and facilitation of accounts under the certain Government schemes.

Sale of third party (including insurance and mutual fund products)

We have obtained corporate agency license from IRDAI, post obtaining a no-objection certificate from the RBI to undertake the activity of distribution of third party insurance products on a non-risk sharing basis without any commitment of our own funds. We have entered into an agreement with HDFC ERGO General Insurance Company Limited for the distribution of health insurance, motor, accidental and other general insurance policies. Our life insurance partners include HDFC Life Insurance Company Limited and ICICI Prudential Life Insurance Company Limited. We are also engaged in the distribution of mutual fund schemes of select AMCs.

Safe Deposit/Locker Facilities

We offer various locker facilities to our customers at competitive rates.

Money Transfer Services - Inward Remittances

Our Bank has been approved by Ebix Money Express Private Limited to undertake money transfer service scheme business. We act as a sub-representative of Ebix Money Express Private Limited for money transfer services in select Banking Outlets. While no outward remittances from India is permissible, we intend to target individuals Indian resident abroad, existing clients and prospective customers.

Integrated bill payment system

We offer our customers access an integrated bill payment system through the internet, which is a one-stop payment solution for all bills across India. It is an interoperable and accessible bill payment service for utility services and also other categories, such as school/ university fees, insurance and municipal taxes.

Distribution and facilitation of accounts under certain Government schemes

We are also licensed by the PFRDA for distribution and facilitation of accounts under the Atal Pension Yojana.

Distribution Channels

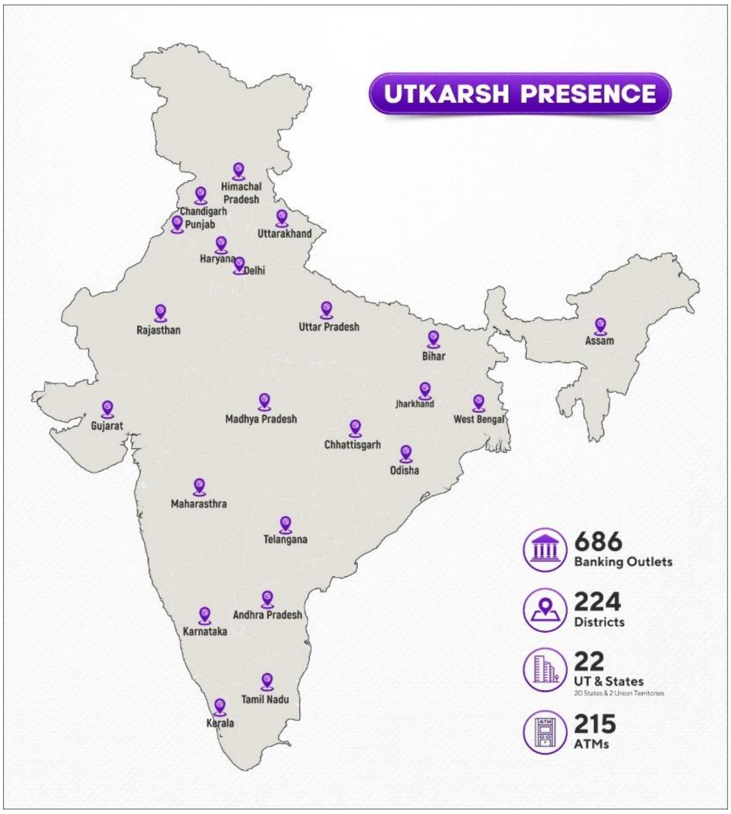
We carry out our operations through Banking Outlets, ATMs both off-site and on-site, micro-ATMs, POS terminals and various digital channels including internet banking through our website, phone banking through our call center, and mobile banking through the application besides BCs and DSAs for asset products. As of March 31, 2022, we operated 686 Banking Outlets that included 190 URCs across 22 States and Union Territories, as well as a network of 10 BCs and had arrangements with 187 DSAs.

Network of Banking Outlets

Our branch network comprises micro-Banking Outlets and general Banking Outlets.

Our micro-Banking Outlets have cost-effective and lean infrastructure and are located in primarily rural and semi-urban areas that have growth potential targeting the disbursement of credit to low and middle income individuals and micro businesses giving us access to relatively less competitive markets. Our general Banking outlets are spread across semi-urban, urban and metro locations amongst the top 100 cities in terms of overall deposits, for growing our liabilities business and other retail asset products. All our Banking Outlets are optimally equipped in terms of personnel, infrastructure and product offerings, and we intend to offer customers a standardized experience across all Banking Outlets.

The map below sets out certain information on our Banking Outlets as of March 31, 2022:



Map not to scale

Region	As of March 31, 2022	
	Banking Outlets	**Number of States/ Union Territories**
North(1)	303	10
West(2)	68	2
South(3)	17	5
East(4)	298	5
Total	**686**	**22**

Notes:

(1) Northern region comprises the following Chandigarh, Chhattisgarh, Haryana, Himachal Pradesh, Madhya Pradesh, New Delhi, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand.

(2) Western region comprises Gujarat and Maharashtra.

(3) Southern region comprises Andhra Pradesh, Telangana, Tamil Nadu, Karnataka and Kerala

(4) Eastern region comprises Assam, Bihar, Jharkhand, Odisha and West Bengal.

For further information on our state-wise deposit mix and region-wise NPA mix, see "*Selected Statistical Information*" on page 231.

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 209 onsite ATMs and six offsite ATMs as of March 31, 2022. In Fiscal 2022, we recorded an average of 639 transactions per month per ATM, and an average of 84.12% of such transactions were by customers of other banks. Further, in Fiscal 2020, 2021 and 2022, average ticket size of debit card transactions at ATM was ₹ 3,362, ₹ 3,391 and ₹ 3,524 and average ticket size for point of sale and e-commerce spend (per transaction) was ₹ 1,040, ₹ 1,186 and ₹ 1,366, 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 2022, 15.88% of the transactions in our Bank ATMs with overall ATM transactions of over 2.94 million times transacting ₹ 10,365.44 million.

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.

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 address capital requirements on a daily basis for the SMEs and for portfolio management of our securitization book. 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 seven 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 2020, 2021 and 2022, an aggregate amount of ₹ 90.17 million, ₹ 43.40 million and ₹ 296.57 million, respectively, was collected from written-off clients.

Treasury Department

Our treasury team focuses primarily on the management of our funds, maintenance of statutory reserves (cash reserve ratio and statutory liquidity ratio), asset liability gaps, interest rate risks, liquidity positions, investments and trading activities. Our Treasury also has access to the priority sector lending certificate platform for the sale, if any, of excess portfolios under the priority sector. We have a Board-approved investment policy framed in accordance with RBI guidelines and a standard operating procedure for carrying out treasury transactions and governing investments in various instruments such as bonds, treasury bills, commercial papers, certificate of deposits, mutual funds, debentures and other products.

Our Bank is a member of the market infrastructure in reporting and settlement systems, such as, NDS-Call, NDS-OM, TREPS and FTRAC. In its role to manage liquidity, our treasury department ensures availability of adequate liquidity to meet the needs of asset growth, operational expenses and payment obligations. Further, in order to manage liquidity mismatches, our treasury department actively participates in money market operations, such as, call/notice/term money, certificate of deposits, commercial papers and IBPC. In addition, it also raises liability resources through refinance, IBPC, issue of certificate of deposits and bulk FDs. Our resource mobilization strategy plays a vital role in managing our sources of funds with an optimal mix of term deposits and interbank term money.

Our treasure department has robust business continuity plans and it typically conducts business from alternate locations as part of the business continuity plans. During COVID-19, the treasure department conducted its business and operations without any interruptions.

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 22.19%, 21.88% and 21.59%, as of March 31, 2020, 2021 and 2022, respectively. Our Tier I capital ratio was 19.41%, 19.98% and 18.08% as of March 31, 2020, 2021 and 2022, respectively. For further information, see "*Selected Statistical Information*" on page 231.

Compliance

We have an independent compliance function and a compliance department which is responsible for monitoring and reporting compliance. Our compliance department functions as an independent unit to assist the senior management in the identification of compliance risks. This involves providing compliance-related training to employees, framing and providing necessary guidance on various policies, updating management on new compliance requirements and ensuring that compliance standards are followed at all levels. Our Managing Director and chief executive officer, Mr. Govind Singh, is the designated director and chief compliance officer, Mr. Sachin Shamkant Patange, is the principal officer of our Bank under PMLA, 2002.

Our KYC and AML department aims to follow the relevant best practices including adherence to recommendations of the Financial Action Task Force, and accordingly, undertakes sanctions screening, FATCA-CRS compliance, updation of beneficial ownership along with transaction monitoring and statutory reporting (CTR, NTR, CCR and STR) under PMLA, 2002 to Financial Intelligence Unit - India.

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 company 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 initiated technological initiatives i.e. started 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

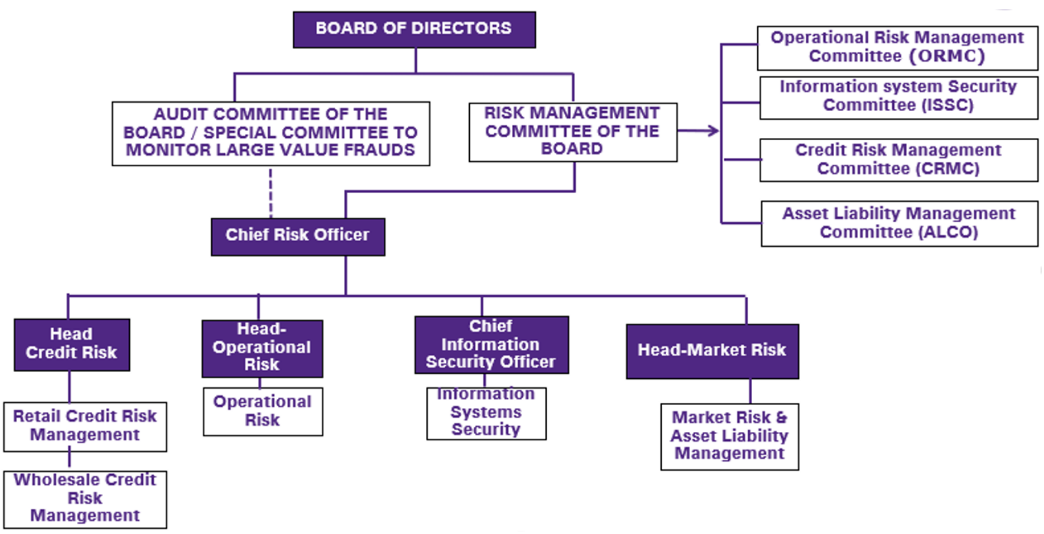
The vigilance and security department undertakes investigation of fraud, corruption cases and addresses grievances, including those under our Bank's whistle-blower policy. The department educates staff on preventive vigilance, punitive actions, surveillance and identification areas. The vigilance and 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, 2022, we maintained excess liquidity of ₹ 18,129.47 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 on-boarding 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 has responded swiftly by implementing various processes to ensure our operations and services to our customers continue seamlessly. Our Bank has efficiently managed to run its Banking Outlets with reduced manpower and also manage its other banking channels such as ATMs, internet and mobile banking, and call centre without any disruptions. We maintain a robust VPN infrastructure, which has enabled and equipped our employees to work from home to ensure no service disruptions and provide support to our customers. We have also deployed security systems to safeguard assets and customer data as well as issued detailed work from home protocols to enable secure usage. Our central processing centres at Mumbai and Varanasi have continued their daily operations, in accordance with the safety guidelines provided by the Government of India, to ensure timely settlement of all transactions. We have also undertaken additional safety measures, such as, regular temperature checks, regular sanitization, and compulsory use of masks and hand sanitization. We continue to closely monitor the impact that COVID-19 may have on our business and results of operations. Also, see "*Risk Factors – The extent to which the recent coronavirus (COVID-19) pandemic impacts our Bank's business, cash flows, results of the operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.*" on page 31.

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 for retail and microfinance and loan management function. Our various technology platforms support major functions, such as, branch and centralized operations, customer experience, expense management and human resources, process management, risk management, regulatory reporting and governance are also supported by various technology platforms. We also provide digital end-to-end onboarding with quick savings bank account opening with limited documentation through handheld devices. In addition, we have enabled digital facilities including internet banking, mobile banking, corporate internet banking, bill payments, and debit cards.

We aim at leveraging technology to better serve our customers, identify opportunities, deliver innovative products and services and advance on our goal of financial inclusion. We have introduced robotics process automation to increase efficiency and improve operational productivity. We have recently started new data-lake and analytics projects for better understanding of core customers and decision taking in real time. We believe this will increase our ability to deliver improved customer experience and facilitate customer acquisition 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 "Aapki Ummeed Ka Khaata" and "आपकी उम्मीद का खाता". We have also entered into agreements with our Promoter and Group Company for usage of the 'Utkarsh' brand and logo. We have also registered the domain name *www.utkarsh.bank* in India. For further information, see "*Government and Other Approvals*" on page 383.

Further, we have applied for registration of the following trademarks for our marketing activities which are pending as on the date of this Draft 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

We believe our intellectual property has significant value and is materially important to our business. We are proactive about protection of our intellectual property by taking appropriate action where any other entity uses or attempts to use any mark similar to trademarks owned by our Bank or makes attempts to secure registration of marks similar to trademarks owned by the Bank. Also, see "*Risk Factors – Our intellectual property rights may be subject to infringement or we may breach third party intellectual property rights. If we fail to successfully enforce our intellectual property rights, our business, results of operations and cash flows would be adversely affected.*" on page 51.

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*). 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 45.

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 52.

Human Resources

As of March 31, 2022, we had 12,617 employees, as set forth below:

S. No.	Function/ Department	Number of Employees
1.	Administrative	30
2.	Branding and Marketing	13
3.	Branch Operations and Support	207
4.	Collection, risk containment unit and data analytics	197
5.	Compliance	30
6.	Corporate Communication and Strategy	4
7.	Credit	272
8.	Finance /Accounts	65
9.	HR and Training	106
10.	Internal Audit	140
11.	Internal Ombudsman	2
12.	IT	113
13.	JLG / Micro Banking	8,111
14.	Liabilities	2,173
15.	MD and MD Office	12
16.	Operations/CPC	378
17.	Project/Corporate Support and Services	29
18.	Retail Loans (MSME)	387
19.	Retail Loans (HL)	195
20.	Retail Loans (Wheels)	54
21.	Risk Management	28
22.	Treasury	3
23.	Vigilance and Security	15
24.	Wholesale Lending	52
25.	Cross sell	1
Total		**12,617**

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 responsivity 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, 2022, our operations were spread across 22 States and Union Territories, and through 686 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 47.

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 RBI (Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks) Directions, 2015, as amended, an existing shareholder who has already obtained prior approval of RBI for having a "major shareholding" in a private sector bank, need not obtain approval for an additional fresh acquisition resulting up to 10% aggregate shareholding in such bank. However, if the additional acquisition results in an aggregate shareholding that is in excess of 10%, the prior approval of RBI must be obtained. Further, persons with 'major shareholding' shall also periodically report to the concerned bank on continuing to be fit and proper.

Further, the RBI requires the banks to create a reserve fund to which it must transfer not less than 25% of the net profit before appropriations. In terms of Section 17(2) of the Banking Regulation Act, if there is an appropriation from this account or the share premium account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation. However, in terms of the RBI circular bearing number DBOD.BP.BC No. 31 / 21.04.018/ 2006-07 dated September 20, 2006, banks are advised in their own interest to take prior approval from the RBI before any appropriation is made from the statutory reserve or any other reserves.

Certain amendments also permit the RBI to establish a 'Depositor Education and Awareness Fund', which will take over any credit balances in any account in India with a banking company which has not been operated upon for a period of 10 years or any deposit or any amount remaining unclaimed for more than 10 years.

The amendments also confer power on the RBI (in consultation with the central government) to supersede the board of directors of a banking company for a period not exceeding a total period of 12 months, in public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company.

The appointment, re-appointment, or termination of the appointment of a chairman, managing director or whole-time director, manager, chief executive officer of a bank shall have effect only if it is made with the prior approval of the RBI. Further, no amendment in relation to the maximum number of permissible directors, remuneration of the chairman, managing director, whole-time director or any other director, manager, chief executive officer shall have effect unless approved by the RBI. RBI is also empowered to remove a chairman, director, chief executive officer or other officer or employee from office on the grounds of public interest, interest of depositors or securing the proper management. Moreover, RBI may order meetings of the board of directors to discuss any matter in relation to the bank, appoint observers to such meetings, make such changes to the management as it may deem necessary, and may also order the convening of a general meeting of the bank's shareholders to elect new directors. Banking companies are restricted from granting loans or advances on the security of its own shares, enter into any commitment for granting any loan or advance to or on behalf of (i) any of its directors; (ii) any firm in which any of its directors is interested as partner, manager, employee or guarantor; or (iii) any company which is not a subsidiary of the banking company, a company registered under Section 25 of the Companies Act, 1956, a government company, a subsidiary or a holding company of which any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which the director holds substantial interest; or (iv) any individual in respect of whom any of its directors is a partner or a guarantor.

The RBI may impose penalties on banks, directors and its employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in the contravention. The penalty may also include imprisonment of the concerned director or employee. Banks are also required to disclose the penalty in their annual report.

The Reserve Bank of India Act, 1934, as amended ("RBI Act")

The RBI Act provides a framework for supervision of banking firms in India. The RBI Act was passed to constitute a central bank to, *inter alia*, regulate the issue of bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country. RBI may, subject to certain conditions, direct the inclusion or exclusion of any bank from the second schedule of the RBI Act. Scheduled banks are required to maintain cash reserves with the RBI. In this regard, RBI may stipulate an average daily balance requirement to be complied with by such banks and may direct that such banks regard a transaction or class of transactions as a liability. Further, RBI may direct any banking company to submit returns for the collection of credit information and may also furnish such information to a banking company upon an application by such company. RBI has the power to impose penalties against any person for, *inter-alia*, failure to produce any book, account or other document or furnish any statement, information or particulars which such person is duty-bound to produce or furnish under the RBI Act, or any order, regulation or direction thereunder.

Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014 issued by the RBI ("SFB Licensing Guidelines")

The RBI issued the SFB Licensing Guidelines and clarifications dated January 1, 2015, for licensing of SFBs in the private sector. The following is an indicative list of guidelines applicable to our Bank:

1. Registration, licensing and regulations: The SFB is required to be registered as a public limited company under the Companies Act and licensed under Section 22 of the Banking Regulation Act. The SFB is required to use the words "Small Finance Bank" in its name. SFBs are governed by the provisions of the Banking Regulation Act, RBI Act, FEMA, Payment and Settlement Systems Act, 2007, Credit Information Companies (Regulation) Act, 2005, as amended, Deposit Insurance and Credit Guarantee Corporation Act, 1961, as amended, and other relevant statutes and the directives, prudential regulations and other guidelines/instructions issued by RBI and other regulators from time to time. The SFBs will be given scheduled bank status once they commence their operations, and are found suitable as per Section 42(6)(a) of the RBI Act.

2. Eligible promoters: Resident individuals/professionals with ten years of experience in banking and finance and companies and societies owned and controlled by residents will be eligible as promoters to set up SFBs. Existing NBFCs, MFIs and local area banks that are owned and controlled by residents can also opt for conversion into an SFB. However, joint ventures by different promoter groups for the purpose of setting up SFBs would not be permitted. Promoter/ promoter groups should be 'fit and proper', on the basis of their past record of their sound credentials and integrity, financial soundness and successful track record of professional experience or of running their business for at least a period of five years in order to be eligible to promote an SFB.

3. Scope of activities: The SFB is required to primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections and supply of credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector entities, through high technology-low cost operations. It can also undertake other non-risk sharing simple financial services activities, not requiring any commitment of own fund, such as distribution of mutual fund units, insurance products, pension products, etc. with the prior approval of RBI and after complying with the requirements of the sectoral regulator for such products. The SFB can also become a Category II Authorised Dealer in foreign exchange business for its clients' requirements. It cannot set up subsidiaries to undertake non-banking financial services activities. Further, the other financial and non- financial services activities of the promoters, if any, should be kept distinctly ring-fenced and not comingled with the banking business. The annual branch expansion plans should be in compliance with the requirement of opening at least 25% of its branches in unbanked rural centres (having population of up to 9,999 as per the latest census). Further, there shall not be any restriction in the area of operations of an SFB, however, preference will be given to SFBs who in the initial phase to set up the bank in a cluster of under-banked states/ districts, such as in the North-East, East and Central regions of India. Such SFBs shall not have any hindrance to expand to other regions in due course. It is expected from the SFBs that it shall be primarily responsive to local needs.

4. Capital requirement: The minimum paid-up equity capital of an SFB is required to be ₹1,000 million. It shall be required to maintain a minimum capital adequacy ratio of 15% of its risk weighted assets on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time. The tier I capital should be at least 7.5% of the risk weighted asset. The tier II capital should be limited to a maximum of 100% of the tier I capital. Further, the capital adequacy ratio should be computed as per the Basel committee's standardised approaches.

5. Promoter's contribution: The promoter's minimum initial contribution to the paid-up equity capital of the SFB shall at least be 40% which shall be locked in for a period of five years from the date of commencement of business of the SFB. However, if an existing NBFC, MFI or local area bank has diluted the promoter's shareholding to less than 40% but above 26%, due to regulatory requirements or otherwise, the RBI may not insist on the promoter's minimum initial contribution. Further, the promoter's shareholding should be brought down in prescribed phases. If the initial shareholding of the promoters is more than 40%, it should be brought down to 40% within a period of five years and thereafter to 30% within 10 years and to 26% within 12 years from the date of commencement of business of the SFB.* Further, if an SFB reaches the net worth of ₹5,000 million, listing will be mandatory within three years of reaching that net worth.

   **Pursuant to the Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021, RBI has removed the requirement for achievement of intermediate sub-targets for dilution of the promoter shareholding post completion of the 5 year mandatory promoter lock-in period upto completion of 15 years. For further details, see " - Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021" below on page 196.*

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.

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 and as updated on October 26, 2021 ("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%, 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.

Master Directions - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016, as last updated on May 10, 2021 ("KYC Directions")

KYC Directions are applicable to every entity regulated by RBI specifically, scheduled commercial banks, regional rural banks, local area banks, primary (urban) co-operative banks, all India financial institutions, NBFCs, miscellaneous non- banking companies and residuary non-banking companies, amongst others. In terms of the KYC Directions, every entity regulated thereunder is required to formulate a KYC policy which is duly approved by the board of directors of such entity or a duly constituted committee thereof. The KYC policy formulated in terms of the KYC Directions is required to include four key elements, being customer acceptance policy, risk management, customer identification procedures and monitoring of transactions. The regulated entity shall be required to carry out risk assessment for money laundering and terrorist financing periodically to identify, assess and take effective measures to mitigate such risks. The KYC Directions also prescribe detailed instructions in relation to, *inter alia*, the due diligence of customers, record management and reporting requirements (such as the details of the person designated by the board of directors as a designated director etc.) to the Financial Intelligence Unit – India.

Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated 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 Manufactures 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.

Master Directions – Ownership in Private Sector Banks, Directions, 2016 dated May 12, 2016

The RBI issued master directions for ownership in private sector banks in May 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, shareholders are now categorized as natural persons (individuals) and legal persons (entities/institutions) for the purposes of ownership limits in the longer run. Non-financial and financial institutions, and among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding.

The limits for shareholding are as follows: (i) in the case of individuals and non-financial entities (other than promoters/promoter group), the limit shall be 10% of the paid-up capital. However, in case of promoters being individuals and non-financial entities in existing banks, the shareholding shall be 15%, (ii) for entities in the financial sector, other than regulated or diversified or listed, the limit shall be at 15%, (iii) in case of 'regulated, well diversified, listed entities from the financial sector' and shareholding by supranational institutions or public sector undertaking or Government undertaking, a limit of 40% is prescribed, and (iv) higher stake/strategic investment by promoters/non-promoters through capital infusion by domestic or foreign entities/institution shall be permitted on a case to case basis under circumstances such as relinquishment by existing promoters, rehabilitation/ restructuring of problem/ weak banks/ entrenchment of existing promoter or in the interest of the bank or in the interest of consolidation in the banking sector.

A period of 12 years from the date of commencement of business of the bank shall be available for the promoter and promoter group in cases where dilution to a lower level of shareholding is required for compliance with the specified limits. Acquisition of shareholding in a private sector bank shall be subject to the applicable FDI Policy, with the aggregate foreign investment in private sector banks not exceeding 74% of the paid-up capital. The directions further prescribe that banks (including foreign banks having branch presence in India) shall not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding is 10% or more of the investee bank's equity capital. However, RBI may permit a higher level of shareholding by a bank in exceptional cases.

Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021

The internal working group of the RBI, constituted to review the extant guidelines on ownership and corporate structure in private sector banks, approved certain recommendations of the internal working group. The consequential amendments in the respective circulars/ master directions/ licensing guidelines will be carried out and notified by the RBI in due course. However, during the interregnum, all stakeholders may be guided by these decisions. The recommendations include: (i) an increase in the cap of promoters' stake in the long run in private sector banks from 15% to 26% of the paid-up voting equity share capital, for the period post competition of the initial lock-in; (ii) removal of requirement for achievement of intermediate sub-targets for dilution of the promoter shareholding post completion of the 5 year mandatory promoter lock-in period uptil completion of 15 years; (iii) cap of 10% for non-promoter shareholding held by natural persons and all non-financial institutions/entities and 15% for non-promoter shareholding held by all categories of financial institutions/ entities, supranational institutions, public sector undertakings or government; and (iv) benefit to be given to existing banks in case of relaxation of rules under new licensing guidelines, however, if new rules are tougher, legacy banks should also confirm to new tighter regulations, subject to the transition path being finalised in consultation with affected banks to ensure compliance with new norms in a non-disruptive manner.

Master Direction – Issue and Pricing of shares by Private Sector Banks, Directions, 2016

The RBI issued master directions for issue and pricing of shares by private sector banks on April 21, 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, "private sector banks" have been defined as banks licensed to operate in India under the Banking Regulation Act other than urban co-operative banks, foreign banks and banks licensed under specific statutes. Under the directions, a private sector bank, both listed and unlisted, has general permission for issue of shares by way of public issues (initial public offer, further public offer), private placement (preferential issue, qualified institutional placement), rights issue and bonus issue, subject to compliance with applicable laws such as FEMA and extant foreign investment policy of the GoI for private sector banks, provisions of the Companies Act, and the relevant

SEBI guidelines, the RBI master directions dated November 19, 2015 on Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks and reporting of complete details of the issue to RBI such as date of issue, details of the type of issue, issue size, details of pricing, number and names of allottees, post allotment shareholding position, etc., along with a copy of the board/ annual general meeting resolution and prospectus/ offer document in the prescribed format.

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended ("SARFAESI Act")

The SARFAESI Act governs securitization of financial assets in India. The SARFAESI Act provides that any securitization or reconstruction company may acquire the financial assets of a bank or financial institution by either entering into an agreement with such bank or financial institution for the transfer of such assets to the company or by issuing a debenture or bond or any other security in the nature of a debenture, for consideration, as per such terms and conditions as may be mutually agreed between them. The SARFAESI Act further provides that if the bank or financial institution is a lender in relation to any financial assets acquired by the securitization/reconstruction company as stated above, then such company shall be deemed to be the lender in relation to those financial assets. Further, upon such acquisition, all material contracts entered into by the bank or financial institution, in relation to the financial assets, shall also get transferred in favour of the securitization/reconstruction company. The SARFAESI Act also enables banks and notified financial institutions to enforce the underlying security of an NPA without court intervention. Pursuant to an asset being classified as an NPA, the security interest can be enforced as per the procedure laid down in the Security Interest Enforcement Rules, 2002, as amended.

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 203 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	• Commenced our banking operations
	• Launched our mobile banking and internet banking facilities
2018	• Launched our wholesale lending business and personal loans
	• Launched our asset business through business correspondents
	• Our deposit base crossed ₹20,000 million
	• Our gross advances crossed ₹30,000 million
	• Launched bancassurance business with partners
	• Increase in savings accounts and active loan clients to over 200,000 and 2,000,000 respectively
	• Launched bill payment services
2019	• Launched cashless disbursements for microfinance loans
	• Conversion of microfinance branches to Banking Outlets
2020	• Our deposit base crossed ₹50,000 million
	• We crossed 500 banking outlets
	• Launched micro-banking business and two-wheeler loans
	• Our customer base crossed 2.5 million
2021	• Launched digital on-boarding of accounts
	• Launched non-fund based facility and working capital loans
2022	• 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	• Crossed 800,000 customers on-boarded through digital onboarding
	• Launch of 'Utkarsh Gold Loan', a secured gold loan product

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 5th 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 3rd in the AmbitionBox Best Places to Work in India 2021 in the Medium Banking Companies Category
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"

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 203.

Holding company

Utkarsh CoreInvest Limited is our holding company. For details of Utkarsh CoreInvest Limited, see "*Our Promoter and Promoter Group*" beginning on page 224.

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 153.

Shareholders' agreements

Key terms of subsisting shareholders' agreements

Second restated and amended shareholders agreement dated March 1, 2021 entered into between Mr. Govind Singh, Ms. Revati Govind, RAAG Family Private Trust, our Promoter, other shareholders and the investors namely Aavishkaar Bharat Fund, Aavishkaar Goodwell India Microfinance Development Company II Limited, Aavishkaar Venture Management Services Private Limited, British International Investment plc (previously known as CDC Group plc), Faering Capital India Evolving Fund II, Faering Capital India Evolving Fund III, HDFC Ergo General Insurance Company Limited, HDFC Life Insurance Company

Limited, Housing Development Finance Corporation Limited, Hero Enterprise Partner Ventures, ICICI Prudential Life Insurance Limited, International Finance Corporation, Jhelum Investment Fund I, Lok Capital Growth Fund, NMI Frontier Fund KS, RBL Bank Limited, responsAbility Participations Mauritius, Sarva Capital LLC, Shriram Life Insurance Company Limited, Small Industries Development Bank of India and Sustainability - Finance - Real Economies SICAV- SIF ("Investors") ("Promoter SHA")

The Promoter SHA entered into between Mr. Govind Singh, Ms. Revati Govind, RAAG Family Private Trust, our Promoter, other shareholders (as set forth in Schedule 3 – Part A) and the Investors govern their *inter-se* relationship, rights and obligations in connection with their investment in our Promoter and the administration, management and certain other matters in that regard.

In accordance with the terms of the Promoter SHA, our Promoter is required to furnish, among other things, the annual and quarterly financial statements and the proposed annual business plan of our Bank to the Investors and provide details regarding material developments in or affecting our Bank's business, as may be requested by the Investors. However, upon listing of our Bank, the sharing of information regarding our Bank under the Promoter SHA will be subject to compliance with applicable law including such information not constituting unpublished price sensitive information under applicable law and/ or the information being publicly available.

Further, pursuant to the provisions of the erstwhile shareholders agreement at Utkarsh CoreInvest Limited, Mr. Govind Singh or RAAG Family Private Trust was entitled to receive securities in our Promoter or our Bank totalling up to 3% of the paid-up share capital of our Promoter on a fully diluted basis.

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.

Further, except as disclosed in this DRHP, there are no other covenants in the Promoter SHA which are prejudicial or adverse to the interests of the public shareholders of the Bank.

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*" beginning on page 79.

Under the Investment Agreement, in the event our Bank, within two years from February 10, 2021 or prior to listing of Equity Shares, whichever is earlier, proposes to issue any new securities at a valuation of our Bank which is less than ₹27 per security (excluding in the case of an IPO), then each Incoming Investor is entitled to an anti–dilution protection from our Bank and will be issued additional Equity Shares at the lowest price permissible under the applicable law.

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 Draft Red Herring Prospectus. Further, as disclosed in the section "*Description of Equity Shares and Terms of Articles of Association*" on page 427, Part B of the AoA 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, 2022, a majority of the loan accounts continue to be unsettled.

Other information

Under the Articles of the Bank, subject to compliance with the provisions of the Companies Act and applicable law, any Shareholder who (along with its affiliates) owns at least 9% or more Equity Shares on a fully diluted basis (excluding: (i) any employee stock options granted by our Bank; and (ii) any Equity Shares issued by our

Bank pursuant to an exercise of such employee stock options), shall have the right to nominate one Director on our Board. In addition to the above, our Promoter shall have the right to appoint such number of Directors which is one more than the total number of Directors appointed pursuant to aforementioned provision. However, this right of our Promoter to appoint such additional Directors shall cease and terminate upon the earlier of the merger of our Promoter with our Bank or our Promoter ceasing to hold more than 40% of the Equity Shares.

It is clarified that the aforementioned right to nominate directors on the Board as provided under Article 15.2 of the AoA, shall be subject to the approval of the Shareholders by way of a special resolution in the first general meeting convened after the completion of the listing and commencement of trading of our Equity Shares pursuant to the Issue.

Agreements with Key Managerial Personnel, Director, Promoter or any other employee

There are no agreements entered into by a Key Managerial Personnel or Director or Promoter or any other employee of our Bank, either by themselves or on behalf of any other person, with any Shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of our Bank.

OUR MANAGEMENT

Under our Articles of Association, our Bank is authorised to have a minimum of three and maximum of 15 Directors. As on the date of this Draft Red Herring Prospectus, our Board comprises 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 Draft Red Herring Prospectus:

Name, date of birth, designation, address, occupation, period and term of directorship and DIN	Age (years)	Other Directorships
Mr. Parveen Kumar Gupta *Date of birth:* March 13, 1960 *Designation:* Part time non – executive chairman and Independent Director *Address:* Flat no 702, C Wing, Amaltas CHS, Juhu Versova Link Road, Andheri West, Mumbai 400 053, Maharashtra, India *Occupation*: Service *Period and term:* For a period of five years with effect from September 1, 2021, *i.e.*, 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 *DIN:*02895343	62	*Indian Companies* 1. Bank of India Investment Managers Private Limited; 2. Midland Microfin Limited; 3. Protium Finance Limited; and 4. Light Microfinance Private Limited.
Mr. Govind Singh *Date of birth:* May 15, 1965 *Designation:* Managing Director and chief executive officer *Address:* Progressive Highness, Flat No 503, 504, Plot No 5, 6, Sector 16A, Navi Mumbai, Thane 400 705, Maharashtra, India *Occupation*: Service *Period and term:* Director since September 21, 2018; Re-appointed for a period of three years with effect from September 21, 2021, *i.e.*, until September 20, 2024 *DIN:* 02470880	57	*Indian Company* Utkarsh Welfare Foundation
Mr. Kajal Ghose *Date of birth:* October 25, 1956 *Designation:* Independent Director *Address:* B – 1303, Crystal Court CHS, Plot 18, 27, Sector 7, Khargarh, Panvel, Raigarh 410 210, Maharashtra, India *Occupation*: Advisory Services *Period and term:* Director since January 16, 2017; Re-	65	*Foreign Company* Afghan United Bank

Name, date of birth, designation, address, occupation, period and term of directorship and DIN	Age (years)	Other Directorships
appointed for a period of three years with effect from January 16, 2022, *i.e.*, until January 15, 2025 *DIN:* 07702190		
Mr. Chandra Shekhar Thanvi *Date of birth:* July 20, 1964 *Designation:* Nominee Director[(1)] *Address:* Flat No. 401, SIDBI Officers' Apartments, 16, Madan Mohan Malviya Marg, Lucknow 226 001, Uttar Pradesh, India *Occupation*: Government service *Period and term:* With effect from September 30, 2021 and liable to retire by rotation *DIN:* 00563531	58	*Indian Company* SIDBI Swavalamban Foundation
Ms. Kalpana Prakash Pandey *Date of birth:* July 30, 1968 *Designation:* Independent Director *Address:*1025/26, Kohinoor City, Wing A, Building No.10, Kirol Road, Off LBS Marg, Kurla West, Mumbai 400 070, Maharashtra, India *Occupation*: Professional *Period and term:* Five years with effect from April 29, 2020, *i.e.*, until April 28, 2025 *DIN:* 06715713	53	Nil
Mr. Nagesh Dinkar Pinge *Date of birth:* October 1, 1958 *Designation:* Independent Director *Address:* B-403, Rajkamal CHS, Subhash Road, Near Vile Parle Mahila Sangh School, Vile Parle East, Mumbai 400 057, Maharashtra, India *Occupation*: Professional *Period and term:* Five years with effect from July 20, 2020, *i.e.*, until July 19, 2025 *DIN:* 00062900	63	*Indian Companies* 1. Goa Carbon Limited; 2. Arvind Fashions Limited; 3. Inventia Healthcare Limited; 4. Brahmani River Pellets Limited; 5. Hero Housing Finance Limited; 6. Multi Commodity Exchange Clearing Corporation Limited; 7. Automobile Corporation of Goa Limited; 8. Whiteoak Capital Trustee Limited; and 9. Aditya Birla Sun Life Insurance Company Limited
Mr. Muralidharan Rajamani *Date of birth:* May 31, 1961 *Designation:* Non - executive Director *Address:* A- 101, Sabari Aashiana Tiss Complex Annexe, Deonar Farm Road, Deonar, Mumbai 400 088, Maharashtra, India	61	*Indian Company* PGIM India Asset Management Private Limited

Name, date of birth, designation, address, occupation, period and term of directorship and DIN	Age (years)	Other Directorships
Occupation: Service *Period and term:* Appointed with effect from March 2, 2021 and liable to retire by rotation *DIN:* 01690363		
Mr. Ajay Kumar Kapur *Date of birth:* October 25, 1959 *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	62	*Indian Company* 1. IFCI Venture Capital Funds Limited; and 2. NABFINS Limited

(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 Bank of Baroda as their 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 and a master's degree in technology (computer science and technology) from the University of Roorkee (now known as Indian Institute of Technology, Roorkee). She holds a post-graduate diploma in electronics and communication engineering from the University of Roorkee (now known as Indian Institute of Technology, Roorkee). She has previously served as the managing director and chief executive officer of CRIF High Mark Credit Information Services Private Limited, an RBI licensed credit bureau. Additionally, she has also been associated with IDBI Principal Asset Management Company, State Bank of India and HDFC Bank Limited.

Mr. 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 and Key Managerial Personnel

None of our Directors and Key Managerial Personnel are related to each other.

Terms of Appointment of our Directors

Remuneration paid to executive Director

During Fiscal 2022, Mr. Govind Singh was paid a total remuneration of ₹20.20 million (which includes an annual cash bonus of (a) ₹1 million for Fiscal 2020; and (b) ₹6.30 million for Fiscal 2021 (which was fully adjusted against the excess fixed pay paid to him during 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 528,194 employee stock options under the ESOP Plan 2020. As on the date of the Draft Red Herring Prospectus, Mr. Govind Singh has been allotted 17,844 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 79.

Additionally, the RBI *vide* its letters dated January 12, 2022 and July 28, 2022 approved the remuneration payable to Mr. Govind Singh of ₹25.30 million including variable pay (*i.e.* cash and non-cash component) for Fiscal 2021 and fixed remuneration for Fiscal 2021 (which is continued to be paid as on date) in the following manner:

i. Fixed pay including perquisites: ₹19.10 million per annum; and

ii. Variable pay: ₹6.20 million (comprising cash ₹3.10 million and non-cash ₹3.10 million).

The RBI further advised our Bank to defer non-cash component over next three years in three equal instalments of 33.33% each and to pay 50% of the cash component upfront and to defer remaining 50% in next three years in equal instalments.

Further, our Bank *vide* its letter dated May 10, 2022 has sought approval of the RBI for the revision in the remuneration payable to Mr. Govind Singh to a total of ₹ 28.50 million including variable pay and fixed pay for Fiscal 2022 in the following manner:

i. Fixed pay: ₹14.20 million per annum; and

ii. Variable pay: ₹14.30 million subject to achieving the threshold performance.

In the interim, our Bank has requested the RBI to grant it prior approval for release of payment of fixed pay of ₹14.20 million for Fiscal 2022 to Mr. Govind Singh.

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 2022 are as follows:

Sr. No.	Name of Director	Sitting fees paid (in ₹ million)	Remuneration (in ₹ million)
1.	Mr. Parveen Kumar Gupta	1.44	0.56*
2.	Mr. Kajal Ghose	4.10	-
3.	Ms. Kalpana Prakash Pandey	3.14	-
4.	Mr. Nagesh Dinkar Pinge	3.05	-
5.	Mr. Muralidharan Rajamani	2.46	-
6.	Mr. Ajay Kumar Kapur	3.53	-
	Total	**17.72**	**0.56**

** The remuneration paid from October 12, 2021 in line with RBI approval mentioned below.*

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.

Our nominee Director, Mr. Chandra Shekhar Thanvi, is not entitled to receive any remuneration or sitting fees from our Bank. Accordingly, in Fiscal 2022, 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 2022, 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 and Key Managerial Personnel*" on page 86, 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 MD & CEO ESOP Plan or schemes formulated under the ESOP Plan 2020 (including the ESOP Scheme 1), as applicable, and Equity Shares allotted pursuant to exercise of such options, and any dividend and other distributions payable in respect of such Equity Shares. Additionally, 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.

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 Draft Red Herring Prospectus, have been on the board of directors of any listed company whose shares have been/were suspended from being traded on any of the stock exchanges, during his/her tenure.

None of our Directors has been or is a director on the board of directors of any listed company which has been / was delisted from any stock exchange(s), during his/her tenure.

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 Draft 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**
Ms. Kalpana Prakash Pandey	April 29, 2020	Appointed as an Independent Director*
Mr. Tantra Narayan Thakur	March 25, 2020	Cessation as an Independent Director
Mr. Govindasamy Sampath Kumar	August 28, 2019	Appointed as a nominee Director

**Regularized pursuant to a resolution passed by our Shareholders on July 20, 2020.*
***Regularized pursuant to a resolution passed by our Shareholders on March 3, 2021*
****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 the Draft 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. Changes, if any, in accounting policies and practices and reasons for the same.

f. Review of compliance with statutory and legal requirements relating to financial statements.

g. Review of disclosure of any related party transactions.

h. 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, 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. Carrying out any other function as assigned by our Board from time to time related with security holders of our Bank.

vii. Investigating complaints relating to allotment of shares, approval of transfer or transmission of shares, debentures or any other securities.

viii. Review of measures taken for effective exercise of voting rights by shareholders.

ix. 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.

x. 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.

xi. Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time.

xii. Carrying out any other functions contained in the Companies Act, 2013, the Listing Regulations and/or equity listing agreements (if applicable), as and when amended from time to time.

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:

(e) Mr. Ajay Kumar Kapur (chairperson);

(f) Ms. Kalpana Prakash Pandey (member);

(g) Mr. Muralidharan Rajamani (member);

(h) Mr. Parveen Kumar Gupta (member); and

(i) 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;

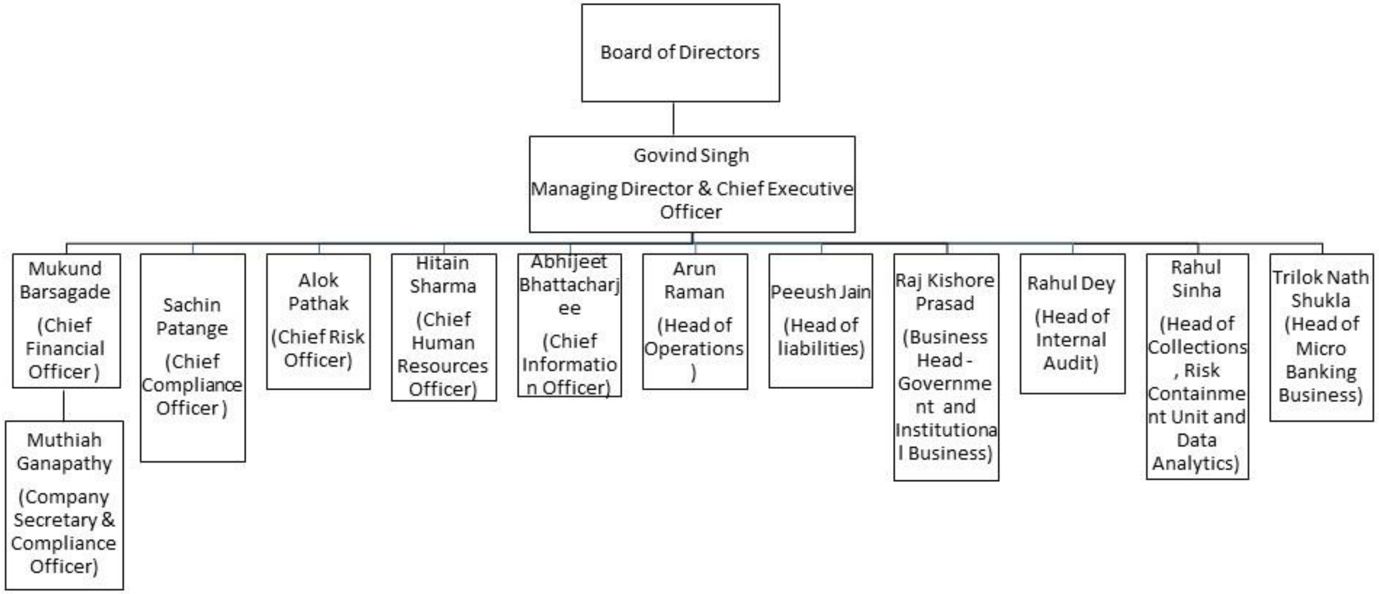
xvi. Approve various risk management policies; and

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 207, the details of the Key Managerial Personnel of our Bank are as follows:

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. Since he joined our Bank in Fiscal 2023, he was not paid any remuneration for Fiscal 2022 by 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 2022, he received a remuneration of ₹9.51 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 2022, he received a remuneration of ₹8.71 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 2022, he received a remuneration of ₹9.31 million from our Bank.

Mr. Mukund Barsagade is the chief financial officer of our Bank and he joined our Bank with effect from June 11, 2018. He has submitted his resignation to our Bank *vide* his email dated June 20, 2022, effective at a later date, and is currently serving his notice period. He is responsible for financial affairs of our Bank. He holds a bachelor's degree in commerce from Nagpur University, diploma in international financial reporting from the Association of Chartered Certified Accountants and is a qualified chartered accountant from the ICAI. He has experience in the field of financial management and has previously worked at FINO Payments Bank Limited, FINO PayTech Limited, GE Capital Services India, India Factoring and Finance Solutions Private Limited, Experian Services India Private Limited and Transamerica Apple Distribution Finance Limited. During Fiscal 2022, he received a remuneration of ₹11.51 million from our Bank.

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 2022, he received a remuneration of ₹ 0.41 million from our Bank.

Mr. Peeush Jain is the head – liabilities of our Bank and joined our Bank with effect from April 20, 2020. He is responsible for business development through branch productivity and product marketing at our Bank. He holds a bachelor's degree in science from Kurukshetra University. He has experience in retail banking and has previously worked at Lakshmi Vilas Bank Limited as its senior vice president & head – retail banking, the Royal Bank of Scotland N.V.as its vice president – wealth management, Anchor Financial Services Limited as its sales executive and the Hongkong and Shanghai Banking Corporation Limited as its specialist contract officer – field sales officer. During Fiscal 2022, he received a remuneration of ₹7.59 million from 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 junior associate of the Indian Institute of Banking & Finance. He has experience in the banking and microfinance sector. He has previously worked at Ujjivan Financial Services Private Limited as its regional business manager, Spandana Spoorthy Financial Limited as its zonal manager, Anjali Microfinance Private Limited as its regional sales manager, ICICI Bank Limited as its manager, BILT Tree Tech Limited as its assistant manager and at our Promoter as its vice president. He joined our Bank as the vice president with effect from January 1, 2017. During Fiscal 2022, he received a remuneration of ₹5.14 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 2022, he received a remuneration of ₹8.21 million from our Bank.

Mr. Raj Kishore Prasad is the business head-government and institutional business of our Bank and joined our Bank with effect from November 8, 2021. He is responsible for managing and developing the government and institutional business of our Bank. He holds a bachelor's degree in commerce with honours in accounting from Utkal University, Odisha and a master's degree in business administration from Berhampur University, Odisha. He has experience in the field of banking. He has previously worked at Axis Bank Limited as its senior vice president. During Fiscal 2022, he received a remuneration of ₹ 2.58 million from our Bank.

Mr. Sachin Patange is the chief compliance officer of our Bank. He is responsible for maintaining compliance standards at our Bank. He holds a bachelor's degree in commerce from University of Bombay and a master's degree in business administration (human resource management) from Symbiosis Institute of Business Management, Pune. He is a certified associate from the Indian Institute of Bankers. He has experience in providing regulatory compliance services covering RBI regulations. He has previously worked at DCB Bank Limited as its chief compliance officer, Australia and New Zealand Banking Group Limited as its head of compliance, Reserve Bank of India as deputy general manager – department of banking operations and development and Datamatics Limited. He joined our Bank as the head – compliance with effect from January 1, 2019. During Fiscal 2022, he received a remuneration of ₹9.74 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 2022, he received a remuneration of ₹ 9.04 million from our Bank.

Status of Key Managerial Personnel

All our Key Managerial Personnel are permanent employees of our Bank.

Relationship among Key Managerial Personnel

None of our Key Managerial Personnel are related to each another.

Bonus or profit sharing plan for the Key Managerial Personnel

There is no bonus or profit sharing plan for our Key Managerial Personnel, however, our Key Managerial Personnel are entitled to annually receive performance linked bonus.

Shareholding of Key Managerial Personnel

Other than as provided under "*Capital Structure – Shareholding of our Directors and Key Managerial Personnel"*, none of our Key Managerial Personnel hold Equity Shares.

Service Contracts with Key Managerial Personnel

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 209 and other than statutory benefits payable upon termination of employment of our Key Managerial Personnel, 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

Our Key Managerial Personnel do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled as per the terms of their appointment, options granted to them under the schemes formulated under the ESOP Plan 2020 (including the ESOP Scheme 1) and Equity Shares allotted pursuant to exercise of such options, and any dividend and other distributions payable in respect of such Equity Shares. For further details on the employee stock options see "*Capital Structure – Notes to Capital Structure – Employee Stock Option Plans*" beginning on page 87.

Further, our Key Managerial Personnel (excluding Mr. Govind Singh) may also be interested to the extent of options, if any, granted to them under the UCL ESOP Schemes, and subsequent allotment of equity shares in 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 Key Managerial Personnel, Mr. Rahul Dey, has availed a staff personal loan from our Bank and to that extent is deemed to be interested in our Bank.

For details of interest of Mr. Govind Singh, please see "- *Interest of Directors*" on page 210.

Arrangements and understanding with major shareholders, customers, suppliers or others

None of our Key Managerial Personnel have been selected pursuant to any arrangement or understanding with our major Shareholders, customers, suppliers or any other person.

Changes in Key Managerial Personnel during the last three years

The changes in our Key Managerial Personnel during the three years immediately preceding the date of this Draft Red Herring Prospectus are set forth below.

Name	Date	Reason
Mr. Abhijeet Bhattacharjee	April 1, 2022	Appointed as chief information officer
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. Raj Kishore Prasad	November 8, 2021	Appointed as business head- government and institutional business
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
Mr. Peeush Jain	April 20, 2020	Appointed as head – liabilities
Mr. Hitain Sharma	December 9, 2019	Appointed as chief human resources officer
Ms. Nutan Rane	October 15, 2019	Appointed as the company secretary

Name	Date	Reason
Mr. Vinay Prakash Tripathi	October 12, 2019	Resigned as the company secretary

Additionally, Mr. Mukund Barsagade, the chief financial officer of our Bank, has submitted his resignation to our Bank *vide* his email dated June 20, 2022, effective at a later date, and is currently serving his notice period.

Contingent and deferred compensation payable to Key Managerial Personnel

There is no contingent or deferred compensation payable to our Key Managerial Personnel in Fiscal 2022, which does not form a part of their remuneration.

Payment or Benefit to Key Managerial Personnel of our Bank

Except as disclosed above under "- *Interest of Key Managerial* Personnel" on page 222, no amount or benefit has been paid or given to any officer of our Bank within the two years preceding the date of filing of this Draft Red Herring Prospectus or is intended to be paid or given, other than in the ordinary course of their employment.

Employee stock option and stock purchase schemes

For details of our MD & CEO ESOP Plan and ESOP Plan 2020 (including the ESOP Scheme 1 notified thereunder), see "*Capital Structure*" on page 79.

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

OUR PROMOTER AND PROMOTER GROUP

Utkarsh CoreInvest Limited (formerly known as Utkarsh Micro Finance Limited) is the sole Promoter of our Bank. As on the date of this Draft Red Herring Prospectus, our Promoter, along with its nominees, holds an aggregate of 759,272,222 Equity Shares, comprising 84.79% 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 79.

The details of our Promoter are as provided below:

Corporate information

Our Promoter is a public limited company incorporated under the provisions of the Companies Act, 1956 on May 15, 1990. The corporate identification number of our Promoter is U65191UP1990PLC045609. Our Promoter was incorporated as Shre Pathrakali Finance Company Limited with the Registrar of Companies, Tamil Nadu. Subsequently, the name of our Promoter underwent several changes and was last changed to Utkarsh CoreInvest Limited, for which a fresh certificate of incorporation consequent to the change of name was issued by the RoC on October 11, 2018. Our Promoter, under its erstwhile name Utkarsh Micro Finance Private Limited was registered as a non-banking financial institution (without accepting public deposits) with the RBI under certificate number B-07-00781 dated March 19, 2010.

Pursuant to the Business Transfer Agreement, our Promoter sold its business of providing microfinance, as a going concern, including the assets, liabilities, contracts, receivables, licenses, employees, books and records, tax benefits etc. and excluding certain statutory assets and liabilities to our Bank. As per the terms of the RBI In-Principle Approval, our Promoter was converted into an NBFC-CIC-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. Gopalasamudram Srinivasaraghavan Sundararajan

(b) Mr. Thirunellayi Kesavan Ramesh Ramanathan

(c) Mr. Aditya Deepak Parekh

(d) Mr. Ashwani Kumar

(e) Mr. Gaurav Malhotra

(f) Mr. Atul

Shareholding Pattern

The authorised share capital of our Promoter is ₹1,000,000,000 divided into 100,000,000 equity shares of face value ₹10 each. The issued and paid-up share capital of our Promoter is ₹983,565,790 divided into 98,356,579 equity shares of face value ₹10 each.

As on the date of this DRHP, the shareholding of our Promoter is as follows:

Sr. No.	Name of Shareholder	Number of shares held	Percentage of equity shareholding
1.	British International Investment plc (previously known as CDC Group plc)	13,726,978	13.96%
2.	RBL Bank Limited	9,702,950	9.87%
3.	Other shareholders	8,264,467	8.40%
4.	NMI (NMI Frontier Fund KS)	7,702,602	7.83%
5.	Faering Capital India Evolving FUND II	7,660,082	7.79%
6.	Hero Enterprise Partner Ventures	4,845,496	4.93%
7.	responsAbility Participations Mauritius	4,845,495	4.93%
8.	Shriram Life Insurance Company Limited	4,825,531	4.91%
9.	Small Industries Development Bank of India (SIDBI)	4,252,134	4.32%
10.	ICICI Prudential Life Insurance Limited	4,150,995	4.22%
11.	Aavishkaar Goodwell 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	3.17%
14.	Sarva Capital LLC	2,967,865	3.02%
15.	RAAG Family Private Trust	2,884,998	2.93%
16.	International Finance Corporation	2,786,969	2.83%
17.	Sustainability – Finance – Real Economies SICAV – SIF	2,198,828	2.24%
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	1,037,748	1.06%
22.	Housing Development Finance Corporation Limited	431,589	0.44%
23.	Utkarsh ESOP Welfare Trust	245,074	0.25%
24.	Aavishkaar Venture Management Service Private Limited	7,476	0.01%
25.	Mr. Govind Singh	500	Negligible
Total		**98,356,579**	**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 Draft Red Herring Prospectus.

Our Bank confirms that the permanent account number, bank account number(s), company registration number and the address of the registrar of companies where our Promoter is registered shall be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus.

Change in control of our Bank

There has been no change in control of our Bank since its incorporation.

Interests of Promoter and Related Party Transactions

Our Promoter is interested in our Bank to the extent (i) that it has promoted our Bank; (ii) of its right to nominate Directors on the Board; and (iii) of its shareholding and dividend payable thereon. For details on shareholding of our Promoter in our Bank, see "*Capital Structure – Notes to Capital Structure – History of the Equity Share Capital held by our Promoter, minimum Promoter's Contribution and lock-in requirements*" on page 82.

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 and the second renewal agreement dated October 22, 2021, have been entered into between our Bank and our Promoter, whereby our Promoter has agreed to reimburse the cost of monthly rent of ₹70,560 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 second renewal agreement is valid for a period of 11 months from October 17, 2021.

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 252.

Further, our Promoter has entered into a trademark license agreement with our Bank dated December 24, 2020, pursuant to which our Bank has granted our Promoter a worldwide, non-exclusive, non-transferable and non-assignable right and license to use the trademark and the logo of the Bank in connection with its business in lieu of a one-time non- refundable consideration of ₹100. The agreement is valid for a period of three years and can be extended for a period not exceeding three years at a time, on such terms and conditions as may be mutually agreed between the parties.

Our Promoter has no interest in any property acquired by our Bank during the three years preceding the date of this Draft Red Herring Prospectus, or proposed to be acquired, or in any transaction by our Bank for acquisition of land, construction of building or supply of machinery, etc.

Our Promoter is not interested as member of a firm or company and no sums have been paid or agreed to be paid to our Promoter or to such firm or company in cash or shares or otherwise by any person, either to induce it to become or to qualify it or otherwise for services rendered by it or by such firm or company in connection with the promotion or formation of our Bank.

Our Promoter is not interested in any other entity which holds any intellectual property rights that are used by our Bank.

Payment or benefits to our Promoter or Promoter Group

Except as stated in this section, "*Issue Document Summary - Summary of Related Party Transactions*" and "*Financial Statements*" on pages 15 and 252 respectively, there has been no payment or benefits made to our Promoter or members of our Promoter Group during the two years preceding the filing of this Draft Red Herring Prospectus nor is there any intention to pay or give any amount or benefit to our Promoter or members of our Promoter Group.

Disassociation by our Promoter in the last three years

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 Draft 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 July 15, 2022, 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, 2022 (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, in terms of the policy adopted by the Board for determining group companies, our Board has identified Utkarsh Welfare Foundation as the group company of our Bank.

Utkarsh Welfare Foundation ("UWF")

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 2022, 2021 and 2020, is available on the website of our Group Company at https://www.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 Draft Red Herring Prospectus or proposed to be acquired by it

Our Group Company is not interested in the properties acquired by our Bank in the three years preceding the filing of this Draft Red Herring Prospectus or proposed to be acquired by our Bank.

(c) In transactions for acquisition of land, construction of building, supply of machinery, etc.

Our Group Company is not interested in any transactions for the acquisition of land, construction of building or supply of machinery, etc.

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*" on pages 15 and 252, 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*" on pages 15 and 252, 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 2020, 2021 and 2022. Further, our Bank has not paid any dividend from April 1, 2022 till the date of this Draft Red Herring Prospectus. In terms of Section 15 of the Banking Regulation Act, a banking company is permitted to declare dividends only upon all of its capitalised expenses have been completely written off. 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 39.

SELECTED STATISTICAL INFORMATION

The selected statistical information contained in this section is based on or derived from our Restated Financial Statements for Fiscal 2020, 2021 and 2022. The following discussion should be read together with the information included in the sections "Summary of Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements" included elsewhere in this Draft Red Herring Prospectus.

The following information is included for analytical purposes. Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Statements included in this Draft Red Herring Prospectus. Unless otherwise indicated average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year. All ratios are calculated based on the relevant months of operations during the period unless specified, and annualized for the relevant months of operations during the period.

Average Balance Sheet of the Bank

The tables below present the average balances for interest-earning assets and interest-bearing liabilities of the Bank together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of advances and deposits for the period. The average yield on average assets is the ratio of interest earned to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. Average interest earning assets, yields, average non-interest earning assets, average interest-bearing liabilities, average non-interest bearing liabilities, and cost of funds, are non-GAAP measures. The tables below set forth the reconciliation of such non-GAAP measures to the GAAP measures appearing in our Restated Financial Statements:

	Year ended March 31,								
	2020			2021			2022		
	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	52,740.32	11,922.73	22.61%	67,151.70	13,857.44	20.64%	84,112.38	16,461.26	19.57%
ii. Investments	12,420.24	947.58	7.63%	21,445.05	1,486.92	6.93%	24,257.02	1,549.25	6.39%
iii. Others[2]	6,747.09	206.56	3.06%	13,693.88	465.51	3.40%	12,919.74	477.62	3.70%
iv. Sub-Total	**71,907.65**	**13,076.87**	**18.19%**	**102,290.63**	**15,809.87**	**15.46%**	**121,289.14**	**18,488.13**	**15.24%**
Non-Interest Earning Assets:									
v. Fixed assets	964.30	-	-	1,366.58	-	-	2,201.39	-	-
vi. Other assets	1,603.06	-	-	3,242.88	-	-	3,541.95	-	-
vii. Sub-Total	2,567.36	-	-	4,609.46	-	-	5,743.34	-	-
viii. Total (iv+vii)	**74,475.01**	**13,076.87**	**17.56%**	**106,900.09**	**15,809.87**	**14.79%**	**127,032.48**	**18,488.13**	**14.55%**

	Year ended March 31,								
	2020			2021			2022		
	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	967.14	-	-	1,372.25	-	-	1,362.75	-	0.00%
ii. Saving Banks Deposit	4,025.10	271.76	6.75%	8,090.18	488.47	6.04%	15,262.22	896.64	5.87%
iii. Term Deposits	40,476.42	3,865.01	9.55%	51,324.18	4,306.99	8.39%	66,546.15	4,860.03	7.30%
iv. **Total Deposits (i+ii+iii)**	**45,468.66**	**4,136.77**	**9.10%**	**60,786.61**	**4,795.46**	**7.89%**	**83,171.12**	**5,756.67**	**6.92%**
v. Borrowings	16,208.05	1,657.86	10.23%	28,941.99	2,621.95	9.06%	22,295.61	2,122.95	9.52%
vi. **Sub-Total**	61,676.71	5,794.63	9.40%	89,728.60	7,417.41	8.27%	1,05,466.73	7,879.62	7.47%
Non-Interest Bearing Liabilities:									
vii. Capital	7,509.39	-	-	7,704.05	-	-	8,778.17	-	0.00%
viii. Reserves & Surplus	1,682.23	-	-	3,490.02	-	-	6,076.18	-	0.00%
ix. **Shareholders' equity (vii+viii)**	9,191.62	-	-	11,194.07	-	-	14,854.35	-	0.00%
x. Other liabilities & Provision	3,606.68	-	-	5,977.42	-	-	6,711.40	-	0.00%
xi. **Sub-Total**	12,798.30	-	-	17,171.49	-	-	21,565.75	-	0.00%
xii. **Total (vi+xi)**	**74,475.01**	**5,794.63**	**7.78%**	**106,900.09**	**7,417.41**	**6.94%**	**127,032.48**	**7,879.62**	**6.20%**

Note:

(1) Average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year/ period

(2) Includes all balances with Reserve Bank of India in other accounts, balances with banks in other deposit accounts, money at call and short notice.

(3) Interest Earned on advances include interest on advances and gain on securitization and direct assignment transactions.

(4) Interest Expended includes interest on deposits and borrowings and finance lease.

Analysis of Changes in Interest Income and Interest Expense by Volume and Rate

The following tables sets forth, for the periods indicated, details of the Bank's interest income, interest expense and Net Interest Income and the allocation of the changes in the Bank's interest income (including, with respect to equity investments, dividend income) and interest expense between average volume and changes in average rates. The changes in Net Interest Income between periods have been reflected as attributed either to volume or rate changes. For the purposes of these tables, changes that are due to both volume and rate have been allocated solely to changes in rate.

	Fiscal 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			
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)

Note:

(1) The changes in interest earned, interest expended and net interest income between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes that are due to both volume and rate have been allocated solely to changes in rate.

(2) Change in average volume is computed as increase in average balances for the year multiplied by yield/cost for Fiscal 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.

	Fiscal 2020 vs. Fiscal 2021		
	Increase (Decrease) Due to		
	Net Change in Interest(1)	**Change in Average Volume(2)**	**Change in Average Rate(3)**
	(₹ million)		
Interest Income			
Advances	1,934.71	3,257.90	(1,323.19)
Investments	539.34	688.53	(149.19)
Others	258.95	212.69	46.26
Total interest-earning assets	2,733.00	4,159.12	(1,426.12)
Interest Expense			
Total deposits#	658.69	1,393.64	(734.95)
Borrowings	964.09	1,302.50	(338.41)
Total interest-bearing liabilities	1,622.78	2,696.14	(1,073.36)
Net Interest Income	1,110.22	1,462.98	(352.76)

Note:
(1) The changes in interest earned, interest expended and net interest income between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes that are due to both volume and rate have been allocated solely to changes in rate.
(2) Change in average volume is computed as increase in average balances for the year multiplied by yield/cost for Fiscal 2020.
(3) Change in average rate represents the average balance for Fiscal 2021 multiplied by change in rates during the respective periods during the relevant period.

Yields, Spreads and Margins

The following table sets forth, for Fiscal 2020, 2021 and 2022, the yields, spreads and interest margins on the Bank's interest-earning assets.

	Year ended March 31,		
	2020	**2021**	**2022**
	(₹ million, except percentages)		
i. Interest on advances	11,922.73	13,857.44	16,461.26
ii. Interest earned	13,076.87	15,809.87	18,488.13
iii. Interest expense on interest bearing liabilities	5,794.63	7,417.41	7,879.62
iv. Total Average Interest Earning Assets(1)	71,907.65	102,290.63	121,289.14
v. Average Balance of Advances	52,740.32	67,151.70	84,112.38
vi. Total Average Interest Bearing Liabilities(2)	61,676.71	89,728.60	105,466.73
vii. Total Average Assets(3)	74,475.01	106,900.09	127,032.48
viii. Net Interest Income(4)	7,282.24	8,392.46	10,608.51
ix. Average Balance of Advances as a percentage of Total Average Assets [v/vii]	70.82%	62.82%	66.21%
x. Total Average Interest Bearing Liabilities as a percentage of Total Average Assets [vi/vii]	82.82%	83.94%	83.02%
xi. Average Balance of Advances as a percentage of Total Average Interest-Bearing Liabilities [v/vi]	85.51%	74.84%	79.75%
xii. Yield(5)	18.19%	15.46%	15.24%
xiii. Yield on Advances(6)	22.61%	20.64%	19.57%
xiv. Cost of Funds(7)	9.40%	8.27%	7.47%
xv. Spread(8)	13.21%	12.37%	12.10%
xvi. Net Interest Margin(9)	10.13%	8.20%	8.75%
xvii. Other income to Total income Ratio(10)	7.00%	7.32%	9.09%
xviii. Credit Cost(11)	998.18	2,668.46	4,200.96
xix. Credit Cost Ratio(12)	1.89%	3.97%	4.99%
xx. Cost of Borrowings(13)	10.23%	9.06%	9.52%

Notes:
(1) Total Average Interest Earning Assets are interest-earning assets calculated on the basis of quarterly average.
(2) Total Average Interest Bearing Liabilities are interest-bearing liabilities calculated on the basis of quarterly average.
(3) Total Average Assets are total assets calculated on the basis of quarterly average.
(4) Net Interest Income is difference of Interest Earned and Interest Expended.
(5) Yield is Interest Earned divided by Total Average Interest Earning Assets.
(6) Yield on Advances is Interest on advance divided by Average Balance of Advances.
(7) Cost of Funds is Interest Expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.

(8) Spread is difference between Yield on Advances and Cost of Funds.
(9) Net Interest Margin is the difference of Interest earned and Interest expended divided by the Total Average Interest Earning Assets calculated on the basis of quarterly average.
(10) Other income to Total income Ratio is calculated as a ratio of other income divided by Total income (total of Interest earned and Other income).
(11) Provision made for standard assets, additional COVID-19 restructured assets in Fiscal 2021, specific provisions and NPAs and technical/ prudential write off
(12) Credit Cost divided by Average Balance of Advances.
(13) Represents the ratio of Interest on RBI/inter-bank borrowings and other interest to the Average Balance of Borrowings.

Financial Ratios of the Bank

The following table sets forth certain key financial indicators as of and for Fiscal 2020, 2021 and 2022, for the Bank.

	As of and for the year ended March 31,		
	2020	**2021**	**2022**
Net profit as a percentage of Average Shareholders' Equity[(1)]	20.32%	9.99%	4.14%
Return on Total Average Assets[(2)]	2.51%	1.05%	0.48%
Dividend Payout Ratio[(3)]	-	-	-
Operating Expenses to Total Average Assets	6.40%	5.10%	5.80%
Average Shareholders' Equity to Total Average Assets[(4)]	12.34%	10.47%	11.69%
Credit to Deposit ratio[(5)]	119.99%	109.45%	101.53%
Retail Term Deposit to Total Term Deposit Ratio	40.07%	48.39%	48.02%
CASA Ratio[(6)]	13.50%	17.68%	22.37%
Cost to Income Ratio[(7)]	57.64%	56.54%	59.11%

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 2020, 2021 and 2022:

		Fiscal		
		2020	**2021**	**2022**
		(₹ million, except percentages)		
i.	Net profit for the year	1,867.43	1,118.15	614.62
ii.	Average Shareholders' Equity[(1)]	9,191.62	11,194.07	14,854.35
iii.	Total Average Assets	74,475.01	106,900.09	127,032.48
iv.	Net profit as a percentage of Total Average Assets (i/iii)	2.51%	1.05%	0.48%
v.	Net profit as a percentage of Average Shareholders' Equity (i/ii)	20.32%	9.99%	4.14%
vi.	Average shareholders' equity as a percentage of Total Average Assets (ii/iii)	12.34%	10.47%	11.69%
vii.	Gross Loan Portfolio[(2)]	66,609.45	84,156.60	106,307.25
viii.	Advances	62,815.96	82,168.58	102,281.47
ix.	Net profit as a percentage of Gross Loan Portfolio	2.80%	1.33%	0.58%
x.	Net profit as a percentage of advances	2.97%	1.36%	0.60%

Notes:
(1) Average Shareholders' Equity represents the sum of quarterly average of capital and reserves and surplus
(2) March 31, 2020 Gross Loan Portfolio is including IBPC sold by the Bank of ₹3,520 million; Nil for March 31, 2021 and Nil for March 31, 2022

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 40.07%, 48.39% and 48.02% of total term deposits as of March 31, 2020, 2021 and 2022, respectively.

		Year ended March 31,		
		2020	**2021**	**2022**
		(₹ million, except percentages)		
i.	Deposits	52,352.12	75,075.68	100,741.83
ii.	Average Balance of Deposits [1]	45,468.66	60,786.61	83,171.12
iii.	Interest on Deposits	4,136.77	4,795.46	5,756.67
iv.	Average interest rate [2] (iii/ii)	9.10%	7.89%	6.92%

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, 2020, 2021 and 2022, the average cost (interest expense divided by the average of balance for the relevant period) of savings bank deposits was 6.75%, 6.04% and 5.87%, respectively, and the average cost of term deposits was 9.55%, 8.39% and 7.30%, 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,					
	2020		**2021**		**2022**	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
	(₹ million, except percentages)					
Demand Deposits[1]	1,191.62	2.28%	1,597.72	2.13%	3,624.79	3.60%
Savings Bank Deposits	5,875.02	11.22%	11,672.20	15.55%	18,908.06	18.77%
Term Deposits	45,285.48	86.50%	61,805.76	82.32%	78,208.98	77.63%
Total Deposits	**52,352.12**	**100.00%**	**75,075.68**	**100.00%**	**100,741.83**	**100.00%**

Notes:

(1) Demand deposits do not bear interest and are therefore carried at zero cost.

The details of Retail Deposits and Bulk Deposits as of and for Fiscal 2020, 2021 and 2022, are as set forth below:

	Year ended March 31,					
	2020		**2021**		**2022**	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
	(₹ million, except percentages)					
Term Deposits						
Retail Deposits	18,145.19	40.07%	29,905.18	48.39%	37,553.56	48.02%
Bulk Deposits	27,140.29	59.93%	31,900.58	51.61%	40,655.42	51.98%
Total Term Deposits	**45,285.48**	**100.00%**	**61,805.76**	**100.00%**	**78,208.98**	**100.00%**

Notes:

(1) Retail term deposit are deposits below ₹ 20 million (except deposits received from other banks).

(2) Bulk term deposits are deposits of ₹ 20 million and above from other than banks plus all other term deposits from other banks.

The table below sets forth our Bank's average ticket size of deposits as of March 31, 2020, 2021 and 2022:

	As of March 31,		
	2020	**2021**	**2022**
	(₹)		
Demand Deposits	83,923	92,354	143,204
Savings Bank Deposits	14,300	13,620	13,797
Term Deposits	504,152	3,23,901	358,344

Category of Deposits Based on Location of Branches

	As of March 31,		
	2020	2021	2022
	(₹)		
Metropolitan	29,122.24	47,138.59	58,879.18
Urban	21,170.34	24,300.66	37,457.85
Semi-Urban	1,662.52	2,498.45	2,911.77
Rural	397.02	1,137.98	1,493.03
Total	52,352.12	75,075.68	100,741.83

Balance to Maturity for Deposits Exceeding ₹ 20 million

As of March 31, 2022, 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, 2022				
	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	11,296.62	5,080.44	12,385.57	2,172.59	30,935.22

Concentration of Deposits

The following table presents an analysis of our deposits by region as of the dates indicated:

States	As of March 31,		
	2020	2021	2022
	(₹ million)		
Andhra Pradesh	-	-	474.84
Assam	498.45	513.55	966.09
Bihar	3,381.41	5,036.49	6,602.35
Chandigarh	0.01	379.00	820.02
Chhattisgarh	302.11	655.50	854.30
Gujarat	188.79	2,045.37	4,136.81
Haryana	11,850.33	11,142.99	10,758.49
Himachal Pradesh	1.02	5.00	6.88
Jharkhand	2,214.93	3,513.26	4,252.09
Karnataka	-	-	1,131.84
Kerala	-	-	346.42
Madhya Pradesh	1,909.82	2,587.60	2,450.21
Maharashtra	7,682.45	17,102.16	16,910.27
NCT of Delhi	8,158.03	10,805.90	15,076.50
Odisha	144.08	505.34	963.54
Punjab	-	758.95	4,703.30
Rajasthan	95.39	574.21	1,909.50
Tamil Nadu	-	-	2,230.67
Telangana	74.72	869.41	559.89
Uttar Pradesh	9,582.37	10,782.56	14,890.95
Uttarakhand	5,365.52	6,404.96	8,707.91
West Bengal	902.69	1,393.43	1,988.96
Total	**52,352.12**	**75,075.68**	**100,741.83**

Borrowings

The following tables set forth, for Fiscal 2020, 2021 and 2022, information related to the Bank's borrowings.

		Year ended March 31,		
		2020	2021	2022
		(₹ million, except percentages)		
i.	Borrowings	26,750.37	26,078.25	25,719.35
ii.	Average Balance of Borrowings	16,208.05	28,941.99	22,295.61
iii.	Interest on RBI/Inter-bank borrowings and Other interest	1,657.86	2,621.95	2,122.95
iv.	Cost of Borrowings[1] (iii/ii)	10.23%	9.06%	9.52%
v.	Average cost of subordinated debt (including perpetual debt)[2]	11.75%	11.45%	12.11%
vi.	Cost of average refinance borrowings[3]	9.41%	8.48%	8.47%

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,					
	2020		2021		2022	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
	(₹ million, except percentages)					
[A] Deposits						
Demand Deposits	1191.62	1.51%	**1,597.72**	1.58%	3,624.79	2.87%
Savings Bank Deposits	5,875.02	7.43%	**11,672.20**	11.54%	18,908.06	14.95%
Term Deposits	45,285.48	57.24%	**61,805.76**	61.10%	78,208.98	61.84%
Total [A]	52,352.12	66.18%	**75,075.68**	74.22%	100,741.83	79.66%
[**B] Borrowings**						
Reserve Bank of India	980.00	1.24%	870.00	0.86%	2,370.00	1.87%
Other banks	1000.00	1.26%	100.00	0.09%	-	0.00%
Other institutions and agencies	22,870.37	28.92%	21,258.25	21.02%	19,499.35	15.43%
Tier II Capital (Non-convertible debentures)*	1,900.00	2.40%	3,850.00	3.81%	3,850.00	3.04%
Bonds and Debentures (excluding subordinated debt)	-	0.00%	-	0.00%	-	0.00%
Total [B]	26,750.37	33.82%	26,078.25	25.78%	25,719.35	20.34%
Total [A + B]	**79,102.49**	**100.00%**	**101,153.93**	**100.00%**	**126,461.18**	**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, 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
	March 31, 2020	232.50	164.50	3,914.90	8,540.20	20,189.30	28,458.20	809.70	506.66	62,815.96
Investments	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
	March 31, 2020	1,213.80	436.40	230.70	1,464.00	2,353.80	5,289.30	876.70	59.18	11,923.88
Deposits	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
	March 31, 2020	7,539.30	2,107.20	1,694.20	8,272.90	13,524.20	18,857.20	328.40	28.72	52,352.12
Borrowings**	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	12539.92	2717.33	1,955.40	26078.25
	March 31, 2020	2.50	1,102.50	2.50	2,494.00	2,978.10	13,644.80	6,119.20	406.77	26,750.37
Foreign Currency Assets	March 31, 2022	-	-	-	-	-	-	-	-	-
	March 31, 2021	-	-	-	-	-	-	-	-	-
	March 31, 2020	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	March 31, 2022	-	-	-	-	-	-	-	-	-
	March 31, 2021	-	-	-	45.70	45.70	-	-	-	91.40
	March 31, 2020	-	-	-	47.30	47.30	94.60	-	-	189.20

Notes:

** Amounts disclosed are net off provision for non-performing assets and floating provision.*

*** Includes foreign currency liabilities Nil for the year ended March 31, 2022, ₹ 91.40 million for the year ended March 31, 2021 and ₹ 189.20 million for the year ended March 31, 2020.*

Classification of Investments

	Year ended March 31,		
	2020	2021	2022
	(₹ million)		
Held to Maturity [(1)]	9,303.81	13,879.40	19,633.51
Available for Sale [(2)]	2,620.07	9,259.95	3,845.73
Held for Trading [(3)]	-	-	-
Total	11,923.88	23,139.35	23,479.24

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, 2022, the Bank's Gross Loan Portfolio was ₹ 106,307.25 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, 2020, 2021 and 2022:

Product / Channel	As of March 31,					
	2020		2021		2022	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Microbanking Loans	58,568.27	87.93%	68,993.84	81.98%	80,024.07	75.28%
Housing Loans	854.91	1.28%	2,195.85	2.61%	3,592.51	3.38%
Retail Assets (MSME)	2,460.62	3.69%	5,311.36	6.31%	8,400.39	7.90%
Wholesale Lending	3,095.05	4.65%	5,031.09	5.98%	9,261.15	8.71%
BC	1,233.46	1.85%	1,947.11	2.32%	2,244.16	2.11%
CE and CV	-	-	127.82	0.15%	2,121.59	2.00%
Others*	397.14	0.60%	549.53	0.65%	663.38	0.62%
Gross Loan Portfolio	**66,609.45**	**100.00%**	**84,156.60**	**100.00%**	**106,307.25**	**100.00%**

Notes:

** 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,					
	2020		2021		2022	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
1	14,006.82	23.97%	8,692.01	12.68%	3,541.63	4.50%
2	20,272.88	34.69%	25,355.56	37.00%	21,546.54	27.38%
3	12,754.34	21.82%	17,153.38	25.03%	25,211.63	32.04%
4	7,275.57	12.45%	10,170.65	14.84%	15,054.09	19.13%
>4	4,132.25	7.07%	7,165.53	10.45%	13,346.29	16.95%
Total	**58,441.86**	**100.00%**	**68,537.13**	**100.00%**	**78,700.18**	**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,		
	2020	2021	2022
	(₹ million)		
Weekly	-	-	-
Fortnightly	53,360.29	63,050.38	72,797.14
Monthly	5,081.57	5,486.75	5,903.04
Total	58,441.86	**68,537.13**	**78,700.18**

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,					
	2020		2021		2022	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Agriculture and Allied Activity	34520.80	54.72%	48,744.61	57.92%	57,637.95	54.22%
Advances to Industry Sector	1,783.50	2.83%	1,850.11	2.20%	8,360.80	7.86%
Advances to Services Sector	25801.00	40.89%	30,709.83	36.49%	35,135.30	33.05%
Personal Loan and Others	984.20	1.56%	2,852.05	3.39%	5,173.20	4.87%
Total	**63,089.50**	**100.00%**	**84,156.60**	**100.00%**	**106,307.25**	**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, 2020, 2021 and 2022:

Product / Channel	As of March 31,					
	2020		2021		2022	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Microbanking Loans	60,052.47	91.56%	48,161.21	81.45%	72,739.52	80.41%
Housing Loans	544.10	0.83%	1,532.28	2.59%	1,896.08	2.10%
Retail Loans	1,557.09	2.37%	3,680.85	6.22%	4,565.01	5.05%
Wholesale Lending	2171.00	3.31%	4,106.50	6.94%	8,096.22	8.95%
BC	1,259.61	1.92%	1,522.79	2.57%	1,844.74	2.04%
CE and CV	-	-	129.56	0.22%	1,295.40	1.43%
Others*	8.20	0.01%	6.89	0.01%	25.82	0.02%
Total Disbursements	**65,592.47**	**100.00%**	**59,140.08**	**100.00%**	**90,462.79**	**100.00%**

Notes:
** Others includes staff loans and gold loans; excluding portfolio acquisition by the Bank under Direct Assignment Transaction.*

The tables below set forth the number of loans advanced (outstanding) by the Bank by product/ channel for Fiscal 2020, 2021 and 2022:

Product / Channel	Year Ended March 31,		
	2020	2021	2022
Microbanking Loans	2,504,008	2,510,275	24,35,770
Housing Loans	895	1,672	2,462
Retail Loans	6,603	6,725	7,395
Wholesale Lending	46	77	115
BC	64,072	85,807	93,305
CE and CV	-	40	1,031
Others*	1,488	1,581	1,460
Total	**2,577,112**	**2,606,177**	**25,41,538**

Notes:
** 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, 2020, 2021 and 2022:

Product / Channel	As of March 31,		
	2020	2021	2022
		(₹ million)	
Microbanking Loans	0.02	0.03	0.03
Housing Loans	0.96	1.31	1.46
Retail Loans	0.37	0.79	1.14
Wholesale Lending	67.28	65.34	80.53
BC	0.02	0.02	0.02
CE and CV	-	3.20	2.06
Others*	0.27	0.35	0.45

Notes:
** 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, 2020, 2021 and 2022:

Product / Channel	As of March 31,		
	2020	2021	2022
	(Months)		
Microbanking Loans	22.57	23.19	22.71
Housing Loans	185.33	206.80	205.05
Retail Loans	63.07	91.19	95.57
Wholesale Lending	37.13	36.87	58.17
BC	22.36	23.36	36.58
CE and CV	-	48.01	53.08
Others*	22.57	23.19	24.94

Notes:
** 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 2020, 2021 and 2022:

Product / Channel	Year Ended March 31,		
	2020	2021	2022
Microbanking Loans	23.04%	20.78%	20.53%
Retail Loans	18.05%	15.02%	13.42%
Housing Loans	11.11%	10.21%	10.16%
Wholesale Lending	10.72%	10.74%	9.74%
BC	23.12%	22.35%	24.34%
CE and CV	-	11.45%	9.42%
Others*	4.23%	8.48%	8.14%
Total	22.61%	20.64 %	19.57%

Notes:
** 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, 2022

	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	-	-	-	-	5,338.97	5,338.97
Balances with other banks	1.43	0.41	30.30	2.50	702.88	737.52
Advances	15197.55	40244.20	37516.46	6,867.46	-	99,825.67
Investments	6788.98	7563.84	8,768.84	357.58	-	23,479.24
Fixed Assets	-	-	-	-	2,865.34	2,865.34
Rev Repos	12640.00	-	-	-	-	12,640.00
Other Assets	-	-	-	-	3,295.16	3,295.16
Forex Swaps	-	-	-	-	-	-
NPAs (Advances and Investments)	-	-	2,455.80	-	-	2,455.80
Total Assets	34,627.96	47,808.45	48,771.40	7,227.54	12,202.35	150,637.70
Off-balance Sheet Items	-	-	-	-	-	-
Total Rate Sensitive Assets/ Assets	34,627.96	47,808.45	48,771.40	7,227.54	12,202.35	150,637.70
Liabilities						
Capital and Reserve	-	-	-	1,950.00	15,722.97	17,672.97
Deposits	23,031.10	38,584.55	38,544.08	582.10	-	100,741.83
Borrowings	1,843.42	8,030.96	11,520.42	4.55	-	21,399.35
Other Liabilities	-	-	-	-	8,453.55	8,453.55
Repos	-	870.00	1,500.00	-	-	2,370.00

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Forex Swaps	-	-	-	-	-	-
Total Liabilities	24,874.52	47,485.51	51,564.50	2,536.65	24,176.52	150,637.70
Off-balance Sheet Items	-	-	-	-	-	-
Total Rate Sensitive Liabilities / Liabilities	24,874.52	47,485.51	51,564.50	2,536.65	24,176.52	150,637.70

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,					
	2020		2021		2022	
	(₹ 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	34,520.60	59.92%	48,730.70	67.21%	57,563.70	65.20%
Advances to Industry Sector	1,778.50	3.09%	1,809.41	2.50%	6,935.30	7.86%
Advances to Services Sector	20,806.50	36.11%	20,232.51	27.91%	20,623.00	23.36%
Personal Loan and Others	504.80	0.88%	1,724.88	2.38%	3,160.20	3.58%
Total Gross Loan Portfolio to Priority Sector	**57,610.40**	**100.00%**	**72,497.50**	**100.00%**	**88,282.20**	**100.00%**

Capital Adequacy

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of March 31, 2022, 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,		
	2020	2021	2022
	(₹ million, except percentages)		
Common Equity Tier I Capital	9,545.52	12,565.15	14,207.60
Tier I Capital	9,545.52	12,565.15	14,207.60
Tier II Capital	1,363.08	1,192.53	2,757.01

	As of and for the year ended March 31,		
	2020	2021	2022
	(₹ million, except percentages)		
Total Capital	10,908.60	13,757.68	16,964.61
Total Credit Risk Weighted Assets	49,169.48	62,877.17	78,570.51
Capital Adequacy Ratio			
Common Equity Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	19.41%	19.98%	18.08%
Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	19.41%	19.98%	18.08%
Tier II Capital Ratio (as a percentage of Credit Risk Weighted Assets)	2.78%	1.90%	3.51%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	22.19%	21.88%	21.59%

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,					
	2020		2021		2022	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Metropolitan	6,538.57	9.81%	11,154.50	13.25%	20,680.93	19.45%
Urban	11,274.59	16.93%	15,380.97	18.28%	18,412.94	17.32%
Semi-Urban	27,628.82	41.48%	32,836.72	39.02%	37,703.87	35.47%
Rural	21,167.47	31.78%	24,784.41	29.45%	29,509.51	27.76%
Gross Loan Portfolio	**66,609.45**	**100.00%**	**84,156.60**	**100.00%**	**106,307.25**	**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, 2022	As of March 31,		
		2020	2021	2022
		(₹ million)		
Andhra Pradesh	1	-	-	1.15
Assam	2	-	-	26.62
Maharashtra	60	3,757.87	6,054.91	10,099.34
Chandigarh	2	0.47	6.72	7.15
West Bengal	11	595.02	679.91	802.45
Bihar	153	28,943.96	33,089.42	36,435.81
Gujarat	8	97.84	685.60	1,235.26
Kerala	2	-	-	8.52
Karnataka	5	-	-	559.80
Uttarakhand	21	1,232.79	1,396.07	1,597.95
Madhya Pradesh	35	2,204.10	3,406.12	4,029.18
Chhattisgarh	18	867.34	1,034.17	1,276.00
Uttar Pradesh	152	18,555.07	22,392.81	28,202.43
NCT of Delhi	23	1,552.33	1,787.08	2,805.11
Tamil Nadu	6	-	-	293.99
Telangana	3	208.67	439.47	1,363.13
Odisha	71	286.19	1,446.50	2,918.27
Haryana	30	3,760.93	5,153.20	5,671.99
Himachal Pradesh	2	88.06	92.10	94.55
Jharkhand	61	4,302.63	5,992.16	7,550.05
Rajasthan	14	156.18	458.05	1,063.18
Punjab	6	-	42.31	265.32
Total	**686**	**66,609.45**	**84,156.60**	**106,307.25**

The following tables set forth the Bank's deposits by region as of the dates indicated:

States	As of March 31,		
	2020	2021	2022
	(₹ million)		
Andhra Pradesh	-	-	474.84
Assam	498.45	513.55	966.09
Bihar	3,381.41	5,036.49	6,602.35
Chandigarh	0.01	379.00	820.02
Chhattisgarh	302.09	655.50	854.30
Gujarat	188.79	2,045.37	4,136.81
Haryana	11,850.33	11,142.99	10,758.49
Himachal Pradesh	1.02	5.00	6.88
Jharkhand	2,214.94	3,513.26	4,252.09
Karnataka	-	-	1,131.84
Kerala	-	-	346.42
Madhya Pradesh	1,909.82	2,587.60	2,450.21
Maharashtra	7,682.46	17,102.16	16,910.27
NCT of Delhi	8,158.03	10,805.90	15,076.50
Odisha	144.08	505.34	963.54
Punjab	-	758.95	4,703.30
Rajasthan	95.39	574.21	1,909.50
Tamil Nadu	-	-	2,230.67
Telangana	74.72	869.41	559.89
Uttar Pradesh	9,582.37	10,782.56	14,890.95
Uttarakhand	5,365.52	6,404.96	8,707.91
West Bengal	902.69	1,393.43	1,988.96
Total	**52,352.12**	**75,075.68**	**100,741.83**

The following tables set forth the Bank's Banking Outlets by region as of the dates indicated:

States	As of March 31,		
	2020	2021	2022
	(No. of Banking Outlets)		
Andhra Pradesh	-	-	1
Assam	1	1	2
Maharashtra	45	49	60
Chandigarh	1	2	2
West Bengal	2	4	11
Bihar	127	128	153
Gujarat	3	4	8
Uttarakhand	18	20	21
Madhya Pradesh	34	35	35
Karnataka	-	-	5
Kerala	-	-	2
Chhattisgarh	17	18	18
Uttar Pradesh	135	138	152
Delhi	15	18	23
Tamil Nadu	-	-	6
Telangana	1	1	3
Odisha	33	53	71
Haryana	27	30	30
Himachal Pradesh	1	1	2
Jharkhand	46	49	61
Rajasthan	1	3	14
Punjab	-	4	6
Total	**507**	**558**	**686**

The following tables set forth the Bank's Banking Outlets by geographical regions as of the dates indicated:

	As of March 31,		
	2020	2021	2022
Metropolitan	61	76	107
Urban	100	116	145

	As of March 31,		
	2020	2021	2022
Semi-Urban	208	220	253
Rural	138	146	181
Total Banking Outlets	507	558	**686**

Recognition of NPAs and Provisioning

RBI Classification and Provisioning Requirements

The Bank classifies its assets in accordance with the RBI guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days in respect of term loans. In respect of overdraft and cash credit, an asset is classified as non-performing if the account remains out of order for a continuous period of 90 days, and in respect of bills purchased and discounted, if the account remains overdue for more than 90 days.

Assets are classified as described below:

Standard asset	Performing assets are Standard Assets which do not disclose any problem and which do not carry more than the normal risk attached to the business. The performing asset is one which generates income for the bank.
Sub-standard asset	Sub-standard Asset would be one which has remained as NPA for a period less than or equal to 12 months.
Doubtful asset	An account would be classified as doubtful if it had continuously remained in the sub-standard category for 12 months. Doubtful assets will further be sub-classified into following three categories.
- Doubtful – I	All NPAs after completion of 12 months from date of categorization as an NPA will slip to Doubtful –I category.
- Doubtful – II	All NPAs after completion of 24 months from date of categorization as an NPA will slip to Doubtful-II category.
- Doubtful – III	All NPAs after completion of 48 months from date of categorization as an NPA will slip to Doubtful-III category.
Loss asset	A loss asset is one where the loss has been identified by the bank, internal auditor, external auditors or the RBI inspectors, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible with little salvage or recovery value.
Accounts where there is erosion in the value of securities/frauds committed by the borrowers	In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers it will not be prudent that such accounts should go through various stages of asset classification. In cases of such serious credit impairment, the asset should be straightaway classified as doubtful or loss asset as appropriate: 1. Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category. 2. If the realisable value of the security, as assessed by the bank/ approved valuers/ RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

In Fiscal 2022, 115 of our housing loan accounts were classified as fraud cases. For further information see "*Restated Financial Statements – Note 23.4.8*" on page 301.

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,		
	2020	2021	2022
	(₹ million)		
Standard assets	62,642.90	81,003.71	99,825.68
Sub-standard assets	410.08	3,110.49	6,157.99
Doubtful assets	36.47	42.40	323.58
Loss assets	-	-	-

Asset Category	As of March 31,		
	2020	2021	2022
	(₹ million)		
Total gross advances	**63,089.45**	**84,156.60**	**106,307.25**

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,		
	2020	2021	2022
	(₹ million)		
Total of Provision for NPA and Floating provision (i)	335.62	2,064.71	4,123.61
Gross Advances (ii)	63,089.45	84,156.60	106,307.25
Gross NPA	446.55	3,152.89	6,481.57
Provision held as percentage of Gross Advances [i/ii]	0.53%	2.45%	3.88%
Provision coverage ratio (excluding technical write-offs)(1)	75.16%	65.49%	63.62%
Provision coverage ratio (including technical write-offs)(1)	95.64%	80.42%	72.82%

Notes:
(1) Provision held as a percentage of Gross Advances.

Non-Performing Assets

The Bank has suffered losses in the past through impairment of loans as delinquent borrowers were impacted by various factors including recessionary conditions in the domestic economy, natural calamities, currency demonetization measures in 2016, COVID-19, increased competition and volatility in industrial growth and commodity prices that led to cash flow issues for microbanking customers, adversely impacted earning capacity for MSMEs customers. The Bank has adopted several measures to refine its credit selection processes and appraisal capabilities.

Once loan accounts are identified as non-performing, interest and other fees charged in the account, if uncollected, are reversed. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets (both gross and net). In accordance with the RBI guidelines, interest income from advances for NPAs is recognized upon realization, rather than on an accrual basis as with all other loans.

The Bank's percentage of Gross NPAs to Total Advances increased from 0.71% as of March 31, 2020 to 3.75% as of March 31, 2021 and were 6.10% as of March 31, 2022. The Bank's net NPA to net Advances (%) increased from 0.18% as of March 31, 2020 to 1.33% as of March 31, 2021 and was 2.31% as of March 31, 2022.

The following tables set forth, for the periods indicated, information about the Bank's NPA portfolio.

	As of March 31,		
	2020	2021	2022
	(₹ million, except percentages)		
Non-Performing Assets			
(i) Gross NPAs as at the year end	446.55	3,152.89	6,481.57
(ii) Closing balance of provision for NPAs (excluding floating provision)	273.49	1,988.02	4,025.77
(iii) Closing balance of floating provisions	62.13	76.69	97.84
(iv) Net NPAs (i-ii-iii)	110.94	1,088.14	2,357.96
(vi) Advances	62,815.96	82,168.58	102,281.47
(vii) Gross Advances	63,089.45	84,156.60	106,307.25
(viii) Gross NPAs/ Gross Advances (%) (i/vii)	0.71%	3.75%	6.10%
(x) Net NPAs/ Advances (%) (iv/vi)	0.18%	1.33%	2.31%
(xi) Provision for NPAs as a percentage of Gross NPAs (ii+iii/i)	75.16%	65.49%	63.62%
(xii) Provision coverage ratio (including technical write-offs)	95.64%	80.42%	72.82%

The table below sets forth the Bank's Gross NPAs by product/ channel as of March 31, 2020, 2021 and 2022:

Product / Channel	As of March 31,					
	2020		2021		2022	
	(₹ 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	349.87	0.60%	2,848.18	4.13%	6027.49	7.53%
Retail Loans	87.26	3.55%	170.80	3.22%	155.72	1.85%
Housing Loans	4.79	0.56%	15.87	0.72%	165.79	4.61%
Wholesale Lending	-	0.00%	-	0.00%	-	0.00%
BC	2.63	0.21%	116.04	5.96%	128.51	5.73%
CE and CV	-	-	-	-	4.00	0.19%
Others	2.00	0.50%	2.00	0.36%	0.06	0.01%
Gross NPA	**446.55**	**0.71%**	**3,152.89**	**3.75%**	**6,481.57**	**6.10%**

The Bank's provision coverage ratio (including technical write-offs) as of March 31, 2020, 2021 and 2022, computed as per RBI guidelines, was 95.64%, 80.42% and 72.82%, 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,								
	2020			2021			2022		
	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry	Gross NPA	Provision (excluding floating provision)	% of NPA in Industry
Food Processing	3.23	2.01	0.66%	21.80	13.40	5.33%	48.71	30.00	16.06%
Beverages (excluding Tea & Coffee) and Tobacco	0.13	0.07	3.03%	0.14	0.11	2.63%	49.24	18.63	18.42%
Textiles	0.84	0.51	0.90%	2.22	1.40	1.61%	16.73	10.10	3.58%
Leather and Leather product	0.60	0.37	0.88%	2.96	1.89	6.11%	8.28	5.43	4.66%
Wood and Wood Products	3.78	2.42	0.94%	10.86	7.26	2.16%	37.68	22.40	6.80%
Paper and Paper Products	0.14	0.10	2.41%	0.14	0.08	2.94%	0.60	0.38	8.67%
Chemicals and Chemical Products (Dyes, Paints, etc.)	0.06	0.05	0.96%	0.12	0.07	2.19%	0.34	0.23	0.73%
Rubber, Plastic and their Products	0.23	0.13	3.11%	0.25	0.15	3.46%	1.11	0.69	4.92%
Glass & Glassware	0.14	0.08	0.51%	0.81	0.53	3.15%	3.55	2.12	23.20%
Cement and Cement Products	0.69	0.39	1.07%	1.95	1.27	1.86%	9.62	5.61	5.04%
Basic Metal and Metal Products	0.36	0.25	0.86%	0.78	0.51	1.68%	3.16	2.00	8.72%
All Engineering	3.20	1.95	0.70%	10.62	6.70	2.97%	32.58	19.63	11.80%
Vehicles, Vehicle Parts and Transport Equipments	-	-	0.00%	0.02	0.01	0.81%	0.04	0.03	58.32%
Gems and Jewellery	0.92	0.56	0.99%	2.08	1.30	2.10%	7.86	4.77	3.16%
Other Industries	0.20	0.13	0.82%	2.15	1.35	2.32%	7.14	4.11	0.18%
Residuary other advances (to tally with gross advances)	432.03	264.47	0.70%	3,095.99	1,951.99	3.76%	6,254.93	3,899.64	6.05%
Total	**446.55**	**273.49**		**3,152.89**	**1,988.02**		**6,481.57**	**4,025.77**	

Provisioning and Write-Offs

RBI guidelines on provisioning and write-offs are as follows:

<table>
<tr><td>Standard asset</td><td colspan="2">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.</td></tr>
<tr><td>Sub-standard asset</td><td colspan="2">A general provision of 15.00% on total outstanding loans should be made without making any allowance for Export Credit Guarantee Corporation of India (ECGC) guarantee cover and securities available. The unsecured outstanding which are identified as sub-standard would attract an additional provision of 10.00% (i.e. a total of 25.00% on the outstanding balance). However, in case escrow accounts available in respect of infrastructure lending, infrastructure loan accounts which are classified as sub-standard will attract a provisioning of 20% instead of the aforesaid prescription of 25%

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.</td></tr>
<tr><td rowspan="5">Doubtful asset</td><td colspan="2">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:</td></tr>
<tr><td>Period for which advance remained in “Doubtful” category</td><td>Provision requirement (%)</td></tr>
<tr><td>Up to one year</td><td>25.00%</td></tr>
<tr><td>One to three years</td><td>40.00%</td></tr>
<tr><td>More than three years</td><td>100.00%</td></tr>
<tr><td>Loss asset</td><td colspan="2">The entire asset is written off or 100.0% provision is made on outstanding amount.</td></tr>
</table>

Our Bank’s provisioning and write-off policy is as below and is more stringent that 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 RBI requirement of 15%. Our Bank’s provisioning is more stringent that 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,		
	2020	2021	2022
	(₹ million)		
Opening GNPA	655.73	446.55	3,152.89
Add: Additions during the year	411.90	3,095.79	6,538.21
Sub Total – (A)	1,067.63	3,542.34	9,691.10
Less:			
i. Upgradations	48.75	29.77	511.08
ii. Recoveries (excluding recoveries made from upgraded accounts)	12.75	6.43	504.62
iii. Technical or Prudential write-offs	559.58	353.25	2,193.83
iv. Write-offs other than those under (iii) above	-	-	
Sub Total –(B)	621.08	389.45	3,209.53
Closing GNPA Balance	**446.55**	**3,152.89**	**6,481.57**

The following table sets forth the details of the movement in provisions for the periods indicated:

Provision Movement	As of March 31,		
	2020	2021	2022
	(₹ million)		
Opening Balance	598.82	335.62	2,064.71
Add: Provisions created during the year	283.45	2,103.70	4,744.28
Sub Total – (A)	882.27	2,439.32	6,808.99
Less:			
i. Write-off / (write back) of excess provisions during the year/ period	546.65	374.61	2,685.38
Sub Total –(B)	546.65	374.61	2,685.38
Closing Balance	**335.62**	**2,064.71**	**4,123.61**

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. In Fiscal 2020 our Bank did not restructure any of the advances. The table below sets out the details of our standard restructured advances outstanding across our products, as of March 31, 2022.

Product	Customers	Amount (₹ million)
Microbanking Loans	49,402	1,018.72
Housing Loans	26	43.96
Retail Loans	313	258.21
CE and CV	8	14.81
Total	**49,749**	**1,335.70**

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,		
	2020	2021	2022
Banking Outlets	507	558	686
Business Correspondents	6	9	10
ATMs	177	210	215
Total number of employees	8,831	10,361	12,617
Gross Loan Portfolio per employee (₹ million)	7.54	8.12	8.43
Gross Loan Portfolio per Banking Outlet (₹ million)	131.37	150.82	154.97
Total Accounts	3.04	3.67	4.16
- Borrower Accounts (in million)	2.53	2.61	2.54
- Deposit Accounts (in million)	0.51	1.07	1.61
Current Accounts	0.01	0.02	0.03
Savings Accounts	0.41	0.86	1.37
Term Deposits	0.09	0.19	0.22
Disbursements per Banking Outlet (₹ million)	129.37	105.99	131.87
Disbursements per employee (₹ million)	7.43	5.71	7.17
Deposits per employee (₹ million)	5.93	7.25	7.98
Deposits per Banking Outlet (₹ million)	103.26	134.54	146.85

The following tables sets forth information relating to our customer base:

	As of March 31,		
	2020	**2021**	**2022**
Only Borrowers	2,317,941	20,20,686	16,44,360
Only Depositors	225,087	3,76,652	6,45,000
Both Borrowers and Depositors	207,375	5,04,904	8,51,836
Of Only Depositors:			
CASA Customers	217,987	3,62,040	5,25,847
Term Deposit Customers	25,584	44,311	88,643

The following tables set forth information relating to our digital banking channels:

	As of and for the year ended March 31,		
	2020	**2021**	**2022**
Total Debit Cards Issued	407,712.00	8,24,699.00	13,22,048
No. of Active Debit Cards	129,072.00	2,21,138.00	4,09,898
- As a percentage of total debit cards issued	31.66%	26.81%	31.00%
Number of Debit Card Transactions	1,808,148.00	21,63,229	35,74,269
- As a percentage of total alternate banking transactions	89.30%	82.42%	86.22%
Value of Debit Card Transactions (₹ million)	4,945.31	6,065.52	11,230.23
Number of Internet Banking Transactions	209,617.00	2,58,786	48,697
- As a percentage of total alternate banking transactions	10.35%	9.86%	1.18%
Value of Internet Banking Transactions (₹ million)	3,087.71	4,777.52	3,308.21
Number of Mobile Banking Transactions	7,061.00	2,02,504	5,22,401
- As a percentage of total alternate banking transactions	0.35%	7.72%	12.60%
Value of Mobile Banking Transactions (₹ million)	136.43	3,030.30	9,348.82

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Independent Auditor's Examination Report on Restated Financial Information

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

Dear Sirs / Madams,

1. We have examined the attached Restated Financial Information of **Utkarsh Small Finance Bank Limited** (the "Bank"), comprising the Restated Summary Statement of Assets and Liabilities as at March 31, 2022, 2021 and 2020, the Restated Summary Statements of Profit and Loss and Cash Flows for the years ended March 31, 2022, 2021 and 2020, 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 April 25, 2022, for the purpose of inclusion in the new Draft Red Herring Prospectus ("new DRHP"), prepared by the Bank in connection with its proposed Initial Public Offer of equity shares of face value of Rs.10 each ("IPO") in terms of the requirements of:

    a) Section 26 of Part I of Chapter III of the Companies Act, 2013 (the "Act");

    b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations"); and

    c) The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended from time to time (the "Guidance Note").

Board of Directors Responsibility for the Restated Financial Information

2. The Bank's Board of Directors are responsible for the preparation of the Restated Financial Information for the purpose of inclusion in the new DRHP to be filed with Securities and Exchange Board of India in connection with the proposed IPO. The Restated Financial Information have been prepared by the management of the Bank on the basis of preparation stated in Annexure 22(2) to the Restated Financial Information. The Board of Directors of the Bank are responsible for designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Financial Information. The Board of Directors are also responsible for identifying and ensuring that the Bank complies with the Act, ICDR Regulations and the Guidance Note.

Auditor's Responsibility

3. We have examined such Restated Financial Information taking into consideration:

    a) the terms of reference and our engagement agreed upon with you in accordance with our engagement letter dated September 10, 2020, requesting us to carry out work on such Restated Financial Information, proposed to be included in the new DRHP in connection with the proposed IPO of the Bank;

    b) the Guidance Note, which also requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI;

    c) concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and

    d) the requirements of Section 26 of the Act and the ICDR Regulations.

Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act, the ICDR Regulations and the Guidance Note in connection with the IPO.

Restated Financial Information as per audited financial statements

4. The Restated Financial Information have been compiled by the management from the audited financial statements of the Bank as at and for the years ended March 31, 2022, 2021 and 2020 prepared in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with the relevant rules issued thereunder in so far as they apply to the Bank, relevant provisions of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time, which have been approved by the Board of Directors at their meetings held on April 25, 2022, April 25, 2021 and May 22, 2020, respectively.

5. For the purpose of our examination, we have relied on:

   a) Auditors' Report issued by us dated April 25, 2022 on the financial statements of the Bank as at and for the year ended March 31, 2022, as referred in Paragraph 4 above, which includes the following Emphasis of Matter paragraph (also refer Annexure 23.27 of the Restated Financial Information):

      "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."

   b) Auditors' Report issued by us dated April 25, 2021 on the financial statements of the Bank as at and for the year ended March 31, 2021, as referred in Paragraph 4 above, which includes the following Emphasis of Matter paragraph (also refer Annexure 23.27 of the Restated Financial Information):

      "We draw attention to Schedule 18 - Note 18.47 to the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank's operations and financial 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 us dated May 22, 2020 on the financial statements of the Bank as at and for the year ended March 31, 2020, as referred in Paragraph 4 above, which includes the following Emphasis of Matter paragraph (also refer Annexure 23.27 of the Restated Financial Information):

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

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

6. Based on our examination and according to the information and explanations given to us, we report that:

   a) Restated Financial Information have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications retrospectively in the financial years ended March 31, 2021 and 2020 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the year ended March 31, 2022;

   b) There are no qualifications in the auditors' reports on the audited financial statements of the Bank as at and for the years ended March 31, 2022, 2021 and 2020, which require any adjustments to the Restated Financial Information. There are items relating to emphasis of matter (refer paragraph 5(a), 5(b) and 5(c) above), which do not require any adjustment to the Restated Financial Information; and

c) Restated Financial Information have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

7. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on the audited financial statements mentioned in paragraph 4 above.

8. This report should not in any way be construed as a reissuance or re-dating of any of the previous auditor's reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.

9. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

Restriction on Use

10. Our report is intended solely for use of the Board of Directors for inclusion in the new DRHP to be filed with Securities and Exchange Board of India in connection with the proposed IPO of the Bank. Our report should not be used, referred to, or distributed for any other purpose except with our prior consent in writing. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No.103523W/W100048

____
Purushottam Nyati
Partner
Membership No. 118970
UDIN: 22118970AHUBSW7147

Place: Mumbai
Date: April 25, 2022

Utkarsh Small Finance Bank Limited

Annexure 1: Restated Summary Statement of Assets and Liabilities

(₹ in millions)

Particulars	Annexure	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
CAPITAL AND LIABILITIES				
Capital	6	8,955.22	8,483.34	7,592.72
Reserves and Surplus	7	6,767.75	5,200.19	2,602.27
Deposits	8	1,00,741.83	75,075.68	52,352.12
Borrowings	9	25,719.35	26,078.25	26,750.37
Other Liabilities and Provisions	10	8,453.55	6,541.66	4,745.68
Total		**1,50,637.70**	**1,21,379.12**	**94,043.16**
ASSETS				
Cash and balances with Reserve Bank of India	11	5,338.97	2,749.38	1,916.58
Balances with banks and money at call and short notice	12	13,377.52	8,948.78	14,223.95
Investments	13	23,479.24	23,139.35	11,923.88
Advances	14	1,02,281.47	82,168.58	62,815.96
Fixed Assets	15	2,865.34	1,811.71	1,314.18
Other Assets	16	3,295.16	2,561.32	1,848.61
Total		**1,50,637.70**	**1,21,379.12**	**94,043.16**
Contingent Liabilities	17	**564.19**	**620.73**	**199.45**
Bills for Collection		-	-	-
Significant accounting policies	22			
Notes to Restated Financial Information	23			

Annexures referred to above form an integral part of the Restated Financial Information. The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

For and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

Purushottam Nyati
Partner
Membership No. 118970

Parveen Kumar Gupta
Chairman
DIN : 02895343

Kajal Ghose
Director
DIN:07702190

Govind Singh
Managing Director & CEO
DIN : 02470880

Mukund Barsagade
Chief Financial Officer
FCA 048560

Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 25 April 2022

Place : Mumbai
Date : 25 April 2022

Utkarsh Small Finance Bank Limited
Annexure 2: Restated Summary Statement of Profit and Loss

(₹ in millions)

	Particulars	Annexure	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
I	**INCOME**				
	Interest Earned	18	18,488.13	15,809.87	13,076.87
	Other Income	19	1,848.33	1,248.49	984.93
	Total		**20,336.46**	**17,058.36**	**14,061.80**
II	**EXPENDITURE**				
	Interest Expended	20	7,879.62	7,417.41	5,794.63
	Operating Expenses	21	7,363.45	5,450.57	4,764.83
	Provisions and Contingencies	23.14.5	4,478.77	3,072.23	1,634.91
	Total		**19,721.84**	**15,940.21**	**12,194.37**
III	**PROFIT**				
	Net Profit for the year		614.62	1,118.15	1,867.43
	Balance in Profit and Loss account brought forward		2,072.48	1,454.83	97.10
	Total		**2,687.10**	**2,572.98**	**1,964.53**
IV	**APPROPRIATIONS**				
	Transfer to Statutory Reserve		153.65	279.54	466.86
	Transfer to Investment Fluctuation Reserve		(111.27)	136.66	39.25
	Transferred to Capital Reserve		2.32	84.30	3.59
	Deduction during the year	23.4.8	105.16	-	-
	Balance carried over to Balance Sheet		**2,537.24**	**2,072.48**	**1,454.83**
V	**EARNINGS PER EQUITY SHARE**	23.15			
	Basic EPS (₹)		0.70	1.46	2.49
	Diluted EPS (₹)		0.70	1.46	2.49
	Face Value per share (₹)		10.00	10.00	10.00
	Significant accounting policies	22			
	Notes to Restated Financial Information	23			

Annexures referred to above form an integral part of the Restated Financial Information. The Profit and Loss Account has been prepared in conformity with Form ‘B’ of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

Purushottam Nyati
Partner
Membership No. 118970

Place : Mumbai
Date : 25 April 2022

For and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

Parveen Kumar Gupta
Chairman
DIN : 02895343

Kajal Ghose
Director
DIN:07702190

Govind Singh
Managing Director & CEO
DIN : 02470880

Mukund Barsagade
Chief Financial Officer
FCA 048560

Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 25 April 2022

Utkarsh Small Finance Bank Limited
Annexure 3: Restated Summary Statement of Cash Flows

(₹ in millions)

S.No	Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
I	**Cash flow from operating activities**			
	Profit before taxes	797.13	1,514.36	2,504.16
	Adjustments for:-			
	Depreciation on fixed assets	408.84	295.77	254.08
	(Reversal of depreciation) / Depreciation on investments, net	(149.41)	193.01	0.62
	Amortization of premium on Held to Maturity Investment	174.92	105.63	74.69
	Profit on sale & Redemption of HTM portfolio	(4.14)	(150.26)	(6.89)
	Unrealised loss/gain on external commercial borrowings	(6.04)	(18.48)	9.13
	Write-off of non performing advances	2,193.84	352.37	559.58
	Provision for standard advances and other contingencies	(17.12)	601.56	739.44
	Provision for non performing advances (net of reversal)	2,024.26	1,714.53	(300.84)
	(Profit) / Loss on sale of fixed assets (net)	(0.63)	0.21	0.19
	Other provisions and write off	171.96	24.08	38.66
		5,593.61	**4,632.78**	**3,872.82**
	Adjustments for:-			
	Decrease/(Increase) in investments	5,563.63	(6,832.88)	(604.57)
	(Increase) in advances	(24,344.48)	(21,419.51)	(16,393.05)
	(increase) / Decrease in other assets	(389.26)	430.79	(829.92)
	Decrease in deposits	25,666.14	22,723.56	14,438.26
	Increase in other liabilities and provisions	1,745.69	593.65	1,559.03
		8,241.72	**(4,504.39)**	**(1,830.25)**
	Payment of direct taxes	(543.77)	(963.02)	(890.50)
	Net cash flow generated from/(used in) operating activities (A)	**13,291.56**	**(834.63)**	**1,152.07**
II	**Cash flow from/(used in) investing activities**			
	Purchase of fixed assets including capital work in progress	(1,466.73)	(793.68)	(455.91)
	Proceeds from sale of fixed assets	4.90	0.17	0.14
	Purchase of held to maturity securities	(5,924.89)	(4,530.97)	(2,765.66)
	Net cash flow (used in) investing activities (B)	**(7,386.72)**	**(5,324.48)**	**(3,221.43)**
III	**Cash flow from/(used in) Financing Activities**			
	Proceeds from issue of share capital (net of share issue expenses)	1,466.35	2,370.38	600.00
	Net proceeds/ (repayments) from borrowings	(352.86)	(653.64)	12,443.56
	Net cash flow generated from financing activities (C)	**1,113.49**	**1,716.74**	**13,043.56**
IV	**Net increase/ (decrease) in cash and cash equivalents (A) + (B) + (C)**	**7,018.33**	**(4,442.37)**	**10,974.20**
V	**Cash and cash equivalents at the beginning of the year**	**11,698.16**	**16,140.53**	**5,166.33**
VI	**Cash and cash equivalents at the end of the year**	**18,716.49**	**11,698.16**	**16,140.53**
	Notes to the Cash Flow Statement:			
	Cash and cash equivalents includes the following:			
(i)	Cash and Balances with Reserve Bank of India (Refer Annexure 11)	**5,338.97**	**2,749.38**	**1,916.58**
(ii)	Balances with Banks in Current Accounts (Refer Annexure 12)	**737.52**	**648.78**	**173.95**
(iii)	Money at Call and Short Notice (Refer Annexure 12)	**12,640.00**	**8,300.00**	**14,050.00**
	Cash and cash equivalents at the end of the year	**18,716.49**	**11,698.16**	**16,140.53**

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
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

Purushottam Nyati
Partner
Membership No. 118970

For and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

Parveen Kumar Gupta
Chairman
DIN : 02895343

Kajal Ghose
Director
DIN:07702190

Govind Singh
Managing Director & CEO
DIN : 02470880

Mukund Barsagade
Chief Financial Officer
FCA 048560

Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 25 April 2022

Place : Mumbai
Date : 25 April 2022

Annexure 6 - Restated Statement of Capital

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Authorised Capital			
1,300,000,000 Equity shares of ₹10/- each (31 March 2021: 1,300,000,000 Equity shares of ₹10/- each, 31 March 2020: 1,000,000,000 Equity shares of ₹10/- each)	13,000.00	13,000.00	10,000.00
200,000,000 Preference shares of ₹10/- each (31 March 2021: 200,000,000 Preference shares of ₹10/- each, 31 March 2020 : Nil)	2,000.00	2,000.00	-
Issued, subscribed and fully paid-up capital			
895,521,522 Equity shares of ₹10/- each (31 March 2021: 848,333,869 Equity shares of ₹10/- each, 31 March 2020: 759,272,222 Equity shares of ₹10/- each)	8,955.22	8,483.34	7,592.72
TOTAL	**8,955.22**	**8,483.34**	**7,592.72**

Annexure 7 - Restated Statement of Reserves and Surplus

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
1. Statutory Reserve (created pursuant to Sec 17(2) of Banking Regulation Act, 1949)			
Opening balance	993.20	713.66	246.80
Addition during the year	153.65	279.54	466.86
Deduction during the year	-	-	-
Closing Balance	**1,146.85**	**993.20**	**713.66**
2. Investment Fluctuation Reserve			
Opening balance	189.07	52.41	13.17
Addition during the year	(111.27)	136.66	39.24
Deduction during the year	-	-	-
Closing Balance	**77.80**	**189.07**	**52.41**
3. Balance in Profit and Loss Account	**2,537.24**	**2,072.48**	**1,454.83**
4. Share Premium			
Opening balance	1,857.55	377.78	-
Addition during the year	1,028.37	1,514.05	377.78
Deduction during the year	33.89	34.28	-
Closing Balance	**2,852.03**	**1,857.55**	**377.78**
5. Capital Reserve #			
Opening balance	87.89	3.59	-
Addition during the year	2.32	84.30	3.59
Closing Balance	**90.21**	**87.89**	**3.59**
6. ESOP Outstanding			
At the commencement of the year	-	-	-
Add: Addition during the year	63.87	-	-
Les: Deduction during the year	0.25	-	-
Closing Balance	**63.62**	**-**	**-**
TOTAL (1 to 6)	**6,767.75**	**5,200.19**	**2,602.27**

Amount transferred to capital reserve represents gain on sale of HTM investments

Annexure 8 - Restated Statement of Deposits

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
A. 1. Demand Deposits			
i) From banks	380.01	60.16	78.25
ii) From others	3,244.78	1,537.56	1,113.37
Total	**3,624.79**	**1,597.72**	**1,191.62**
2. Savings Bank Deposits	**18,908.06**	**11,672.20**	**5,875.02**
3. Term Deposits			
i) From banks	28,229.16	22,261.62	18,390.20
ii) From others	49,979.82	39,544.14	26,895.28
Total	**78,208.98**	**61,805.76**	**45,285.48**
TOTAL (1 to 3)	**1,00,741.83**	**75,075.68**	**52,352.12**
B. i. Deposits of branches in India	1,00,741.83	75,075.68	52,352.12
ii. Deposits of branches outside India	-	-	-
TOTAL	**1,00,741.83**	**75,075.68**	**52,352.12**

Utkarsh Small Finance Bank Limited
Annexures forming part of the Restated Summary Statement of Assets and Liabilities (continued)

Annexure 9 - Restated Statement of Borrowings

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
1. Borrowings in India			
i) Reserve Bank of India	2,370.00	870.00	980.00
ii) Other banks	-	100.00	1,000.00
iii) Other institutions and agencies *			
a) Government of India	-	-	-
b) Financial institutions	19,383.10	21,019.90	22,515.00
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	400.00
vi) Other borrowings**	116.25	146.96	166.21
Total borrowings in India	**24,219.35**	**24,486.86**	**25,061.21**
2. Borrowings outside India #			
i) Capital instruments			
a) Unsecured redeemable debentures/bonds (subordinated debt included in Tier 2 capital)	1,500.00	1,500.00	1,500.00
ii) Debentures	-	-	-
iii) Other borrowings	-	91.39	189.16
Total borrowings outside India	**1,500.00**	**1,591.39**	**1,689.16**
TOTAL (1 + 2)	**25,719.35**	**26,078.25**	**26,750.37**
Secured borrowings included in 1 and 2 above	2,370.00	981.39	1,213.96

* Borrowing from other institutions and agencies include subordinated debt of ₹ 1,500 millions (31 March 2021: ₹ Nil, 31 March 2020: ₹ 100 millions) in the nature of term loan

** Represents payable under lease obligation.

Borrowing from outside India include subordinated debt of ₹ 1500 millions in the nature of Non Convertible Debenture.

Annexure 10 – Restated Statement of Other Liabilities and Provisions

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
1. Bills payable	436.45	387.40	85.59
2. Interest accrued	3,822.47	2,881.99	2,329.73
3. Others (including provisions)	4,194.63	3,272.27	2,330.36
TOTAL (1 to 3)	**8,453.55**	**6,541.66**	**4,745.68**

Annexure 11 – Restated Statement of Cash and balances with Reserve Bank of India

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
1. Cash in hand (including cash at ATM)	832.69	627.42	412.74
2. Balances with Reserve Bank of India			
i) In current account	4,506.28	2,121.96	1,503.84
ii) In other accounts	-	-	-
TOTAL (1 + 2)	**5,338.97**	**2,749.38**	**1,916.58**

Utkarsh Small Finance Bank Limited

Annexures forming part of the Restated Summary Statement of Assets and Liabilities (continued)

Annexure 12 – Restated Statement of Balance with banks and money at call and short notice

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
1. In India			
i) Balances with banks			
a) In current accounts	702.88	620.21	138.12
b) In other deposit accounts	34.64	28.57	35.83
ii) Money at call and short notice			
a) With banks	12,640.00	8,300.00	14,050.00
b) With other institutions	-	-	-
Total (i+ii)	**13,377.52**	**8,948.78**	**14,223.95**
2. Outside India			
In current accounts	-	-	-
In other deposits accounts	-	-	-
Money at call and short notice	-	-	-
Total	**-**	**-**	**-**
TOTAL (1 + 2)	**13,377.52**	**8,948.78**	**14,223.95**

Annexure 13 – Restated Statement of Investments

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
1. Investments in India (net of provisions)			
i) Government securities *	20,484.53	21,487.34	11,923.88
ii) Debentures and bonds	-	1,168.30	-
iii) Others (certificate of deposits and mutual funds)	2,994.71	483.71	-
Total	**23,479.24**	**23,139.35**	**11,923.88**
2. Investments outside India (net of provisions)			
i) Government securities	-	-	-
ii) Subsidiaries / joint ventures outside India	-	-	-
iii) Others (equity shares and bonds)	-	-	-
Total	**-**	**-**	**-**
TOTAL (1 + 2)	**23,479.24**	**23,139.35**	**11,923.88**
3. Value of Investments			
i) Gross value of investments			
a) In India	23,523.46	23,332.98	11,924.50
b) Outside India	-	-	-
	23,523.46	**23,332.98**	**11,924.50**
ii) Provision for depreciation			
a) In India	44.22	193.63	0.62
b) Outside India	-	-	-
	44.22	**193.63**	**0.62**
iii) Net value of investments			
a) In India	23,479.24	23,139.35	11,923.88
b) Outside India	-	-	-
	23,479.24	**23,139.35**	**11,923.88**

* Include securities of ₹1528.70 millions (31 March 2021: ₹6478.60 millions, 31 March 2020: ₹304.08 millions) pledged for clearing facilities and margin requirement.

Utkarsh Small Finance Bank Limited

Annexures forming part of the Restated Summary Statement of Assets and Liabilities (continued)

Annexure 14 – Restated Statement of Advances (net of provisions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
A. i) Bills purchased and discounted	-	-	-
ii) Cash credits, overdrafts and loans repayable on demand	1,123.30	668.32	391.30
iii) Term loans	1,01,158.17	81,500.26	62,424.66
Total	**1,02,281.47**	**82,168.58**	**62,815.96**
B. i) Secured by tangible assets (includes advances against fixed deposits and book debts)	22,490.42	11,355.94	5,236.41
ii) Covered by Bank/Government guarantees	1.17	1.51	-
iii) Unsecured	79,789.88	70,811.13	57,579.55
Total	**1,02,281.47**	**82,168.58**	**62,815.96**
C.1 Advances in India			
i) Priority sector*	84,393.07	70,592.07	57,369.46
ii) Public sector	-	-	-
iii) Banks	75.00	-	39.07
iv) Others	17,813.40	11,576.51	5,407.43
Total	**1,02,281.47**	**82,168.58**	**62,815.96**
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)	**1,02,281.47**	**82,168.58**	**62,815.96**

*Refer Annexure 23.4.2

Annexure 15 – Restated Statement of Fixed Assets

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
1. Premises			
i) At cost at 31st March of the preceding year	121.20	121.20	121.20
ii) Additions during the year	1,001.30	-	-
iii) Deductions during the year	-	-	-
iv) Accumulated depreciation to date	0.78	-	-
Total	**1,121.72**	**121.20**	**121.20**
2. Other Fixed Assets (including furniture and fixtures)			
i) At cost at 31st March of the preceding year	1,776.73	1,337.17	917.01
ii) Additions during the year	1,005.10	440.61	464.73
iii) Deductions during the year	19.48	1.05	44.58
iv) Accumulated depreciation to date	1,126.05	764.20	502.27
Total	**1,636.30**	**1,012.53**	**834.89**
3. Leased Assets			
i) At cost at 31st March of the preceding year	238.06	226.98	208.98
ii) Additions during the year	10.09	11.07	18.01
iii) Deductions during the year	-	-	-
iv) Accumulated depreciation to date	150.03	119.03	85.86
Total	**98.12**	**119.02**	**141.14**
4. Capital Work in Progress	9.20	558.96	216.95
TOTAL (1 to 4)	**2,865.34**	**1,811.71**	**1,314.18**

Utkarsh Small Finance Bank Limited

Annexures forming part of the Restated Summary Statement of Assets and Liabilities (continued)

Annexure 16 – Restated Statement of Other Assets

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
1. Inter-office adjustment (net)	-	-	-
2. Interest accrued	931.85	743.58	818.83
3. Tax Paid in advance/tax deducted at source (net of provision)	-	325.08	95.37
4. Stationery and stamps	-	-	-
5. Non-banking assets acquired in satisfaction of claims	-	-	-
6. Deferred Tax Asset (net)	926.63	579.71	375.14
7. Others	1,436.68	912.95	559.27
TOTAL (1 to 7)	**3,295.16**	**2,561.32**	**1,848.61**

Annexure 17 – Restated Statement of Contingent Liabilities

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
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	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)	390.89	407.68	199.45
TOTAL (1 to 7)	**564.19**	**620.73**	**199.45**

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

Note 2: Includes capital commitment of ₹378.11 millions (31 March 2021: ₹392.65 millions, 31 March 2020: ₹184.96 millions)

Utkarsh Small Finance Bank Limited
Annexures forming part of the Restated Summary Statement of Profit and Loss

Annexure 18– Restated Statement of Interest Earned

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Interest / discount on advances / bills	16,461.26	13,857.44	11,922.73
2. Income on investments	1,549.25	1,486.92	947.58
3. Interest on balance with Reserve Bank of India and Other inter bank funds	477.25	465.18	205.55
4. Others	0.37	0.33	1.01
TOTAL (1 to 4)	**18,488.13**	**15,809.87**	**13,076.87**

Annexure 19– Restated Statement of Other Income

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Commission, exchange and brokerage	568.63	366.23	284.49
2. Profit/(Loss) on sale/redemption of Investments (net)	(28.36)	(41.38)	6.88
3. Miscellaneous Income	1,308.06	923.64	693.56
TOTAL (1 to 3)	**1,848.33**	**1,248.49**	**984.93**

Annexure 20– Restated Statement of Interest Expended

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Interest on deposits	5,756.67	4,795.46	4,136.77
2. Interest on Reserve Bank of India / Inter-bank borrowings	66.64	64.17	58.17
3. Others	2,056.31	2,557.78	1,599.69
TOTAL (1 to 3)	**7,879.62**	**7,417.41**	**5,794.63**

Annexure 21– Restated Statement of Operating Expenses

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Payments to and provisions for employees	4,298.26	3,262.04	2,621.61
2. Rent, taxes and lighting	463.50	354.99	349.11
3. Printing and stationery	109.92	91.73	109.19
4. Advertisement and publicity	50.39	17.70	55.44
5. Depreciation on Bank's property	408.84	295.77	254.08
6. Director’s fees allowances and expenses	23.59	13.72	9.77
7. Auditors' fees and expenses	16.44	13.03	13.36
8. Law charges	125.56	100.46	145.37
9. Postage, telegrams, telephones, etc.	198.14	111.20	89.35
10. Repairs and maintenance	126.91	92.89	122.83
11. Insurance	78.39	52.67	28.31
12. Other expenditure*	1,463.51	1,044.37	966.41
TOTAL (1 to 12)	**7,363.45**	**5,450.57**	**4,764.83**

* Includes service charges for core banking software and ATM, traveling and other expenses

Utkarsh Small Finance Bank Limited
Annexure 4: Restated Statement of Adjustments to Audited Financial Statements

A. Summarised below are the restatement adjustments made to the Audited Financial Statements for the years ended March 31, 2022, March 31, 2021 and March 31, 2020 and their impact on the profit of the Bank:

(₹ in millions)

	Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
I	**Profit after tax as per audited financial statements**	614.61	1,118.15	1,867.43
II	**Impact of Adjustments as per ICDR Regulations:**	-	-	-
III	**Profit after adjustments (As per Restated Summary Statement of Profit and Loss)**	**614.61**	**1,118.15**	**1,867.43**

B. Reconciliation of Balance in Profit and Loss Account as on 01 April 2019:

(₹ in millions)

Particulars	Amount
Balance as at 01 April 2019 - As per audited financial statements	**938.87**
Adjustment on account of restatements:	
Change in Accounting policy	15.28
Restatement of prior period item*	163.89
Deferred tax on above	(9.37)
Balance as at 01 April 2019 - As per Restated Financial Information	**1,108.67**

* Prior period items mainly consists of interest expenses and interest income.

Notes:

1 The tax rate applicable for the respective year of adjustment has been used to calculate the deferred tax impact on restatement adjustments.

2 There are no audit qualifications to audited financial statements.

3 In the audited financial statements of the Bank for the year ended 31 March 2019, the Bank changed the accounting policy to recognise floating provision at 20% of provision on standard assets.

Utkarsh Small Finance Bank Limited
Annexure 5: Regrouping and Reclassifications

Appropriate adjustments have been made in the restated summary statement of assets and liabilities, restated summary statement of profit and loss and restated summary statement of cash flows in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended), by reclassification of the corresponding items of income, expense, assets, liabilities and cash flows in order to bring them in line with the groupings as per the audited financial statements of the Bank as at and for the year ended March 31, 2022.

Regrouping for the year ended 31 March 2020 (₹ in millions)

Particulars	As per Audited Financial Statements	Changes due to Regrouping	As per Restated Summary Statements
Assets			
- Other assets	2,064.81	(216.20)	1,848.60
- Fixed assets	1,097.98	216.20	1,314.18
Profit & Loss			
- Other Income	985.55	0.62	984.93
- Provision & Contengencies	1,635.53	0.62	1,634.91

Regrouping for the year ended 31 March 2021 (₹ in millions)

Particulars	As per Audited	Changes due to	As per Restated Summary
Profit & Loss			
- Other Income	1,441.50	193.01	1,248.49
- Provision & Contengencies	3,265.24	193.01	3,072.23

Annexure 22 – Significant accounting policies

1 Background

Utkarsh Small Finance Bank Limited ("Company" or "the Bank"), incorporated on 30 April 2016 in India, is a Small Finance Bank ('SFB') engaged in providing banking and financial services and governed by the Banking Regulation Act, 1949. The Bank had commenced its banking operations from 23 January 2017. Scheduled Bank status was accorded by Reserve Bank of India vide notification no. DBR.NBD. (SFB-UMFL). No.2689/16.13.216/2017-2018 dated 4 October 2017 and was published in the Gazette of India on 7 November 2017. The Bank is 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 Company has been prepared for inclusion in the Draft Red Herring Prospectus (DRHP) to be filed by the Company with the Securities and Exchange Board of India ("SEBI") in connection with the proposed Initial Public Offering ('IPO') of equity shares of the Company (referred to as the "Issuer"). The Restated Financial Information comprise of the Restated Summary Statement of Assets and Liabilities as at 31 March 2022, 31 March 2021 and 31 March 2020, the Restated Summary Statements of Profit and Loss and Cash Flows for the year then ended, and the Summary Statement of Significant Accounting Policies and other explanatory information thereon (hereinafter collectively referred to as the "**Restated Financial Information**" or "**financial statements**").

The Restated Financial Information have been prepared to comply in all material respects with the requirements of:
1) Section 26 of Part I of Chapter III of the Companies Act, 2013 as amended ("the Act"),

2) the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time ("SEBI ICDR Regulations"); and

3) The Guidance Note on Report in Company Prospectus (Revised 2019) issued by Institute of Chartered Accountants of India (referred to as 'the Guidance note')

These Restated Financial Information have been compiled by the Management from the audited financial statements of the Bank as at and for the years ended 31 March 2022, 2021 and 2020 prepared in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with the relevant rules issued thereunder in so far as they apply to the Bank, relevant provisions of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time, which have been approved by the Board of Directors at their meetings held on 25 April 2022, 25 April 2021 and 22 May 2020, respectively.

The accompanying Restated Financial Information have been prepared under the historical cost convention and on the accrual basis of accounting, unless otherwise stated, and comply with the requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by RBI from time to time, the Accounting Standards notified under Section 133 of the Act (as amended from time to time) to the extent applicable, and practices generally prevalent in the banking industry in India.

The Restated 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 2021 and 2020 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the year ended 31 March 2022;
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 and 22 May 2020 on the audited financial statements for the years ended 31 March 2022, 31 March 2021 and 31 March 2020 respectively, 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.

RBI has not acceded to the Bank's request seeking extension of time till October 31, 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 2022.

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 JLG Loans and Relationship Management Based products, recoveries is appropriated towards instalment(s) outstanding and Outstanding, respectively;

d) 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;

e) Loan processing fees collected from the borrowers is recognized over the tenure of the loan;

f) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due;

g) 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".

h) Fees paid / received for priority sector lending certificates (PSLC) is recognised upfront;

i) 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;

j) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate.

k) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis;

l) Dividend is accounted on an accrual basis when the right to receive the dividend is established;

m) Income from distribution of third party products is recognised on the basis of business booked;

n) Recoveries in respect of purchase of Direct Assignment pools are to be appropriated as per appropriation methodology followed by the originators; and

o) All other fees are accounted for as and when they become due.

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".

ii) Provisioning

Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under RBI guidelines with regard to the Prudential Norms on Income Recognition, Asset Classification & Provisioning prescribed from time to time.

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 and fully provided for immediately without considering the value of security.

iii) 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 is utilised, with the approval of Board and RBI, in case of contingencies which do not arise in the normal course of business and are exceptional and non-recurring in nature and for making specific provision for impaired loans as per the requirement of extant RBI guidelines or any regulatory guidance / instructions. Floating provisions are netted off for NNPA Ratio & Provision 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 trade date method of accounting for purchase and sale of investments, except for Government of India and state government securities where settlement date method of accounting is followed in accordance with RBI guidelines.
For the purpose of disclosure in the financial statements, the Investments are classified under six groups a) Government Securities b) Other Approved Securities c) Shares d) Debentures and Bonds e) Subsidiaries / Joint Ventures and f) Others.
Investments are classified as performing or non-performing as per RBI guidelines. Non performing investments are subjected to prudential norms for Classification, valuations and Operation of Investment Portfolio by Banks prescribed from time to time.

ii) Valuation

Investments classified as "Held to Maturity" securities need not to be marked to market and will be carried at acquisition cost, unless it is more than the face value, in which the premium should be amortised over the period remaining to maturity. Where in the opinion of the management, a diminution, other than temporary in the value of investments classified under HTM has taken place, appropriate provisions are made.
Investments classified as AFS and HFT are marked-to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.
Treasury bills, commercial papers and certificates of deposit are valued at carrying cost including the pro rata discount accrued for the holding period.

Quoted investments are valued at traded quoted price available on the recognised stock exchanges, subsidiary general ledger account transactions are valued as per the price list of RBI or prices declared by Primary Dealers Association of India ("PDAI") jointly with FIMMDA / FBIL applicable as at the balance sheet date. For deriving market value of unquoted fixed income securities (other than Central and State Government securities), yields / mark-up rates (reflecting associate credit risk) declared by the FIMMDA / FBIL are considered.

Quoted Mutual Fund units are valued as per stock exchange quotes and un-quoted mutual fund units are valued at last available re-purchase price or Net Asset Value where re-purchase price is not available.

Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available, or at 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 Derivative

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting dates.

Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Restated Summary Statement of Profit and Loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Restated Summary Statement of Profit and Loss in the relevant period.

The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Restated Summary Statement of Profit & Loss. Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the balance sheet date.

G Employee benefits

i. Defined Contribution Plan

The Bank makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Bank's contribution is recognised as an expense in Restated Summary Statement of Profit and Loss during the period in which the employee renders the related service.

ii. Defined Benefit Plan and Compensated absences

The Bank provides for gratuity, a defined benefit retirement plan covering eligible employees. Gratuity is covered under a scheme administered by Life Insurance Corporation of India through gratuity trust (Group Gratuity scheme) and the contributions made by the Bank to the scheme is recognised in the Restated Summary Statement of Profit & Loss. The liability recognised in the Balance Sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The calculation of the Bank's obligation under the plan is performed annually by qualified independent actuary using projected unit credit method. Actuarial gains and losses arising during the year is immediately recognised in the Restated Summary Statement of Profit and Loss.

Compensated absence, is a long-term employee benefit, and accrued based on an actuarial valuation done as per projected unit credit method at the balance sheet date, carried out by an independent actuary. Compensated absence is covered under a scheme administered by Life Insurance Corporation of India. Actuarial gains and losses are recognized in full in the Restated Summary Statement of Profit and Loss for the period and are not deferred.

H Share Issue Expenses

Share issue expenses are adjusted from Share Premium in terms of Section 52 of the Act.

I Employee Stock Option Scheme

The Holding Company of the Bank has formulated Employees Stock Option Scheme. The scheme provides that subject to continued employment with the Bank, employees of the Bank are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified period. The compensation cost for all options granted to employees by the Holding company is computed based on valuation of shares of Holding company as per intrinsic value method and is amortised over the period of vesting. Measurement and disclosure of the Employee Share-based Payment Schemes are done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India ('ICAI').

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 treated as 'Miscellaneous Income'.

R Impairment of Assets

The Bank assess at each balance sheet date whether there is any indication that an asset may be impaired, Impairment loss, if any, is provided in the Restated Summary Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

S Corporate Social Responsibility

Expenditure towards corporate social responsibility in accordance with Act is recognised in the Restated Summary Statement of Profit and Loss.

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

Annexure 23
23.1.1 Capital
Capital Adequacy Ratio is computed as per operating guidelines issued by RBI for Small Finance Banks and amended thereafter.

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
i)	Common Equity Tier 1 (CET) capital	14,207.60	12,565.15	9,545.52
ii)	Additional Tier 1 capital	-	-	-
iii)	Tier 1 capital (i + ii)	14,207.60	12,565.15	9,545.52
iv)	Tier 2 capital	2,757.01	1,192.53	1,363.08
v)	Total capital (Tier 1+Tier 2)	16,964.61	13,757.68	10,908.60
vi)	Total Risk Weighted Assets (RWAs)	78,570.51	62,877.17	49,169.48
vii)	Common Equity Tier 1 (CET) capital ratio (%)	18.08%	19.98%	19.41%
viii)	Tier I capital ratio (%)	18.08%	19.98%	19.41%
ix)	Tier II capital ratio (%)	3.51%	1.90%	2.78%
x)	Total capital ratio (CRAR) (%)	**21.59%**	**21.88%**	**22.19%**
xi)	Leverage Ratio	9.49%	10.38%	10.15%
xii)	Percentage of the shareholding of the Government of India in public sector banks	-	-	-
xiii)	Amount of paid-up equity capital raised *	1,500.25	2,404.70	600.00
xiv)	Amount of additional Tier I capital raised	-	-	-
xv)	Amount of Tier II capital raised (Refer 23.1.2) below)	-	1,950.00	-

* includes share premium of ₹1028.40 millions (31 March 2021: ₹1514.05 millions against the fresh issue of equity shares, 31 March 2020: ₹377.78 millions against the rights issue)

Notes:
1.The Bank has followed Basel II Capital Regulations dated 1 July 2015 and amended thereafter for the purpose of Capital Adequacy Ratio in accordance with the operating guidelines for small finance banks as issued by RBI on 8 October 2016.

2. The Bank has followed Master Circular No. DBR.No.BP.BC.4/21.06.001/2015-16 on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) issued by RBI dated 01 July 2015 for the purpose of computing Capital Adequacy Ratio

3. As per RBI, letter DBR.NBD. No. 4502/16.13.218/2017-18 dated 8 Nov 2017, it is clarified that no separate capital charge is being prescribed for market risk and operational risk for the time being.

23.1.2 Tier II Capital

The Bank has not acquired Basel II compliant debt capital instruments during the year ended 31 March 2022: Nil (31 March 2021: ₹1950 millions, 31 March 2020: Nil) 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 June 20, 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%.

23.1.3 Capital Infusion

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.

During the year ended 31 March 2020, the Bank has issued 22,222,222 equity shares having face value of ₹10 each at a premium of ₹17 each for cash through rights issue to Utkarsh CoreInvest Limited (Holding Company) aggregating to ₹600 millions on 18 September 2019.

(₹ in millions except share data)

	Particulars	For the year ended 31 March 2022		For the year ended 31 March 2021		For the year ended 31 March 2020	
		Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
(i)	Outstanding as at the beginning of the year	84,83,33,869	8,483.34	75,92,72,222	7,592.72	73,70,50,000	7,370.50
(ii)	Shares issued during the year	4,71,87,653	471.88	8,90,61,647	890.62	2,22,22,222	222.22
	Outstanding at the end of the year	**89,55,21,522**	**8,955.22**	**84,83,33,869**	**8,483.34**	**75,92,72,222**	**7,592.72**

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.2.1 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	1,954.65	-	-
	Total	**1,00,741.83**	**1,02,281.47**	**23,479.24**	**25,719.35**	**-**	**-**

(₹ 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**

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

(₹ in millions)

	Particulars	As at 31 March 2020					
		Deposits	Loans & Advances*	Investments	Borrowings**	Foreign currency Assets	Foreign currency Liabilities
(i)	1 day	306.40	85.70	230.60	0.10	-	-
(ii)	2 to 7 days	2,057.30	3.90	279.80	0.50	-	-
(iii)	8 to 14 days	2,521.40	-	342.90	0.60	-	-
(iv)	15 to 30 Days	2,654.20	142.90	360.50	1.30	-	-
(v)	31 Days to 2 months	2,107.20	164.50	436.40	1,102.50	-	-
(vi)	Over 2 months to 3 months	1,694.20	3,914.90	230.70	2.50	-	-
(vii)	Over 3 months to 6 months	8,272.90	8,540.20	1,464.00	2,494.00	-	47.30
(viii)	Over 6 months to 1 year	13,524.20	20,189.30	2,353.80	2,978.10	-	47.30
(ix)	Over 1 year to 3 years	18,857.20	28,458.20	5,289.30	13,644.80	-	94.60
(x)	Over 3 years to 5 years	328.40	809.70	876.70	6,119.20	-	-
(xi)	Over 5 years	28.72	506.66	59.18	406.77	-	-
	Total	**52,352.12**	**62,815.96**	**11,923.88**	**26,750.37**	**-**	**189.20**

* amounts disclosed are net off provision for non-performing assets
** includes foreign currency liabilities Nil for 31 March 2022, ₹91.4 millions for 31 March 2021 and ₹189.2 millions for 31 March 2020.

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.

23.2.2 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
Annexure 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	Three months ended 31 March 2022		Three months ended 31 December 2021		Three months ended 30 September 2021		Three months 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
Annexure 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	**Three months ended 31 March 2021**		**Three months ended 31 December 2020**		**Three months ended 30 September 2020**		**Three months 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 (%)		#		#		261.34%		#

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2020, wherein the amounts are average of daily positions during the quarter: (₹ in millions)

	Particulars	Three months ended 31 March 2020		Three months ended 31 December 2019		Three months ended 30 September 2019		Three months ended 30 June 2019	
		Unweighted Amount	**Weighted Amount**	**Unweighted Amount**	**Weighted Amount**	**Unweighted Amount**	**Weighted Amount**	**Unweighted Amount**	**Weighted Amount**
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		15,558.60		12,863.80		12,146.10		9678.5
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	17,813.80	1,750.20	15,440.60	1,381.70	12,837.30	1,148.30	10,167.50	908.20
(i)	Stable Deposits	623.40	31.20	3,246.40	162.30	2,708.60	135.40	2,170.60	108.50
(ii)	Less Stable Deposits	17,190.40	1,719.00	12,194.20	1,219.40	10,128.70	1,012.90	7,996.90	799.70
3	Unsecured wholesale funding, of which:	15,443.20	9,014.10	11,669.10	6,303.20	11,066.90	5,978.10	9,763.40	5,329.90
(i)	Operational deposits (all counterparties)	#	-	-	-	-	-	#	-
(ii)	Non-operational deposits (all counterparties)	8,814.20	2,385.10	7,054.60	1,688.70	7,036.60	1,947.80	6,303.40	1,869.90
(iii)	Unsecured debt	6,629.00	6,629.00	4,614.50	4,614.50	4,030.30	4,030.30	3,460.00	3,460.00
4	Secured wholesale funding		-		-		200.90		121.00
5	Additional requirements, of which	2,025.80	101.30	2,070.90	103.60	1,907.20	95.40	1,584.40	79.20
(i)	Outflows related to derivative exposures and other collateral requirements	#	-	-	-	-	-	#	-
(ii)	Outflows related to loss of funding on debt products	#	-	-	-	-	-	#	-
(iii)	Credit and liquidity facilities	2,025.80	101.30	2,070.90	103.60	1,907.20	95.40	1,584.40	79.20
6	Other contractual funding obligations	285.00	285.00	145.00	145.00	98.30	98.30	800.00	575.60
7	Other contingent funding obligations	#	-	-	-	-	-	#	-
8	TOTAL CASH OUTFLOWS		11,150.60		7,933.50		7,521.00		7,013.90
Cash Inflow									
9	Secured lending (e.g. reverse repos)	#	-	-	-	-	-	#	-
10	Inflows from fully performing exposures	4,638.50	2,319.20	4,252.90	2,126.40	3,884.60	1,942.30	3,601.90	1,801.00
11	Other cash inflows	1,774.30	1,774.30	2,866.50	2,866.50	3,876.90	3,876.90	5,601.90	5,601.90
12	TOTAL CASH INFLOWS	6,412.80	4,093.50	7,119.40	4,992.90	7,761.50	5,819.20	9,203.80	7,402.90
13	TOTAL HQLA		15,558.60		12,863.80		12,146.10		9,678.50
14	Total Net Cash Outflows (8-12)		7,057.10		2,940.60		1,701.80		(389.00)
	Liquidity Coverage Ratio (%)		220.48%		437.47%		645.99%		551.96%

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
Annexure forming part of the Restated Financial Information

23.3 Investments

23.3.1 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
Annexure forming part of the Restated Financial Information

23.3.1 Composition of Investments:

Composition of Investments as at 31 March 2020 (₹ 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	9,303.81	-	-	-	-	-	9,303.81					9,303.81
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-					-
Net	9,303.81	-	-	-	-	-	9,303.81					9,303.81
	-	-	-	-	-	-	-					-
Available for Sale	-	-	-	-	-	-	-					-
Gross	2,620.69	-	-	-	-	-	2,620.69					2,620.69
Less: Provision for depreciation and NPI	0.62	-	-	-	-	-	0.62					0.62
Net	2,620.07	-	-	-	-	-	2,620.07					2,620.07
	-	-	-	-	-	-	-					-
Held for Trading	-	-	-	-	-	-	-					-
Gross	-	-	-	-	-	-	-					-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-					-
Net	-	-	-	-	-	-	-					-
	-	-	-	-	-	-	-					-
Total Investments	11,924.50	-	-	-	-	-	11,924.50					11,924.50
Less: Provision for non-performing investments	-	-	-	-	-	-	-					-
Less: Provision for depreciation and NPI	0.62	-	-	-	-	-	0.62					0.62
Net	11,923.88	-	-	-	-	-	11,923.88					11,923.88

23.3.2 Movement of provisions for depreciation and investment fluctuation reserve:

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
i)	**Movement of provisions held towards depreciation on investments**			
a)	Opening balance	193.60	0.62	-
b)	Add: Provisions made during the year	44.22	193.60	0.62
c)	Less: Write off/write back of excess provisions during the year	193.60	0.62	-
d)	Closing balance	44.22	193.60	0.62
ii)	Movement of Investment Fluctuation Reserve *			
a)	Opening balance	189.11	52.41	13.17
b)	Add: Amount transferred during the year	30.59	141.70	59.40
c)	Less: drawdown during the year	141.86	5.00	20.16
d)	Closing balance	77.84	189.11	52.41
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.

23.3.3 Sale and transfers to/from HTM category:

For the year ended 31 March 2022, 31 March 2021 and 31 March 2020, 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:
i) 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.
ii) Direct sales from HTM for bringing down SLR holdings in HTM category consequent to a downward revision in SLR requirements by RBI.
iii) 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).
iv) Repurchase of Government Securities by Government of India from banks under buyback / switch operations.
v) Repurchase of State Development Loans by respective state governments under buyback / switch operations.
vi) Additional shifting of securities explicitly permitted by the Reserve Bank of India.

23.3.4 Non-SLR investment portfolio

Non-performing non-SLR investments (₹ in millions)

	Particulars	As at 31-Mar-22	As at 31-Mar-21	As at 31-Mar-20
a)	Opening balance	-	-	-
b)	Add: Addition during the year	-	-	-
c)	Less: Reduction during the year	-	-	-
d)	Closing balance	-	-	-
e)	Total provision held	-	-	-

23.3.5 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 2022 of non-SLR investments (₹ in millions)

SI. 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)

SI. 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**	**-**	**-**	**-**

Issuer composition as at 31 March 2020 of non-SLR investments (₹ in millions)

SI. No.	Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSU	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	**-**

23.3.6 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	-	-	-	-

Repo/Reverse Repo/MSF Transactions for the year ended 31 March 2020 (In Face Value Terms) (₹ in millions)

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31 March 2020
A	**Securities sold under repo**				
i.	Government securities	10.00	2,002.46	449.42	922.66
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-
B	**Securities purchased under reverse repo**				
i.	Government securities	94.96	14,123.37	2,213.66	12,724.29
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.

(ii) Actual number of days of transactions have been considered in computation of daily average outstanding during the 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

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.4 Asset Quality
23.4.1 Classification of advances and provisions held (₹ in millions)

		As at 31 March 2022					
			Non-performing Advances				
	Particulars	**Standard Advances**	**Sub-standard**	**Doubtful**	**Loss**	**Total Non-performing Advances**	**Total**
(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					6,538.21	
	(c) Reductions during the year *					3,209.53	
	(d) Closing balance	99,825.68	6,157.99	323.58	-	6,481.57	1,06,307.25
	* 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	
	(iii) Write – offs						
(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	-	-	1088.14***	
	(b) Fresh Additions during the year					1,793.93	
	(c) Reductions during the year					524.15	
	(d) Closing balance		2,455.03	0.76	-	2357.92 ****	
(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					
		Standard Advances	Non-performing Advances				Total
			Sub-standard	Doubtful	Loss	Total Non-performing Advances	
(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	
	(iii) Write – offs					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

	Particulars	As at 31 March 2020					
		Standard Advances	Non-performing Advances				Total
			Sub-standard	Doubtful	Loss	Total Non-performing Advances	
(i)	**Gross Standard Advances and NPAs**						
	(a) Opening balance	46,600.25	601.58	54.15	-	655.73	47,255.98
	(b) Additions during the year					411.90	
	(c) Reductions during the year *					621.08	
	(d) Closing balance	62,642.90	410.08	36.47	-	446.55	63,089.45
	* Reductions in Gross NPAs due to						
	(i)Up – gradations					48.75	
	(ii) Recoveries (excluding recoveries made from up-graded accounts)					12.75	
	(iii) Technical/ Prudential Write-offs					559.58	
	(iv) Write-offs other than those under (iii) above						
(ii)	**Provisions (excluding Floating Provisions)**						
	(a) Opening balance	122.45	520.18	54.15	-	574.33	696.78
	(b) Add: Fresh provisions made during the year					245.81	
	(c) Less: Excess provision reversed/ Write-off loans**					546.65	
	(d) Closing balance	310.67	237.02	36.47	-	273.49	584.16
(iii)	**Net NPAs**						
	(a) Opening balance		81.40	-	-	56.92***	
	(b) Fresh Additions during the year					128.45	
	(c) Reductions during the year					74.43	
	(d) Closing balance		173.06	-	-	110.94****	
(iv)	**Floating Provision**						
	(a) Opening balance						24.49
	(b) Add: Additional provision made during the year						37.64
	(c) Less: Amount drawdown during the year						-
	(d) Closing balance						62.13
(v)	**Technical write-offs and the recoveries made thereon**						
	(a) Opening balance						1,613.34
	(b) Add: Technical/ Prudential write-offs during the year						559.58
	(c) Less: Recoveries made from previously technical/ prudential written-off accounts during the year						77.40
	(d) Closing balance						2,095.52

** Write back includes excess provision ₹491.6 millions and Reversal on account of write off ₹2193.8 millions (31 March 2021 Write back includes excess provision ₹21.30 millions and Reversal on account of write off ₹353.30 millions, 31 March 2020 Write back includes excess provision ₹38.40 millions and Reversal on account of write off ₹559.60 millions)

*** net off floating provisions amounting to ₹76.69 millions (31 March 2021: ₹62.13 millions, 31 March 2020: ₹24.49 millions)

**** net off floating provisions amounting to ₹97.84 millions (31 March 2021: ₹76.69 millions, 31 March 2020: ₹62.13 millions)

The movement of NPA and provision for NPA does not include accounts classified as NPA and was upgraded during the year.

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 21 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 ₹8,97.57 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.

Ratios (in Per Cent)	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Gross NPA to Gross Advances	6.10%	3.75%	0.71%
Net NPA to Net Advances	2.31%	1.33%	0.18%
Provision coverage ratio	63.62%	65.49%	75.16%

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23.4.2 Sector Wise Advances:

(₹ 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%
	Services	20,623.00	1,277.60	1.45%
3	Trade	13,780.50	622.40	0.71%
	Other services	4,386.20	563.50	0.64%
	Personal loans	3,160.20	164.30	0.19%
4	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%
	Services	14,512.30	187.90	1.04%
3	Non-banking financial companies	8,576.30	-	0.00%
	Personal loans	2,013.00	105.40	0.58%
4	Housing	1,935.50	101.20	0.56%
	Sub-total (B)	**18,025.00**	**304.30**	**1.69%**
	Total (A+B)	**1,06,307.20**	**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%**

(₹ in millions)

Sr. No.	Sector	As at 31 March 2020		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector***			
1	Agriculture and allied activities	34,520.60	211.10	0.37%
2	Advances to industries sector eligible as priority sector lending	1,778.50	13.50	0.02%
	All engineering	454.50	3.20	0.01%
	Food processing	489.30	3.00	0.01%
	Wood and wood products	399.60	3.30	0.01%
3	Services	20,806.50	175.30	0.30%
	Trade	8,782.00	99.00	0.17%
4	Personal loans	504.80	1.40	0.00%
	Housing	447.80	1.20	0.00%
	Sub-total (A)	**57,610.40**	**401.30**	**0.69%**
B	**Non Priority Sector**			
1	Agriculture and allied activities	0.20	0.20	0.00%
2	Industry	5.00	1.00	0.02%
	Beverages (Excluding Tea & Coffee) and Tobacco	2.70	-	0.00%
	Food processing	0.60	0.20	0.00%
	Wood and wood products	1.30	0.50	0.01%
3	Services	4,994.50	37.50	0.68%
	Non-banking financial companies	3,095.10	-	0.00%
4	Personal loans	479.40	6.50	0.12%
	Housing	407.10	3.60	0.07%
	Sub-total (B)	**5,479.10**	**45.20**	**0.82%**
	Total (A+B)	**63,089.50**	**446.50**	**0.71%**

* This includes underlying advances of Priority Sector Lending Certificates sold and does not include underlying advances of Priority Sector Lending Certificates purchased during the year. Refer Schedule 23.14.4

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.

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 04 September 2020 with effect from 01 July 2020.

23.4.3 Overseas Assets, NPAs and Revenue

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Total Assets	-	-	-
Total NPAs	-	-	-
Total Revenue	-	-	-

23.4.4 Particulars of Restructured Accounts:

During the years ended 31 March 2022, 31 March 2021 and 31 March 2020 the Bank has not implemented Resolution Plan for any of the borrowers in accordance with the RBI Circular dated June 7, 2019 on Prudential Revised Framework for Resolution of Stressed Assets ("Framework").

23.4.5 Divergence in asset classification and provisioning:

RBI vide circular no. DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and DBR.BP.BC.No.32/21.04.018/2018-19 dated April 01, 2019, has directed that banks shall make suitable disclosures, wherever (a) the additional provisioning requirement assessed by RBI exceeds 10 percent of the reported profit before provisions and contingencies for the reference period, or (b) the additional Gross NPA identified by RBI exceeds 15 percent of the published incremental Gross NPA for the reference period, or both. The financial statements for the year ended 31 March 2022, 31 March 2021 and 31 March 2020 have not been subjected to inspection by RBI as on date of financials and accordingly, the said disclosure is not applicable .

23.4.6 Transfer of loans exposures

(a) Details on loans not in default

(i) Loans acquired during the year ended 31 March 2022 under the RBI Master Direction on Transfer of Loan Exposure dated 24th September, 2021 are given below:

(₹ in millions except number of months)

Particulars	Retail Segment	
Mode of acquisition	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

(ii) There is no transfer of loan not in default during the year ended 31 March 2022, 31 March 2021 and 31 March 2020.

(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 2022, 31 March 2021 and 31 March 2020.

23.4.7 Security Receipts (SR)

There is no investments held as security receipts received by sale of NPA to Securitization / Reconstruction Company as at 31 March 2022, 31 March 2021 and 31 March 2020.

23.4.8 Details of provisioning pertaining to fraud accounts

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Number of frauds reported	*87	30	47
Amount involved in frauds	325.80	2.40	8.50
Amount of provision made for such frauds	314.30	1.90	5.90
Amount of Unamortised provision debited from 'other reserves' as at the end of the year	105.20	-	-

The Bank has recovered the amount of ₹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 till 31 March 2022.

*Total 115 have been considered as 1 fraud for reporting purpose in line with FMR reports.

During the year ended 31 March 2022, the Bank recognized exposure in respect of 115 accounts with an outstanding of ₹299.5 millions (NPA: ₹116.2 millions) as fraud and provided in full, in accordance with the RBI Circular dated April 18, 2016, by debiting Rs.194.3 millions to Restated Summary Statement of Profit and Loss (NPA Provision ₹102.6 millions) and ₹105.2 millions to Balance in Profit and Loss Account under 'Reserves and Surplus'. In accordance with the said RBI Circular, the Bank has charged to Restated Summary Statement of Profit and Loss an amount of ₹194.3 millions during the year ended 31 March 2022. The balance amount will be reversed to Restated Summary Statement of Profit and Loss in the ensuing two quarters in the financial year 2022-23.

23.4.9 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 2021**	Of (A), aggregate debt that slipped into NPA during the half year	Of (A) amount written off during the half year	Of (A) amount paid by the borrowers during the half year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of 31 March 2022
Personal Loans	948.60	193.68	0.03	348.63	406.27
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	3,463.57	1,252.00	0.13	1,309.46	901.97
Total	**4,412.17**	**1,445.68**	**0.16**	**1,658.09**	**1,308.24**

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

** Includes cases where request received till September 30, 2021 and implemented subsequently.

Amount paid by the borrower during the half year is net of addition in the borrower account including additions due to interest capitalization.

RBI vide a circular dated January 1, 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 February 11, 2020, circular dated August 6, 2020 and circular dated May 5, 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-22	6	4.10	0.20
31-Mar-21	0	0.00	0.00
31-Mar-20	0	0.00	0.00

23.5 Exposure
23.5.1 Exposure to Real Estate Sector

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
1)	**Direct exposure**			
(a)	Residential Mortgages:	10,939.90	5,909.08	2,038.77
	Out of which Individual housing loans eligible for inclusion in priority sector advances	1,789.14	1,200.35	489.51
(b)	Commercial Real Estate	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)	903.13	868.94	294.51
	Total Exposure to Real Estate Sector	**12,010.17**	**6,924.91**	**2,333.28**

Exposure to residential mortgage includes collateral in the nature of commercial property of ₹2,424.25 millions as on 31 March 2022. (31 March 2021 - ₹972.26 millions, 31 March 2020 - ₹210.40 millions)

23.5.2 Exposure to Capital Market:

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
(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	-	-	-

23.5.3 Risk Category wise Country Exposure:
The Bank's exposures are concentrated in India, hence country risk exposure as at 31 March 2022, 31 March 2021 and 31 March 2020 is ₹Nil.

23.5.4 Unsecured Advances

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
i)	Total unsecured advances of the bank	79,786.27	70,811.10	57,579.50
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	-	-	-

23.5.5 Advances secured by book debts

Advances secured by tangible assets includes advances against book debts of ₹8,884.87 millions (31 March 2021: ₹4,750.83 millions, 31 March 2020: ₹3,010.84 millions)

23.5.6 Factoring exposures

The Bank does not have factoring exposure as on 31 March 2022, 31 March 2021 and 31 March 2020.

23.5.7 Intra-Group exposures

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Total amount of intra-group exposures	-	-	-
Total amount of top-20 intra-group exposures	-	-	-
Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	-	-	-
Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	-	-	-

23.5.8 Unhedged Foreign Currency Exposure (UFCE) of Bank's Customer

The borrowers of the Bank do not have any Unhedged Foreign Currency Exposure as at 31 March 2022, 31 March 2021, and 31 March 2020.

23.5.9 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 2022, 31 March 2021 and 31 March 2020.

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23.6 Concentration of Deposits, Advances, Exposures and NPAs

23.6.1 Concentration of Deposits

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Total Deposits of twenty largest depositors	28,952.70	20,262.81	18,981.10
Percentage of deposits of twenty largest depositors to total deposits	28.74%	26.99%	36.26%

23.6.2 Concentration of Advances

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Total Advances to twenty largest borrowers *	5,783.19	4,268.28	2,576.63
Percentage of advances to twenty largest borrowers to total advances	5.44%	5.07%	4.08%

* Excluding advances against Bank's own term deposits.

23.6.3 Concentration of Exposures

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Total Exposure to twenty largest borrowers / customers	7,603.94	5,273.36	2,576.63
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers /customers	6.96%	6.15%	4.06%

Credit Exposure excludes the exposures which are 100% cash backed.

23.6.4 Concentration of NPA's

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Total Exposure to top twenty NPA Accounts (Gross)	68.12	26.60	17.50
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	1.05%	0.84%	3.92%

23.7 Derivatives :

23.7.1 Forward Rate Agreement/ Interest Rate Swap/ Cross currency swap : (₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
i) The notional principal of swap agreements*	0.00	79.30	158.66
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	0.00	12.08	30.50
iii) Collateral required by the Bank upon entering into swaps	0.00	-	-
iv) Concentration of credit risk arising from the swaps	0.00	-	-
v) The fair value of the swap book	0.00	10.49	25.78

* Pertains to cross currency swap

23.7.2 Exchange Traded Interest Rate Derivatives

(₹ in millions)

Sl. No	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
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	-	-	-

23.7.3 Risk Exposure in Derivatives:
The Bank has not engaged in any derivatives contracts during the years ended 31 March 2022, 31 March 2021 and 31 March 2020. However, Bank acquired a CCS contract pursuant to Business Transfer Agreement from Holding Company in the year ended as at 31 March 2017. The disclosure to the extent applicable is given below.

Qualitative disclosure on risk exposure in derivatives as at 31 March 2022, 31 March 2021 and 31 March 2020

Banks shall disclose their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The disclosure shall also include:
a) the structure and organization for management of risk in derivatives trading,
b) the scope and nature of risk measurement, risk reporting and risk monitoring systems,
c) policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and
d) accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

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Annexure forming part of the Restated Financial Information

Quantitative disclosure on risk exposure in derivatives

(₹ 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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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

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Annexure forming part of the Restated Financial Information

Quantitative disclosure on risk exposure in derivatives

(₹ in millions)

Sr. No.	Particular		Currency derivatives: Forward Contract	Currency derivatives: Currency Option	Currency derivatives: Currency Swap	Interest rate derivatives
	For the year ended 31 March 2020					
(i)	Derivatives (Notional Principal Amount)					
	a) For hedging		-	-	158.66*	-
	b) For trading		-	-	-	-
(ii)	Marked to Market Positions		-	-	-	-
	a) Asset (+)		-	-	25.80	-
	b) Liability (-)		-	-	-	-
(iii)	Credit Exposure		-	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		-	-	-	-
	a) on hedging derivatives		-	-	-	-
	b) on trading derivatives		-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year		-	-	-	-
	a) on hedging	Nil	-	-	-	-
		Nil	-	-	-	-
	b) on trading	Nil	-	-	-	-
		Nil	-	-	-	-

* Pertains to cross currency swap

23.7.4 Credit Default Swap

The Bank has not entered into Credit Default Swap during the year ended 31 March 2022, 31 March 2021 and 31 March 2020.

23.8 Disclosures relating to Securitization

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
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	-	-	-

23.9 Off- Balance Sheet SPVs sponsored

There are no off balance sheet SPVs sponsored by the Bank as at 31 March 2022, 31 March 2021 and 31 March 2020, which needs to be consolidated as per accounting norms.

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23.10 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 2022	As at 31 March 2021	As at 31 March 2020
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	-	-	-

23.11 Disclosure of customer complaints:

23.11.1 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 2022	As at 31 March 2021	As at 31 March 2020
		Complaints received by the bank from its customers			
1		Number of complaints pending at beginning of the year	239	51	280
2		Number of complaints received during the year *	18,469	12,615	27,632
3		Number of complaints disposed during the year *	18,566	12,427	27,861
	3.1	Of which, number of complaints rejected by the bank	79	64	13
4		Number of complaints pending at the end of the year	142	239	51
	Maintainable complaints received by the bank from Office of Ombudsman				
5		Number of maintainable complaints received by the bank from Office of Ombudsman	47	58	32
	5.1.	Of 5, number of complaints resolved in favour of the bank by Office of Ombudsman	46	52	31
	5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	1	3	1
	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

23.11.2 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 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**
As at 31 March 2020					
Ground - 1 (Account opening/difficulty in operation of accounts)	123	8,981	143%	2	-
Ground - 2 (Internet/Mobile/Electronic Banking)	27	4,537	86%	15	-
Ground - 3 (ATM/Debit Cards)	5	4,072	454%	10	1
Ground - 4 (Loans and advances)	53	3,229	0%	-	-
Ground - 5 (Mis-selling/Para-banking)	31	1,142	-34%	2	-
Others	41	5,671	51%	22	-
Total	**280**	**27,632**	**77%**	**51**	**1**

Note :- above disclosure is compiled by management and relied upon by auditors

23.12 Penalties imposed by Reserve Bank of India

Enforcement Department, RBI Central Office, vide its letter dated July 6, 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 July 17, 2021.

No penalty was imposed by RBI on the Bank during the year ended 31 March 2021 and 31 March 2020.

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23.13 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 2022, The NRC comprises of two Independent Directors viz Mr. Kajal Ghose and Mr. Parveen Kumar Gupta, one non-independent Directore viz Mr. Muralidharan Rajamani and one Nominee Director viz Ms. Anita Ramachandran (the Nominee Direcotor has remained in NRC till 22 March 2022).

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

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.

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 on 20 March 2021 pursuant to the guidelines issued by RBI, to cover all employees of the Bank. Further the NRC has approved the revised remuneration structure of Managing Director and CEO subject to approval of Reserve Bank of India. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. The policy is applicable to MD & CEO, WTD and employees in Risk and Compliance department.

d) Type of employees covered and number of such employees

All the employees of the Bank are covered. The total number of employees of the Bank as at 31 March 2022 were 12,617, 31 March 2021 were 10,361 and 31 March 2020 were 8,831.

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 firm'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 years.

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 & Senior Management Team – As per the RBI guideline on Material Risk Takers, MD & CEO & SMT who have been classified as MRT's suitable deferral is being done. For FY 20-21, as a part of the MD & CEO – ₹ 12.7 millions (comprising cash ₹ 0.63 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 2021-22 from the available cash bonus upfront.

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 31st Mar'22, 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 (FY 2019-20: Nil).

F. Description of the different forms of variable remuneration that the Bank utilizes and the rationale for using these different forms.

The Bank has variable pay that is paid based on the performance that is applicable to all levels. The ESOP options of the Holding Company are currently given to eligible employees in 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 22 and 31 March 21 the quantitative disclosure covers MD & CEO and Material Risk takers (as on 31 March 20 it covers MD & CEO and employees in the grade of Vice President and above)

(₹ in millions, except numbers)

Sr. No.	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
1(i)	Number of meetings held by the Remuneration Committee during the financial year.	6	10	7
1(ii)	Remuneration paid to its members during the financial year (sitting fees)	0.77	1.10	0.60
2(i)	Number of employees having received a variable remuneration award during the financial year.	7	5	16
2(ii)	Number and total amount of sign-on awards made during the financial year.	-	-	-
2(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-	1.90
2(iv)	Details of severance pay, in addition to accrued benefits, if any.	-	-	-
3(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	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	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(ii)	Total amount of deferred remuneration paid out in the year.	-	-	-
4	Breakdown of amount of remuneration awards for the year*:	-	-	
	Fixed	Fixed : 68.80	Fixed : 71.21	Fixed CTC: 137.3
	Variable	Variable: 6.00	Variable: 7.65	Variable: 15.2
	Deferred	Deferred: Nil	Deferred: Nil	Deferred: Nil
	Non-deferred	Non-deferred: 74.80	Non-deferred: 78.86	Non-deferred:152.5
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**	7 MRTs & 1 WTD	8 MRTs & 1 WTD	NA
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.	0.30 millions & 32 times	0.32 millions & 55 times	0.29 millions & 45 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 November 4, 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.

Apart from the above variable pay amounting to ₹ 2.00 millions has been approved by RBI for MD & CEO for FY 2019-20. Cash component of ₹ 1.00 millions of the same has been paid to MD & CEO during the FY 2021-22. The balance ₹ 1.00 millions is in the form of USFBL - ESOPs as per RBI approval.

Apart from the above ₹12.7 millions (comprising cash ₹0.63 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.

23.14.1 Business Ratios:

(₹ in millions except percentages and ratio)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
(i)	Interest income as % to Working funds[1]	14.43%	14.64%	17.30%
(ii)	Non-Interest income as % to Working funds[1]	1.44%	1.16%	1.30%
(iii)	Cost of deposits[6]	7.01%	8.01%	9.11%
(iv)	Net interest margin[7]	8.80%	8.34%	10.40%
(v)	Operating profit [2] as % to Working funds[1]	3.97%	3.88%	4.63%
(vi)	Return on Assets[4] (Working funds[1])	0.48%	1.04%	2.47%
(vii)	Business[3] (Deposit plus Net Advance) per employee[5]	15.50	14.70	12.65
(viii)	Profit per employee[5] *	0.10	0.12	0.24

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 ₹54,483 for 31 March 2022, ₹122,175 for 31 March 2021 and ₹244,223 for 31 March 2020.

23.14.2 Disclosure of Fees / Remuneration Received in respect of Bancassurance Business

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
i)	Fee / Remuneration from Life Insurance Business	148.77	79.60	59.10
ii)	Fee / Remuneration from General Insurance Business	0.67	0.10	0.20

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23.14.3 Disclosure of Fees / Remuneration Received in respect of Marketing and distribution

The Bank has received ₹ 3.6 millions towards marketing & distribution during year ended 31 March 2022. (31 March 2021: ₹21.0 millions, 31 March 2020: ₹15.82 millions)

23.14.4 Details of Priority Sector Lending Certificates (PSLC)

Following are the details of PSLC sold by the Bank.

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
i)	General category	-	-	-
ii)	Micro enterprises	-	-	-
iii)	Agriculture	-	-	-
iv)	Small/marginal farmers	92,550.00	41,000.00	27,000.00
	Total	**92,550.00**	**41,000.00**	**27,000.00**

Following are the details of PSLC purchased by the Bank. (₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
i)	General category	-	-	-
ii)	Micro enterprises	7,500.00	-	-
iii)	Agriculture	-	-	-
iv)	Small/marginal farmers	-	-	-
	Total	**7,500.00**	-	-

23.14.5 Break up of Provisions and Contingencies debited to Restated Summary Statement of Profit and Loss

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
i)	Provisions for NPI	-	-	-
ii)	Provision towards NPA	2,024.30	1,714.53	(300.84)
iii)	Provision made towards Income tax	529.40	600.78	861.20
iv)	Other Provisions and Contingencies (with details)	1,925.00	756.92	1,074.55
a	Technical write off	2,193.80	352.37	559.58
b	Provision for standard assets	105.70	72.79	188.22
c	Provision on restructured assets	-292.70	526.48	-
d	Floating provision	21.10	14.56	37.64
e	Provisions made towards deferred Tax (Net)	-346.89	-204.57	-224.47
f	Provision against fraud	91.70	-	-
g	Contingency provision	650.00	-	-
h	Provision on COVID 19	-501.30	1.74	499.57
i	Provision on SMA due to COVID 19	-	-14.01	14.01
j	Others	3.60	7.56	-
	Total provisions	**4,478.70**	**3,072.23**	**1,634.91**

23.14.6 Implementation of IFRS converged Indian Accounting Standards (Ind AS)

The Bank submits its Proforma Ind-AS financials on half yearly 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 identifying system solutions and hiring skilled resources to implement Ind-AS accounting.

23.14.7 Payment of DICGC Insurance Premium

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
i)	Payment of DICGC Insurance Premium	82.36	53.99	28.13
ii)	Arrears in payment of DICGC premium	-	-	-

23.14.8 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 2022, 31 March 2021 and 31 March 2020.

23.14.9 Details of item under Other expenditure head exceeds one per cent of the total income

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
	Banking software charges	447.68	382.49	276.06
	Legal and professional charges	-*	-*	145.37

*Less than one percent of the total income

23.14.10 Details of item under Miscellaneous incom head exceeds one per cent of the total income

(₹ in millions)

	Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
i	Income from sale of Priority sector lending certificate	669.10	637.3	452.7
ii	Recovery in written off account	296.57	0.96	-

23.15 Earnings Per Share (EPS)

(₹ in millions , except per share data)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Basic			
Weighted average number of equity shares - Basic	87,81,10,556	76,51,28,330	74,89,50,425
Net profit after tax available for equity shareholders (₹)	614.62	1,118.15	1,867.43
Basic earnings per share	0.70	1.46	2.49
Diluted			
Weighted average number of equity shares	87,81,10,556	76,51,28,330	74,89,50,425
Add: Weighted average number of potential equity shares on account of employee stock options	20,97,153	-	-
Weighted average number of equity shares - Diluted	88,02,07,709	76,51,28,330	74,89,50,425
Net profit after tax available for equity shareholders (₹)	614.62	1,118.15	1,867.43
Diluted earnings per share	0.70	1.46	2.49
Face value per share	10	10	10

23.16 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 2022, the Holding Company granted Nil options to the Bank's employees (for the year ended 31 March 2021 : 21,59,575 options, for the year ended 31 March 2020 : 18,14,225 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.

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 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Number of equity shares:			
Outstanding at the beginning of the year	49,10,739	38,56,398	25,54,036
Granted during the year	-	16,59,575	18,14,225
Granted during the year with grant effective date pertaining to FY 2019-20	-	5,00,000	-
Lapsed/Cancel during the year	6,33,617	6,85,829	2,06,874
Exercised during the year	7,17,462	2,07,558	3,04,989
Previous year adjustments	-1,300	-2,11,847	-
Outstanding at the end of year	35,58,360	49,10,739	38,56,398
Exercisable at the end of year	12,91,488	11,18,318	5,26,482

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 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit after tax			
- As reported	614.62	1,118.15	1,867.43
- Proforma	568.40	1,069.30	1,879.90
Profit / Earnings per share			
Basic			
Weighted average number of shares	87,81,10,556	76,51,28,330	74,89,50,425
EPS as reported (₹)	0.70	1.46	2.49
Proforma EPS (₹)	0.65	1.40	2.51

The following assumptions are used for calculation of fair value of grants issued.

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	61% to 47%	61% to 47%	19.60%
Risk free interest rate	4.39 % to 5.55%	4.39 % to 5.55%	7.03%
Expected life in years	2 to 5	2 to 5	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 16,234,694 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 2022		For the year ended 31 March 2021		For the year ended 31 March 2020	
	Number of Options	Exercise Price	Number of Options	Exercise Price	Number of Options	Exercise Price
November 6, 2020 *	71,377	14.01	-	-	-	-
August 1, 2021	1,56,11,500	27.00	-	-	-	-
October 1, 2021	15,000	30.00	-	-	-	-
October 18, 2021 to January 1, 2022	80,000	31.80	-	-	-	-
January 22, 2022**	4,56,817	14.01	-	-	-	-

Shares vested to the employees have an exercise period of two years.

*The bank received approval from RBI on 31st August 2021 for grant of 71,377 options as a part of the annual bonus for MD & CEO for FY 19 – 20, options were granted out of banks shares with effect from 6th November 2020 under the said 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,bank has granted 4,56,817 ESOPs to MD & CEO at Rs. 14.01 per share w. e. f January 12, 2022 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	Grant dated January 22, 2022 to MD &
On completion of 1 year	25%	33.33%
On completion of 2 years	25%	33.33%
On completion of 3 years	25%	33.33%
On completion of 4 years	25%	

Stock option activity under ESOP Plan of the Bank is as below:

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Number of equity shares:			
Outstanding at the beginning of the year	-	-	-
Granted during the year	1,61,63,317	-	-
Granted during the year with grant effective date pertaining to FY 2020-21	71,377	-	-
Lapsed/Cancel during the year	18,94,250	-	-
Exercised during the year	17,844	-	-
Outstanding at the end of year	1,43,22,600	-	-
Exercisable at the end of year	-	-	-

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 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Dividend yield	0.00%	-	-
Expected volatility	49.8% to 48.8%	-	-
Risk free interest rate	4.48% to 5.80%	-	-
Expected life in years	2 to 5	-	-

23.17 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 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Provident Fund (refer note below)	251.77	191.73	158.31
ESI	33.58	26.62	23.17

Note: The above amount is netted off with amount of ₹4.70 millions received under the scheme "Pradhan Mantri Rojgar Prostsahan Yojana" for the year ended 31 March 2022, ₹13.2 millions for the year ended 31 March 2021 and ₹15 millions for year ended 31 March 2020.

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 2022	As at 31 March 2021	As at 31 March 2020
Opening defined benefit obligation	156.66	112.86	73.43
Current service cost	47.50	42.41	34.64
Past service costs	-	-	-
Interest cost	7.70	6.09	5.59
Actuarial losses/ (gains)	(4.30)	(1.10)	2.54
Benefits paid	(12.80)	(3.60)	(3.34)
Closing defined benefit obligation	**194.76**	**156.66**	**112.86**

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Change in the plan assets (₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Opening fair value of plan asset	145.82	108.07	59.21
Expected return on plan assets	9.40	7.99	4.50
Employers Contributions	46.80	37.60	49.12
Benefit paid	(12.80)	(3.60)	(3.34)
Actuarial gains / (losses) on plan assets	(0.80)	(4.24)	(1.42)
Closing fair value of plan assets	**188.42**	**145.82**	**108.07**

Net liability / (asset) recognized in the balance sheet (₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Present value of funded obligation	194.76	156.66	112.86
Fair value of plan assets	188.42	145.82	108.07
Deficit/ (Surplus)	6.34	10.84	4.79
Net liability / (asset) recognized in the balance sheet	**6.34**	**10.84**	**4.79**

Net cost recognized in the profit and loss account (₹ in millions)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Current service cost	47.50	42.41	34.64
Past service costs	-	-	-
Interest cost	7.70	6.09	5.59
Expected return on plan assets	(9.40)	(7.99)	(4.50)
Net actuarial losses / (gains)	(3.50)	3.14	3.96
Total cost of defined benefit plans included in Annexure 21 Payments to and provisions for employees	**42.30**	**43.65**	**39.69**

Reconciliation of opening and closing net liability / (asset) recognized in the balance sheet

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Opening net liability	10.84	4.79	14.22
Expenses as recognized in profit & loss account	42.30	43.65	39.69
Employers contribution	(46.80)	(37.60)	(49.12)
Net liability / (asset) recognized in balance sheet	**6.34**	**10.84**	**4.79**

Experience adjustment and details of obligations and assets (₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Present value of funded obligation	194.76	156.66	112.86
Fair value of plan assets	188.42	145.82	108.07
Deficit / (Surplus)	6.34	10.84	4.79
On Plan Liabilities (gains) / losses	(4.30)	8.49	7.46
On Plan Assets (losses) / gains	(0.80)	(4.24)	(1.42)

A breakup of Investments under plan assets of gratuity fund is as follows:

Category of assets	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Funds with LIC (through gratuity trust)	100%	100%	100%

Key Actuarial Assumptions

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Discount rate	5.75%	4.95%	5.40%
Expected rate of return on plan asset	6.84%	6.45%	5.40%
Salary escalation	7.00%	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.

23.18 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 like sale of PSL certificates, para banking activities like Bancassurance, etc.

Geographical segments: The business operations of the Bank are concentrated in India hence the Bank is considered to operate in domestic segment only.

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The following table sets forth the business segment results: (₹ in millions)

Particulars	For the year ended 31 March 2022				
	Corporate/ Wholesale Banking	**Retail Banking**	**Treasury**	**Other Banking Operations**	**Total**
Gross Revenue	785.58	17,519.84	2,031.04	-	20,336.46
Unallocated Revenue					-
Less: Inter Segment Revenue					-
Total Revenue	**785.58**	**17,519.84**	**2,031.04**	**-**	**20,336.46**
Segment Results	-584.11	1,054.27	326.97	-	797.13
Unallocated expenses					-
Operating Profit	-584.11	1,054.27	326.97	-	797.13
Income Tax expense (including deferred tax)					182.51
Net Profit					614.62
Segment Assets	9,269.61	94,279.02	42,585.97	-	1,46,134.60
Unallocated Assets					4,503.10
Total Assets					**1,50,637.70**
Segment Liabilities	47,910.51	60,676.70	25,959.46	-	1,34,546.67
Unallocated Liabilities					368.03
Capital & Reserves					15,723.00
Total Liabilities					**1,50,637.70**

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The following table sets forth the business segment results: (₹ in millions)

Particulars	For the year ended 31 March 2021				
	Corporate/ Wholesale Banking	**Retail Banking**	**Treasury**	**Other Banking Operations**	**Total**
Gross Revenue	518.96	14,598.60	2,133.81	-	17,251.37
Unallocated Revenue					-
Less: Inter Segment Revenue					-
Total Revenue	**518.96**	**14,598.60**	**2,133.81**	**-**	**17,251.37**
Segment Results	-438.36	1,681.94	270.77	-	1,514.35
Unallocated expenses					-
Operating Profit	-438.36	1,681.94	270.77	-	1,514.35
Income Tax expense (including deferred tax)					396.20
Net Profit					**1,118.15**
Segment Assets	5,037.43	77,989.00	35,338.93	-	1,18,365.36
Unallocated Assets					3,013.76
Total Assets					**1,21,379.12**
Segment Liabilities	36,342.22	44,914.54	26,283.01	-	1,07,539.77
Unallocated Liabilities					155.82
Capital & Reserves					13,683.53
Total Liabilities					**1,21,379.12**

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The following table sets forth the business segment results:

(₹ in millions)

Particulars	For the year ended 31 March 2020				
	Corporate/ Wholesale Banking	**Retail Banking**	**Treasury**	**Other Banking Operations**	**Total**
Gross Revenue	423.32	12,460.46	1,178.64	-	14,062.42
Unallocated Revenue					-
Less: Inter Segment Revenue					-
Total Revenue	**423.32**	**12,460.46**	**1,178.64**	-	**14,062.42**
Segment Results	(1,026.32)	2,564.84	965.64	-	2,504.16
Unallocated expenses					-
Operating Profit	(1,026.32)	2,564.84	965.64	-	2,504.16
Income Tax expense (including deferred tax)					636.73
Net Profit					**1,867.43**
Segment Assets	3,100.82	60,661.46	28,349.40	-	92,111.68
Unallocated Assets					1,931.48
Total Assets					**94,043.16**
Segment Liabilities	31,171.57	25,604.31	26,911.72	-	83,687.60
Unallocated Liabilities					160.57
Capital & Reserves					10,194.99
Total Liabilities					**94,043.16**

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

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

23.19 Related Party Transactions

The Bank's related parties during the period 01 April 2019 to 31 March 2022 are disclosed below:

1. Holding Company

Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited)

2. Fellow Subsidiary

Utkarsh Welfare Foundation

Consequent to the disinvestment by Utkarsh Core-Invest Limited (UCL) on February 26, 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
Mr. Vinay Prakash Tripathi- Company Secretary (w.e.f 13 May 2019 till 12 October 2019)
Mrs. Nutan Rane- Company Secretary (from 15 October 2019 to 14 March 2022)
Mr. Muthiah Ganapathy - Company Secretary (w.e.f. 22 March 2022)

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	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)
			Vijay Kishrsagar (Brother in law)
Ms. Nutan Rane	Both deceased	Anand Rane (Spouse)	Pradeep Khair (Brother)
		Varun Rane (Son)	Pooja Pradeep Khair (Sister in law)
			Sandeep Khair (Brother)
			Priya Sandeep Khair (Sister in law)
			Rajesh Khair (Brother)
			Pramodini Rajesh Khair (Sister in law)
Mr. Muthiah Ganapathy	Both deceased	Lakshmi Devi (Spouse)	Mukesh (Brother)
		Aarna (Daughter)	
		Arshini (Daughter)	

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended 31 March 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 Annexure 22.1)	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 ₹ 50000 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 annexure 23.16 on ESOP grant to MD & CEO

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended 31 March 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 Annexure 22.1)	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 ₹ 50000 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 annexure 23.16 on ESOP grant to MD & CEO

Utkarsh Small Finance Bank Limited
Annexure forming part of the Restated Financial Information

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended 31 March 2020.

(₹ in millions)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employees' Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Vinay Prakash Tripathi (CS)	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 2020	237.28	11.49	0.59	0.24	0.59	-	0.01	0.01	1.46	0.43	7.31	1.19	2.54	0.49	263.64
Amount deposited during the year (excluding CASA deposit)	2,085.90	-	-	0.01	-	-	-	-	-	-	-	0.59	0.48	0.24	2,087.22
Amount repaid during the year (excluding CASA deposit)	2,621.18	-	-	0.01	-	-	-	-	-	-	-	0.72	0.77	-	2,622.68
Maximum deposit outstanding during the year	740.00	10.00	23.42	1.54	1.68	-	1.58	0.02	1.46	1.09	25.79	1.54	3.24	0.49	811.87
Interest paid	36.57	0.48	0.02	0.02	0.05	-	0.00*	0.00*	0.07	0.04	0.37	0.12	0.06	0.01	37.82
Remuneration to KMP	-	-	-	21.68	10.09	1.50	1.42	-	-	-	-	-	-	-	33.19
Equity shares issued**	600.00	-	-	-	-	-	-	-	-	-	-	-	-	-	600.00
Contribution towards CSR & CER	-	10.00	-	-	-	-	-	-	-	-	-	-	-	-	10.00
ESOP cost cross charged (Refer Annexure 22.1)	17.37	-	-	-	-	-	-	-	-	-	-	-	-	-	17.37
Service charge for collections	0.25	-	-	-	-	-	-	-	-	-	-	-	-	-	0.25
Rent for office space	0.79	-	-	-	-	-	-	-	-	-	-	-	-	-	0.79
ESOP granted	-	-	-	-	7.27	-	-	-	-	-	-	1.32	-	-	8.59
Transactions (collection and payment) carried out on behalf of Bank	23.63	-	-	-	-	-	-	-	-	-	-	-	-	-	23.63
Amount Payable/(Recoverable)	7.00	-	-	-	-	-	-	-	-	-	-	-	-	-	7.00

* Amount less than ₹ 50000 is shown as Nil

** 2,22,22,222 (upon conversion of CCD into common equity) equity shares of ₹10 each on 18 September 2019.

23.20 Leases

Operating Lease

Lease payments made under cancellable operating lease amounting to ₹463.50 millions for the year ended 31 March 2022, ₹ 354.99 millions for the year ended 31 March 2021 and ₹349.1 millions for the year ended 31 March 2020; disclosed as rent under Annexure 21 and the same have been recognized as an expense in the Restated Summary 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 2022	As at 31 March 2021	As at 31 March 2020
Due within one year	426.48	374.40	332.70
Due later than one year and not later than five years	1,932.51	1,552.33	1405.30
Due later than five years	955.00	558.95	714.60
Total	**3,313.99**	**2,485.68**	**2452.60**

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 2022 are as follows:

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**

Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2020 are as follows:

(₹ in millions)

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	46.90	17.00	29.90
Due later than one year and not later than five years	161.50	32.00	129.50
Due later than five years	7.70	0.80	6.90
Total	**216.10**	**49.80**	**166.30**

23.21 Deferred Tax

a. Current Tax

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Provision for Income tax	529.43	600.78	861.20
Provision for Deferred tax	(346.92)	(204.57)	(224.47)
MAT credit entitlement	-	-	-
Total	**182.51**	**396.21**	**636.72**

b. Deferred Tax

Major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in millions)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Deferred tax assets:			
Provision for assets	634.73	374.49	223.08
Unamortized processing fees on advances	218.79	149.55	110.26
Finance lease	29.26	33.63	41.83
Provision against Lease Equalization	37.03	25.81	18.31
Provision on Casual Leave	9.92	8.21	7.16
Others	2.82	1.90	-
	932.55	**593.59**	**400.64**
Deferred tax liabilities:			
Depreciation on fixed assets	1.33	6.60	17.59
Gain on mark to mark on external commercial borrowings	-	-	0.38
Unamortized processing fee on borrowings	4.59	7.28	7.53
	5.92	**13.88**	**25.50**
Net deferred tax assets / (liability)	**926.63**	**579.71**	**375.14**

23.22 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 2022	As at 31 March 2021	As at 31 March 2020
a. Principal amount due to suppliers under MSMED Act, 2006	65.29	44.41	52.00
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	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	2.34	0.67	-
f. Interest accrued and remaining unpaid at the end of the quarter/year to suppliers under MSMED Act (including interest mentioned in (e) above)	2.34	0.67	-

23.23 Contingent liabilities

1. Description of nature of contingent liabilities is set out below:

a.The Bank is contingently liable to certain SPV with respect to securitization of loans and advances to the extent of cash collateral deposits and credit enhancements.
b.There is a capital commitment towards open purchase orders.
c.Pending litigation against the Bank.
d.Demands against tax assessments.

Refer Annexure 17 for amounts relating to contingent liabilities.

23.24 The board of directors in their meeting dated 09 June 2021 decided to contribute towards corporate social responsibility up to ₹37.00 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 ₹25.00 millions for FY 2021 and ₹10.00 millions for FY 2020 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 2022	As at 31 March 2021	As at 31 March 2020
a) Gross amount required to be spent by the Company during the year	37.00	20.29	4.03
b) Amount spent during the year on purposes other than construction/acquisition of any asset			
Paid in cash	37.00	25.00	10.00
Yet to be paid	-	-	-
Total of amount spent	**37.00**	**25.00**	**10.00**

23.25 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 2022	As at 31 March 2021	As at 31 March 2020
At cost at March 31 of preceding year	195.70	125.30	41.90
Additions during the year	158.01	142.23	135.30
Deductions during the year	-	-	-
Accumulated depreciation to date	123.00	71.83	51.90
Net block	230.71	195.70	125.30

23.26 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, securitiy or the like on behalf of the Ultimate Beneficiaries.

23.27 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.

As at 31 March 2020, COVID-19 pandemic continues to spread across India and there is unprecedented level of disruption on socio-economic front across the country. Globally, countries and businesses are under lockdown. Considering severe health hazard associated with COVID-19 pandemic, India is also under a 68 days nation-wide lockdown enforced by the Government of India from March 25, 2020 until May 31, 2020. There is high level of uncertainty about the duration of lockdown and the time required for things to get normal. The extent to which COVID-19 pandemic will impact the Bank’s operations and financial results is dependent on the future developments, which are highly uncertain, including among many the other things, any new information concerning the severity of the pandemic and any action to contain its spread or mitigate its impact, whether government mandated or elected by the Bank.
In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, and clarification issued by RBI through Indian Bankers Association dated 6 May, 2020, the Bank is granting a moratorium on the payment of instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 (‘moratorium period’) to all eligible borrowers in case of JLG portfolio and in Retail / WSL portfolio as per Opt-in basis is classified as Standard, even if overdue, as on February 29, 2020. The moratorium period, wherever granted, shall be excluded by the Bank from the number of days past due for the purpose of asset classification under RBI’s Income Recognition and Asset Classification norms. Pursuant to the aforesaid circular read with clarification, the bank has made provisions of ₹ 14.0 millions and additionally the bank has made provisions of ₹ 499.6 millions on the basis management assessment.

The disclosure as required by RBI circular dated 17 April, 2020 is given below: (₹ in millions)

Items	As at 31 March 2021	As at 31 March 2020
Amounts of advances that are SMA or overdue as of 29 February 2020, where the moratorium/deferment was extended	280.23	280.23
Amount of advances where asset classification benefits was extended	229.79	84.90
Provisions made on above	28.02	14.00
Provisions adjusted against slippages /restructured assets	28.02	-
Residual provisions as on 31 March	-	14.00

23.28 In accordance with the instructions in the circular RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 dated 7 April 2021, the Bank shall refund / adjust 'interest on interest' 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. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' has been finalised by the Indian Banks Association (IBA) in consultation with other industry participants / bodies, on April 19, 2021. The Bank has estimated the said amount and recognised an interest reversal in its Restated Summary Statement of Profit and Loss for the year ended 31 March 2021. Based on the circular, the computation has been revised as on June 2021 and ₹0.90 millions has been refunded to the customers, balance ₹0.90 millions is provisioned and has been refunded in July 2021.

23.29 The Honourable Supreme Court of India (Hon'ble SC), in a public interest litigation (Gajendra Sharma Vs. Union of India & Anr), vide an interim order dated 3 September 2020 ("Interim Order"), had directed banks that accounts which were not declared NPA till 31 August 2020 shall not be declared as NPA till further orders. Accordingly, the Bank did not classify any account which was not NPA as of 31 August 2020 as per the RBI's Prudential Norms on Income Recognition, Asset Classification, and Provisioning (IRAC) norms, as NPA after 31 August 2020. However, as a basis its assessment and as a prudent measure, the Bank had followed the extant policies relating to NPA's in this regards.
The interim order granted to not declare accounts as NPA stood vacated on 23 March 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In accordance with the instructions in paragraph 5 of the RBI circular dated 7 April 2021 issued in this connection, the Bank has followed with the asset classification of borrower accounts as per the extant RBI instructions / IRAC norms.

23.30 The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year-end, the Bank has reviewed and recorded adequate provision as required under any law / accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts) in the books of accounts.

23.31 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.

23.32 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 **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

For and on behalf of Board of Directors
Utkarsh Small Finance Bank Limited
CIN:U65992UP2016PLC082804

Purushottam Nyati
Partner
Membership No: 118970

Parveen Kumar Gupta
Chairman
DIN : 02895343

Kajal Ghose
Director
DIN:07702190

Govind Singh
Managing Director & CEO
DIN : 02470880

Mukund Barsagade
Chief Financial Officer
FCA 048560

Muthiah Ganapathy
Company Secretary
FCS 5674

Place: Mumbai
Date: 25 April 2022

Place: Mumbai
Date: 25 April 2022

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 31 March 2022	As at and for Year Ended 31 March 2021	As at and for Year Ended 31 March 2020
Basic earnings per share (₹) [Refer Note (a)(i) below]	0.70	1.46	2.49
Diluted earnings per share (₹) [Refer Note (a)(ii) below]	0.70	1.46	2.49
Return on net worth [Refer Note (a)(iii) below]	3.91%	8.17%	18.32%
Earnings before tax, depreciation and amortisation (EBTDA) (₹ in Millions) [Refer Note (b) below]	1,205.97	1,810.13	2,758.24
Net asset value per equity share [Refer Note (a)(iv) below]	17.56	16.13	13.43
Net profit after tax, as restated, attributable to equity shareholders (₹ in Millions)	614.62	1,118.15	1,867.43
Net worth at the end of the years (₹ in Millions)*	15,722.97	13,683.53	10,194.99
Weighted average number of equity shares outstanding during the years, used for			
- Basic earnings per share (Nos in Millions	878.11	765.13	748.95
- Diluted earnings per share (Nos in Millions)	880.21	765.13	748.95
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 Millions)	895.52	848.33	759.27

* *Net Worth = Capital + Reserves*

The figures disclosed in this section are derived from the Restated Financial Statements.

Note

(a) Ratios have been computed as per the following formulas:

(i) Basic earnings per share = $\frac{\text{Net profit after tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of basic Equity Shares outstanding during the period/years}}$

(ii) Diluted earnings per share = $\frac{\text{Net profit after tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of diluted Equity Shares outstanding during the period/years}}$

(iii) Return on Net Worth = $\frac{\text{Net Profit, as restated, attributable to equity shareholders}}{\text{Net Worth at the end of the period/years}}$

(iv) Net asset value per equity share = $\frac{\text{Net worth at the end of the period/years}}{\text{Total number of equity shares outstanding at the end of period/years}}$

(b) Earnings before tax, depreciation and amortisation (EBTDA) has been arrived at by adding back depreciation and tax expense to the net profit appearing in annexure II - restated summary statement of profit and loss

The following table sets forth a reconciliation of Bank's EBTDA to profit for the years:

Particulars	For the Year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Net Profit	614.62	1,118.15	1,867.43

Particulars	For the Year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
	-	-	-
Add:			
Depreciation (On investment and Bank's property)	408.84	295.77	254.08
Current tax (included in Provision and Contingencies)	529.43	600.78	861.20
Deferred tax (included in Provision and Contingencies)	(346.92)	(204.57)	(224.47)
EBTDA	**1,205.97**	**1,810.13**	**2,758.24**

(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, 2022, March 31, 2021 and March 31, 2020, 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 Draft Red Herring Prospectus; or (ii) a prospectus, a statement in lieu of a prospectus, an offering circular, an offering memorandum, an advertisement, an offer or a solicitation of any offer or an offer document or recommendation or solicitation to purchase or sell any securities under the Companies Act, the SEBI ICDR Regulations, or any other applicable law in India or elsewhere. The Audited Financial Statements should not be considered as part of information that any investor should consider subscribing for or purchase any securities of our Bank and should not be relied upon or used as a basis for any investment decision. None of our Bank or any of its advisors, nor BRLMs, 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 Fiscals 2022, 2021 and 2020 and as reported in the Restated Financial Statements, see "*Financial Statements - Related Party Transactions*" beginning on page 331.

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 252. 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 61.

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 22 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 24 and 346, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Statements included in this Draft Red Herring Prospectus.

Unless the context otherwise requires, in this section, references to "we", "us", "our", "the Bank" or "our Bank" refers to Utkarsh Small Finance Bank Limited.

Unless otherwise indicated, industry and market data used in this section has been derived from the report "Report on Small Finance Banks and various loan products" dated July, 2022 (the "CRISIL Report") prepared and released by CRISIL Limited 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 Company at https://www.utkarsh.bank/ipo-2022-documents 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 20.

OVERVIEW

We are an SFB in India and recorded the second fastest AUM growth between Fiscal 2019 and Fiscal 2022 among SFBs with AUM of more than ₹ 50 billion. (*Source: CRISIL Report*) 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 22 States and Union Territories with 686 Banking Outlets and 12,617 employees, as of March 31, 2022. As of March 31, 2022, 27.70% 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, 2022, we had 3.14 million customers (both deposit and credit) majorly located in rural and semi-urban areas primarily in the states of Bihar, Uttar Pradesh and Jharkhand that have the best asset quality among other states but with low and moderate credit penetration (*Source: CRISIL Report*). As of March 31, 2022, these states constituted 34.27%, 26.53% and 7.10% 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, 2022, we had tie-ups with 10 BCs to source customers and 187 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 ₹ 52,352.12 million as of March 31, 2020 to ₹ 75,075.68 million as of March 31, 2021 and further to ₹ 100,741.83 million. Our total number of deposit customers, that include microbanking customers to whom we also offer 'joint liability group' ("**JLG**") loans, were 0.43 million, 0.88 million and 1.50 million, as of March 31, 2020, 2021 and 2022, respectively. Our retail term deposits comprised 34.66%, 39.83% and 37.28% of our total deposits, as of March 31, 2020, 2021 and 2022, respectively, while CASA as a percentage of overall deposits was 13.50%, 17.68% and 22.37% as of March 31, 2020, 2021 and 2022, respectively. We have been focusing on growing a stable and sustainable CASA base and our CASA was ₹ 22,532.85 million as of March 31, 2022.

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, 2022, 9,466 employees used handheld devices/ digital services for onboarding 4,80,714 saving account customers.

We are led by our Managing Director and chief executive officer, Mr. Govind Singh, who has over 25 years of experience in the banking and financial services sector. Our Board comprises 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 (previously known as CDC Group plc), RBL Bank Limited, International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, Housing Development Finance Corporation Limited, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Limited and Faering Capital India Evolving Fund, 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,		
	2020	2021	2022
	(₹ million, except percentages)		
Gross Loan Portfolio	66,609.45	84,156.60	106,307.25
Disbursements	65,592.47	59,140.08	90,462.79
Deposits	52,352.12	75,075.68	100,741.83
Credit to Deposit Ratio	119.99%	109.45%	101.53%
Capital & Reserves	10,194.99	13,683.53	15,722.97
Net Interest Income	7,282.24	8,392.46	10,608.51
Net Interest Margin	10.13%	8.20%	8.75%

Metric	As of and for the years ended March 31,		
	2020	2021	2022
	(₹ million, except percentages)		
Profit before taxes	2,504.16	1,514.36	797.13
Net profit for the year	1,867.43	1,118.15	614.62
Return on Average Assets	2.51%	1.05%	0.48%
Return on Average Equity	20.32%	9.99%	4.14%
Average Yield	18.19%	15.46%	15.24%
Cost of Funds	9.40%	8.27%	7.47%
CASA + Retail Term Deposit Ratio (as percentage of total deposits)	48.16%	57.51%	59.64%
CASA Ratio	13.50%	17.68%	22.37%
Provision Coverage Ratio (including technical write off)	95.64%	80.42%	72.82%
Cost to Income Ratio	57.64%	56.54%	59.11%
Gross NPA as a percentage of Gross Advances (%)	0.71%	3.75%	6.10%
Net NPA as a percentage of Net Advances (%)	0.18%	1.33%	2.31%

As of March 31, 2020, 2021 and 2022 our CRAR was 22.19% (Tier I capital of 19.41%), 21.88% (Tier I capital of 19.98%) and 21.59% (Tier I capital of 18.08%), respectively. Our Bank's provisioning and write-off policy is more stringent than norms prescribed by the RBI. As of March 31, 2020, 2021 and 2022, our gross NPAs were ₹ 446.55 million, ₹ 3,152.89 million and ₹ 6,481.57 million, respectively, and accounted for 0.71%, 3.75% and 6.10% of our Gross Advances, respectively. Our net NPAs were ₹ 110.94 million, ₹ 1,088.14 million and ₹ 2,357.92 million and accounted for 0.18%, 1.33% and 2.31% of our Net Advances, as of March 31, 2020, 2021 and 2022.

As of March 31, 2020, gross NPAs in our microbanking, retail, wholesale and housing loan segments accounted for 0.60%, 3.55%, 0.00% and 0.56% of our Gross Advances, respectively while 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. Further, 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. 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 (Stable)" by CARE and "[ICRA] A (Positive)" 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

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. Governments and municipalities around the world instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, and closure of non-essential businesses. By the end of March, the macroeconomic 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 ₹ 65,592.47 million as of March 31, 2020 to ₹ 59,140.08 million as of March 31, 2021 but increased to ₹ 90,462.79 million as of March 31, 2022.

- 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, 2020, 2021 and 2022, our percentage of gross NPAs to Gross Advances was 0.71%, 3.75% and 6.10%, respectively, while our percentage of net NPAs to Net Advances was 0.18%, 1.33% and 2.31% respectively. As a result, we may experience higher NPAs than anticipated due to our borrower's reduced ability to make timely repayments. However, the full impact of the pandemic on our asset quality may be realized only once the moratorium periods have lifted and the relevant asset classification periods have subsequently lapsed. We may therefore be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19.

- adverse impacts to our income and growth rates – particularly if operating expenses do not decrease at the same pace as revenue declines. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as employee benefit expenses, depreciation and other costs associated with operating and maintaining our Banking Outlets. As such, we may not be able to decrease them significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on long-term outlook and investment opportunities.

- the shift to a remote working environment creates inherent productivity, connectivity, and oversight challenges. 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 may result in us adopting alternative modes of introducing and growing our new products and services.

- reduction in policy rates may be passed on to customers, however, there may not be a corresponding reduction in borrowing costs in-line with the reduction in policy rates.

In addition, the RBI has issued guidelines on March 27, 2020, April 17, 2020 and May 23, 2020 in an effort to contain the impact of the COVID-19 pandemic on the financial services sector. In terms of these guidelines, we have 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.

In line with these guidelines, we have provided a moratorium to eligible borrowers, even if overdue, as on February 29, 2020, on the payment of all principal amounts and/ or interest, as applicable, falling due between March 1, 2020 to August 31, 2020, resulting in a decline in our collections during such period. Additionally, the matter of declaring accounts as NPAs if such accounts were not declared as NPAs till August 31, 2020, 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 it judgment on these matters. The matter has been disposed of in April 2021, pursuant to which it has been ordered to waive the interest on moratorium. For further information relating to the moratorium option exercised by our customers for the months of June 2020, July 2020, August 2020 and September 30, 2020, see "*Our Business – Recent Development – Impact of COVID – 19 – Collection Efficiencies and Moratorium Information*" on page 162.

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 created COVID-19 provision of ₹ 499.57 million in Fiscal 2020; our Bank is carrying additional COVID-19 related provisions amounting to ₹ 501.32 million as on March 31, 2021 and additional contingency provision of ₹ 650.00 million as on March 31, 2022 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 ₹ 4,074.10 million towards NPAs, write offs, restructured advances as well as additional COVID-19 related provisions. As of March 31, 2022, our Bank was carrying provisions for NPAs of ₹ 4,025.77 million, floating provision ₹ 97.84 million, provision for restructured advances amounting to ₹ 233.78 million and additional contingency provision of ₹ 650.00 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 and was ₹ 614.62 million in Fiscal 2022. In view of the evolving COVID-19 situation, there is no assurance that the provisions created by our Bank will be sufficient and our Bank may be required to make additional provisions in the future. Further, any unexpected or onerous requirements or regulations resulting from the pandemic or any changes in laws, or the promulgation of new laws, rules and regulations relating to our operations as a response to the pandemic may have a material adverse effect on our business, financial condition and results of operations.

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.

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 ₹ 5,236.41 million as of March 31, 2020 to ₹ 11,357.45 million as of March 31, 2021 and were ₹ 22,491.59 million as of March 31, 2022. Our liability product portfolio comprises deposits, savings and investment options for customers in areas across demographics. Our deposits have also grown consistently and were 52,352.12 million as of March 31, 2020 and grew to ₹ 75,075.68 million as of March 31, 2021, and were ₹ 100,741.83 million as of March 31, 2022. 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, Bihar and Uttar Pradesh have more than 45% of total credit accounts in rural areas. Uttar Pradesh and Bihar have a relative low CRISIL Inclusix score, indicating low financial inclusion (*Source: CRISIL Report*) which presents 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, 2022, 67.91% of our Gross Loan Portfolio was generated from 93 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 22.19%, 21.88% and 21.59%, as of March 31, 2020, 2021 and 2022, respectively. Further, we were 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 4.00% 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, 2022, 27.70% of our Banking Outlets were located in Unbanked Rural Centres ("**URCs**") as against the regulatory requirement of 25% of banking outlets of SFBs to be located in URCs. We stand to benefit from the recent re-classification norms prescribed by the RBI which prescribe that from Fiscal 2022, our Banks' incremental priority sector credit to certain districts will be eligible for a PSL weightage of 125% and 100%, respectively. As of March 31, 2022 loan portfolio towards these districts accounted for 90.09% 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 ₹ 18,145.19 million as of March 31, 2020 to ₹ 29,905.18 million as of March 31, 2021, and were ₹ 37,553.56 million as of March 31, 2022 and accounted for 40.07%, 48.39% and 48.02% of our total term deposits, as of March 31, 2020, 2021 and 2022, 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 9.40% in Fiscal 2020 to 8.27% in Fiscal 2021 and further to 7.47% in Fiscal 2022. 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 159. 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 2020, 2021 and 2022 was 57.64%, 56.54% and 59.11%, respectively.

Our network of Banking Outlets has grown from 507 Banking Outlets as of March 31, 2020 to 558 Banking Outlets as of March 31, 2021 and had 686 Banking Outlets as of March 21, 2022. Of the total Banking Outlets, 190 outlets are present in URCs as of March 31, 2022, 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 2020 to Fiscal 2022, we have invested ₹ 792.36 million towards our technology infrastructure that includes all software purchased and licensed, our core banking solution, investments towards ATMs and computer hardware related capital expenditure. We have partnered with a technology service provider for our core banking system. Our expenses for these services, as well as for our hardware including computers and other equipment are staggered over future periods, enabling us to better manage our expenses and productivity levels. We measure our performance and operational efficiency through productivity levels, and seek to consistently improve our productivity through rigorous monitoring and technology adoption. To this extent, we have carried out digitization of our processes including carrying out electronic KYC checks. We also use technology and analytics to regularly monitor and measure our performance and manage credit risk.

The productivity levels of our Banking Outlets network may vary according to the stage of operations of a Banking Outlet and the number of customers that the Banking Outlet is able to serve. Our Gross Loan Portfolio per banking outlet (including URCs) was ₹ 131.36 million, ₹ 150.82 million and ₹ 154.97 million in Fiscal 2020, 2021 and 2022, respectively. Our number of customers (borrowers and depositors) per Banking Outlet were 4,579 as of March 31, 2022.

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 that 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. As of March 31, 2022, we have an outstanding floating provision of ₹ 97.84 million on our outstanding standard portfolio. We have also provided for an additional contingency provision of ₹ 650.00 million for Fiscal 2022.

The following table illustrates our asset quality ratios as of the dates indicated:

	As of March 31,		
	2020	**2021**	**2022**
NPAs			
Gross NPA/ Gross Advances (%)	0.71%	3.75%	6.10%
Net NPAs / Net Advances (%)	0.18%	1.33%	2.31%

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 75.16%, 65.49% and 63.62% in Fiscal 2020, 2021 and 2022, 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 93.00%, 92.68% and 90.91% of our total income in Fiscal 2020, 2021 and 2022, respectively. Our Net Interest Income is affected by our interest expense, which is largely dependent on our deposits and associated interest rates. In Fiscal 2020, 2021 and 2022, the total interest expended represented 47.52%, 46.53% and 39.95%, respectively, of our total expenditure. Accordingly, the magnitude and timing of interest rate changes in the asset and liability markets as well as the relative gradient of the rate curves, have a significant impact on our Net Interest Margins and our profitability. Movements in short and long-term interest rates affect our interest earned and interest expended.

Prior to operating as an SFB, as an NBFC we met our funding requirements through a combination of term loans from banks and financial institutions, issuance of non-convertible debentures, refinancing arrangements, securitization/ assignment of receivables, and issuance of commercial paper. On transitioning into an SFB, our borrowings are subject to inter-bank borrowing limits, at par with scheduled commercial banks prescribed by RBI and thus our primary sources of funding have been deposits and refinancing from refinance institutions such as SIDBI and NABARD. Our ability to replace bank borrowings with customer deposits in order to fund our loans has allowed us to reduce our cost of funds. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds in a timely manner by creating a stable deposit base which in turn is function of suitable interest rates and terms. Our Net Interest Income is affected by debt service costs and costs of funds, which depend on external factors such as the status of bank lending rates in India, in particular, interest rate movements, as well as internal factors such as changes in our credit rating based on our growth, performance and profitability. Any change in our credit ratings may alter interest rates for refinancing our outstanding debt, which would affect our financing costs, and impact our future issuances of debt and our ability to raise new capital on a competitive basis.

We may also be affected by changes in RBI repo rates, which impact the interest rates charged on interest-earning assets and the interest rates paid on interest-bearing liabilities. Interest rates have a substantial effect on our cost of funding, our business volume and our profit margin. In addition, as there are varying maturity periods applicable to our interest-bearing assets and interest-bearing liabilities, a change in interest rates may result in an increase in interest expense relative to interest income leading to a reduction in our Net Interest Income.

Competition

We have a limited operating history as an SFB and the success of our banking operations depends on a number of factors, including the demand for our services and our ability to compete with other banks and financial institutions effectively. The banking and financing sector in India is highly competitive and we face competition in all our principal areas of business. We face our most significant organized competition from other SFBs, NBFCs, microfinance institutions and cooperative banks which have significant presence in rural areas, public sector banks, private sector banks, housing finance companies and other financial services companies in India. In addition, many of our potential customers in economically weaker segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at higher interest rates. In the organized sector, our competitors may have a better brand recognition, greater business experience, more diversified operations, greater customer and depositor base, wider network of branches and better access to, and lower costs of funding than we do. Further, the RBI has issued Guidelines for On-Tap Licensing of SFBs in the Private Sector on December 5, 2019, which permits applicants to apply for SFB license to the RBI at any time, subject to fulfilment of certain eligibility criteria and other conditions. We anticipate that this will increase competition within small finance banks operating in India, including our Bank. Further, consolidation in the industry driven by the merger of other banks is likely to further increase competition by creating larger, more homogeneous and potentially stronger competitors in the market. Increase in operations of existing competitors or entry of additional banks offering similar or a wider range of products and services could also increase competition. Further, with the advent of technology based initiatives and alternative modes of banking, we may face increased competition in this sector, which may in turn impact our revenues and profitability. We also face competition from specialized fintech companies who could disrupt our origination, sales and distribution process. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows.

Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business, future financial performance and the trading price of the Equity Shares. See *"Risk Factors – The Indian banking industry is very competitive and if we are unable to compete effectively it would adversely affect our business, financial condition, results of operations and cash flows."* on page 45.

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 252.

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 been 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 DRHP are based on our Indian GAAP audited financial statements for Fiscals 2020, 2021 and 2022 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 RHP 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 on-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 JLG loans and relationship management based products, recoveries is appropriated towards inslament(s) outstanding and outstanding, respectively;

d) 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;

e) Loan processing fees collected from the borrowers is recognized over the tenure of the loan;

f) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due;

g) 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*" ;

h) Fees paid / received for priority sector lending certificates ("**PSLC**") is recognized upfront;

i) 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;

j) Dividend is accounted on an accrual basis when the right to receive the dividend is established;

k) Income from distribution of third party products is recognised on the basis of business booked;

l) Recoveries in respect of purchase of Direct Assignment pools are to be appropriated as per appropriation methodology followed by the originators; and

m) All other fees are accounted for as and when they become due.

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".

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 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 is utilised, with the approval of Board and RBI, in case of contingencies which do not arise in the normal course of business and are exceptional and non-recurring in nature and for making specific provision for impaired loans as per the requirement of extant RBI guidelines or any regulatory guidance / instructions. Floating provisions are netted off for NNPA Ratio and Provision 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 trade date method of accounting for purchase and sale of investments, except for Government of India and state government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

For the purpose of disclosure in the financial statements, the Investments are classified under six groups a) Government Securities b) Other Approved Securities c) Shares d) Debentures and Bonds e) Subsidiaries / Joint Ventures and f) Others. Investments are classified as performing or non-performing as per RBI guidelines. Non performing investments are subjected to prudential norms for Classification, valuations and Operation of Investment Portfolio by Banks prescribed from time to time.

Valuation

Investments classified as "Held to Maturity" securities need not to be marked to market and will be carried at acquisition cost, unless it is more than the face value, in which the premium should be amortised over the period remaining to maturity. Where in the opinion of the management, a diminution, other than temporary in the value of investments classified under HTM has taken place, appropriate provisions are made.

Investments classified as AFS and HFT are marked-to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

Treasury bills, commercial papers and certificates of deposit are valued at carrying cost including the pro rata discount accrued for the holding period.

Quoted investments are valued at traded quoted price available on the 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 investment

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.

Derivative

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting dates.

Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Restated Summary Statement of Profit and Loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Restated Summary Statement of Profit and Loss in the relevant period.

The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Restated Summary Statement of Profit and Loss. Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the balance sheet date.

Lease transactions

A lease is classified at the inception date as finance lease or an operating lease. Assets taken on lease where the Bank acquires substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance lease is capitalised at the commencement of the lease at an amount equal to lower of its fair value and present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of lease liability so as to achieve constant rate of interest on the remaining balance of the liability. The rental obligations, net of finance charges, are reflected as borrowings. Finance charges are recognised as finance costs in the Restated Summary Statement of Profit and Loss.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Operating lease rentals are recognised as and when the payments are made over the lease terms.

Provisions and contingencies

The Bank 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.

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 treated as 'Miscellaneous Income'.

For further information, see *"Financial Statements – Annexure 22 – Significant Accounting Policies"* on page 267.

CHANGES IN ACCOUNTING POLICIES

The following have been the changes in our Bank's accounting policies in the last three Fiscals.

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 2020, 2021 and 2022 except for the changes as necessitated by applicable laws.

PRINCIPAL COMPONENTS OF INCOME AND EXPENDITURE

Income

Interest Earned

Interest earned consists of interest on advances, income on investments, interest on balances with Reserve Bank of India and other inter-bank funds, and other interest.

Other Income

Other income consists principally of (i) commission, exchange and brokerage, primarily including, processing fee income on loan portfolio; (ii) profit/ (loss) on the sale/ redemption of investments (net) 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, interest on finance lease obligations, and subordinated debt and other interest expenses.

Operating Expenses

Our operating expenses, includes, (i) payments to and provision for employees, (ii) rent, taxes and lighting, (iii) printing and stationery, (iv) advertisement and publicity, (v) depreciation on the Bank's property, (vi) directors' fees/ remuneration, allowances and expenses, (vii) auditors' fee and expenses, (viii) law charges, (ix) postage, telegrams, telephones, etc., (x) repairs and maintenance, (xi) insurance, and (xii) other expenditure, including professional fees, information technology expenses, security and housekeeping expenses, commission on BCs, travelling expenses, power and fuel, CSR expenses and ATM interchange fees.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision made towards NPAs (including advances and technical write off); (ii) provision for standard assets and floating provision, (iii) provision for income tax/ wealth tax, (iv) provisions made towards deferred tax (net), (v) provision made towards depreciation on investments, and (vi) provision for COVID-19, contingency provisions, and provision on SMA due to COVID-19 and other provisions.

RESULTS OF OPERATIONS

Particulars	**Fiscal 2020**		**Fiscal 2021**		**Fiscal 2022**	
	(₹ million)	**Percentage of Total Income**	**(₹ million)**	**Percentage of Total Income**	**(₹ million)**	**Percentage of Total Income**
Income						
Interest earned	13,076.87	93.00%	15,809.87	92.68%	18,488.13	90.91%
Other income	984.93	7.00%	1,248.49	7.32%	1,848.33	9.09%
Total	**14,061.80**	**100.00%**	**17,058.36**	**100.00%**	**20,336.46**	**100.00%**
Expenditure						
Interest expended	5,794.63	41.21%	7,417.41	43.48%	7,879.62	38.75%
Operating expenses	4,764.83	33.88%	5,450.57	31.95%	7,363.45	36.21%
Provisions and contingencies	1,634.91	11.63%	3,072.23	18.02%	4,478.77	22.02%
Total	**12,194.37**	**86.72%**	**15,940.21**	**93.45%**	19,721.84	96.98%
Profit						
Net profit for the year	**1,867.43**	**13.28%**	**1,118.15**	**6.55%**	**614.62**	**3.02%**

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 35.10% from ₹ 5,450.57 million in Fiscal 2021 to ₹ 7,363.45 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 40.13% from ₹ 1,044.37 million in Fiscal 2021 to ₹ 1,463.51 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 45.78% from ₹ 3,072.23 million in Fiscal 2021 to ₹ 4,478.77 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% in Fiscal 2021 to 6.10% in Fiscal 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.

FISCAL 2021 COMPARED TO FISCAL 2020

Income

Total income increased by 21.31% from ₹ 14,061.80 million in Fiscal 2020 to ₹ 17,058.36 million in Fiscal 2021 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 20.90% from ₹ 13,076.87 million in Fiscal 2020 to ₹ 15,809.87 million in Fiscal 2021, primarily due to an increase in interest / discount on advances / bills by 16.23% from ₹ 11,922.73 million in Fiscal 2020 ₹ 13,857.44 million in Fiscal 2021 on account of increase in gross loan book during Fiscal 2021. Gross Loan Portfolio increased by 26.34% from ₹ 66,609.45 million in Fiscal 2020 to ₹ 84,156.60 million in Fiscal 2021 primarily on account of an increase in microbanking loans portfolio by 17.80% from ₹ 58,568.27 million in Fiscal 2020 to ₹ 68,993.84 million in Fiscal 2021, retail assets (MSME) portfolio by 115.85% from ₹ 2,460.62 million in Fiscal 2020 to ₹ 5,311.36 million in Fiscal 2021; other loan products (including business correspondent, housing loans, CE / CV and wholesale loans) by 76.53% from ₹ 5,580.56 million in Fiscal 2020 to ₹ 9,851.40 million in Fiscal 2021 and increase in the number of Banking Outlets from 507 as of March 31, 2020 to 558 as of March 31, 2021. Income on investments also increased by 56.92% from ₹ 947.58 million in Fiscal 2020 to ₹ 1,486.92 million in Fiscal 2021, as a result of increase in investment for government securities to meet SLR requirements and maintain surplus liquidity in SLR and non-SLR securities. Interest on balances with RBI and other inter-bank funds increased by 126.31% from ₹ 205.55 million in Fiscal 2020 to ₹ 465.18 million in Fiscal 2021, primarily due to increase in funds placed with RBI under reverse repo.

Other Income

Other income increased by 26.76% from ₹ 984.93 million in Fiscal 2020 to ₹ 1,248.49 million in Fiscal 2021, primarily due to increase in commission, exchange and brokerage income and miscellaneous income.

Commission, exchange and brokerage significantly increased by 28.73% from ₹ 284.49 million in Fiscal 2020 to ₹ 366.23 million in Fiscal 2021 on account of income earned on current year’s disbursements as well as amortization of previous periods processing fee income on the tenure of loan. Further, loss on sale / redemption of investments (net) was ₹ 41.38 million in Fiscal 2021 as compared to a profit of ₹ 6.88 million in Fiscal 2020. Miscellaneous income, primarily comprising of income from sale of PSLC, recovery from written-off accounts, ATM and debit card related income, transaction fees and income from sale of third party products increased by 33.17% from ₹ 693.56 million in Fiscal 2020 to ₹ 923.64 million in Fiscal 2021. Income from sale of PSLC increased from ₹ 452.70 million in Fiscal 2020 to ₹ 637.30 million in Fiscal 2021 as a result of significant PSL surplus available with the Bank and prevailing healthy rates for PSLCs.

Expenditure

Total expenditure increased by 30.72 % from ₹ 12,194.37 million in Fiscal 2020 to ₹ 15,940.21 million in Fiscal 2021 primarily on account of an increase in interest expensed, operating expenses and provision & contingencies.

Interest Expended

Interest expended increased by 28.00% from ₹ 5,794.63 million in Fiscal 2020 to ₹ 7,417.41 million in Fiscal 2021, primarily due to an increase in interest on deposits by 15.92% from ₹ 4,136.77 million in Fiscal 2020 to ₹ 4,795.46 million in Fiscal 2021 on account of increase in deposits of the Bank, interest on RBI / inter-bank borrowings from ₹ 58.17 million in Fiscal 2020 to ₹ 64.17 million in Fiscal 2021 on account of increase in interbank borrowings and borrowings from RBI and increase in other interest from ₹1,599.69 million in Fiscal to ₹2,557.78 million in Fiscal 2021. Deposits increased by 43.41% from ₹ 52,352.12 million as of March 31, 2020 to ₹ 75,075.68 million in as of March 31, 2021 on account of increase in Banking Outlets from 507 as of March 31, 2020 to 558 as of March 31, 2021. Other interest also increased by 59.89% from ₹ 1,599.69 million in Fiscal 2020 to ₹ 2,557.78 million in Fiscal 2021 primarily due to primarily due to interest on borrowing from refinance agencies and Tier 2 bonds.

Operating Expenses

Operating expenses increased by 14.39% from ₹ 4,764.83 million in Fiscal 2020 to ₹ 5,450.57 million in Fiscal 2021 primarily due to an increase in payments to and provisions for employees by 24.43% from ₹ 2,621.61 million in Fiscal 2020 to ₹ 3,262.04 million in Fiscal 2021 on account of increase in number of employees from 8,831employees as of March 31, 2020 to 10,361employees as of March 31, 2021. Insurance commission increased by 86.05% from ₹ 28.31 million in Fiscal 2020 to ₹ 52.67 million in Fiscal 2021 primarily due to Increase in DICGC premium on account increase in Bank's deposits. Depreciation on the Bank's property increased by 16.41% from ₹ 254.08 million in Fiscal 2020 to ₹ 295.77 million in Fiscal 2021. In addition, other expenditure, primarily comprising service charges for core banking software and ATM, traveling and other expenses, increased by 8.07% from ₹ 966.41 million in Fiscal 2020 to ₹ 1,044.37 million in Fiscal 2021, on account of increase in payment to outsourced vendors, including, payments for increased volume, increase in payment to credit bureaus, fees for ATM interchange fees and commission to BCs. This was partially offset by a decrease in printing and stationery expenses from ₹ 109.19 million in Fiscal 2020 to ₹ 91.73 million in Fiscal 2021 primarily due to decrease in overall printing and stationery expenses and office stationery expenses, law charges from ₹ 145.37 million in Fiscal 2020 to ₹ 100.46 million in Fiscal 2021 primarily due to , and repairs and maintenance expenses from ₹ 122.83 million in Fiscal 2020 to ₹ 92.89 million in Fiscal 2021 due to major decrease in generator, vehicle, electrical and office equipments due to lockdown in initial months of Fiscal year 2021.

Provisions and Contingencies

Provisions and contingencies increased by 87.91% from ₹ 1,634.91 million in Fiscal 2020 to ₹ 3,072.23 million in Fiscal 2021, primarily due to increase in NPA provision and provision made on restructured advances on account Covid-19 spread impact on collections from clients and consequently on gross NPAs. As a result, provisions and contingencies for the year ended March 31, 2021 are higher by ₹ 1,629.71 million followed by a corresponding reduction to the profit before tax. Provision on non-performing assets increased from ₹ (300.84) million in Fiscal 2020 to ₹ 1,714.53 million in Fiscal 2021. Provision towards restructured advances increased from nil in Fiscal 2020 to ₹ 526.48 million in Fiscal 2021.

The increase was partially offset by a decrease in provision for COVID-19 by 99.65% from ₹ 499.57 million in Fiscal 2020 to ₹ 1.74 million in Fiscal 2021 as provision created in Fiscal 2020 by additional adhoc provision created by the Bank. Further, there was a decrease in provisions towards income tax from ₹ 861.20 million in Fiscal 2020 to ₹ 600.78 million in Fiscal 2021 primarily on account of Reduction in profit before tax.

Profit

For the reasons discussed above, net profit for the year was ₹ 1,118.15 million in Fiscal 2021 as compared to ₹ 1,867.43 million in Fiscal 2020.

FINANCIAL CONDITION

Assets

The table below sets out the principal components of our assets as of the dates indicated:

	As of March 31,		
	2020	2021	2022
		(₹ million)	
Cash and balances with the Reserve Bank of India	1,916.58	2,749.38	5,338.97
Balance with banks and money at call and short notice	14,223.95	8,948.78	13,377.52
Investments	11,923.88	23,139.35	23,479.24
Net Advances	62,815.96	82,168.58	102,281.47
Fixed assets	1,314.18	1,811.71	2,865.34
Other assets	1,848.61	2,561.32	3,295.16

	As of March 31,		
	2020	2021	2022
		(₹ million)	
Total	**94,043.16**	**121,379.12**	150,637.70

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).

Total assets increased by 29.07% from ₹ 94,043.16 million as of March 31, 2020 to ₹ 121,379.12 million as of March 31, 2021. This increase was primarily due to an increase in advances and investments.

Advances

The following table sets forth a breakdown of total advances as of the dates indicated:

	As of March 31,		
	2020	2021	2022
		(₹ million)	
Bills, purchased and discounted	-	-	-
Cash credits, overdrafts and loans repayable on demand	391.30	668.32	1,123.30
Term loans	62,424.66	81,500.26	1,01,158.17
Total	**62,815.96**	**82,168.58**	1,02,281.47
Secured by tangible assets (includes advances against fixed deposits and book debts)	5,236.41	11,355.94	22,490.42
Covered by bank/ government guarantees	-	1.51	1.17
Unsecured	57,579.55	70,811.13	79,789.88
Total	**62,815.96**	**82,168.58**	**1,02,281.47**
Advances in India			
Priority sector	57,369.46	70,592.07	84,393.07
Public sector	-	-	-
Banks	39.07	-	75.00
Others	5,407.43	11,576.51	17,813.40
Total	**62,815.96**	**82,168.58**	**1,02,281.47**

Advances comprise microbanking loans, retail loans, wholesale loans, housing loans, CV and CE loans and others loans, such as gold loans, overdrafts and staff loans.

Total net advances increased by 24.48% from ₹ 82,168.58 million as of March 31, 2021 to ₹ 1,02,281.47 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. Total net advances increased by 30.81% from ₹ 62,815.96 million as of March 31, 2020 to ₹ 82,168.58 million as of March 31, 2021 primarily due to disbursements being higher than loan repayments.

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 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.

Investments increased significantly by 94.06% from ₹ 11,923.88 million as of March 31, 2020 to ₹ 23,139.35 million as of March 31, 2021, primarily due to increase in government securities to meet SLR requirements and parking of surplus liquidity in SLR and non-SLR securities. Investment in Government securities increased by 80.20% from ₹ 11,923.88 million as of March 31, 2020 to ₹ 21,487.34 million as of March 31, 2021. In addition, others (certificate of deposits and mutual funds) increased from nil as of March 31, 2020 to ₹ 483.71 million as of March 31, 2021 and debentures and bonds increased from nil as of March 31, 2020 to ₹ 1,168.30 million as of March 31, 2021.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice increased by 49.49% from ₹ 8,948.78 million as of March 31, 2021 to ₹ 13,377.52 million as of March 31, 2022. The increase as of March 31, 2022 was primarily driven by an increase in money at call and short notice with banks (primarily LAF deposits with the RBI) which increased from ₹ 8,300.00 million as of March 31, 2021 to ₹ 12,640.00 million as of March 31, 2022 and increase in balances in banks with 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 our Baking Outlets.

Balances with banks and money at call and short notice decreased by 37.09% from ₹ 14,223.95 million as of March 31, 2020 to ₹ 8,948.78 million as of March 31, 2021. The decrease as of March 31, 2021 was primarily driven by decrease in money at call and short notice with banks, which decreased by 40.93% from ₹ 14,050.00 million as of March 31, 2020 to ₹ 8,300.00 million as of March 31, 2021 due to decrease in funds placed with RBI under LAF. This decrease was partly offset by an increase in balances with banks in current accounts from ₹ 138.12 million as of March 31, 2020 to ₹ 620.21 million as of March 31, 2021 primarily due to higher current account balances.

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 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.

Other assets increased by 38.55% from ₹ 1,848.61 million as of March 31, 2020 to ₹ 2,561.32 million as of March 31, 2021. This was primarily driven by an increase in deferred tax assets (net) from ₹ 375.14 million as of March 31, 2020 to ₹ 579.71 million as of March 31, 2021 primarily on account of deferred tax asset arising on provision created for restructured advances and on account on increase in unamortized processing fees. Other assets also increased by 63.24% from ₹ 559.27 million as of March 31, 2020 to ₹ 912.95 million as of March 31, 2021 primarily on account of increase in advances recoverable and prepaid expenses with increase in Bank's scale of operations. In addition, tax paid in advance/ tax deducted at source (net of provision) increased from ₹ 95.37 million as of March 31, 2020 to ₹ 325.08 million as of March 31, 2021. This increase was marginally offset by a decrease in interest accrued by 9.19% from ₹ 818.83 million as of March 31, 2020 to ₹ 743.58 million as of March 31, 2021.

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,		
	2020	**2021**	**2022**
		(₹ million)	
Capital	7,592.72	8,483.34	8,955.22
Reserves and surplus	2,602.27	5,200.19	6,767.75
Deposits	52,352.12	75,075.68	100,741.83
Borrowings	26,750.37	26,078.25	25,719.35
Other liabilities and provisions	4,745.68	6,541.66	8,453.55
Total	**94,043.16**	**121,379.12**	**150,637.70**

Further, total capital and liabilities increased by (i) 24.11% from ₹ 121,379.12 million as of March 31, 2021 to ₹ 150,637.70 million as of March 31, 2022; (ii) 29.07% from ₹ 94,043.16 million as of March 31, 2020 to ₹

121,379.12 million as of March 31, 2021, primarily due to an increase in deposits and capital and reserves and surplus.

Deposits

The following table sets forth a breakdown of our Bank's deposits, as well as the percentage of total deposits that each item contributes, as of the dates indicated:

	As of March 31,					
	2020		2021		2022	
	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)
Demand Deposits						
(i) from banks	78.25	0.15%	60.16	0.08%	380.01	0.38%
(ii) from others	1,113.37	2.13%	1,537.56	2.05%	3,244.78	3.22%
Saving Bank Deposits	**5,875.02**	**11.22%**	**11,672.20**	**15.55%**	**18,908.06**	**18.77%**
Term Deposits						
(i) from banks	18,390.20	35.13%	22,261.62	29.65%	28,229.16	28.02%
(ii) from others	26,895.28	51.37%	39,544.14	52.67%	49,979.82	49.61%
Total	**52,352.12**	**100.00%**	**75,075.68**	**100.00%**	**1,00,741.83**	**100.00%**

Deposits mainly comprise term deposits, savings bank deposits and demand deposits.

Deposits increased by (i) 34.19% from ₹ 75,075.68 million as of March 31, 2021 to ₹ 1,00,741.83 million as of March 31, 2022; (ii) 43.41% from ₹ 52,352.12 million as of March 31, 2020 to ₹ 75,075.68 million as of March 31, 2021, 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 term loans, finance lease obligations.

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, 2020 to ₹ 19,383.10 million as of March 31, 2022. Borrowings in India from other banks also decreased from ₹ 1,00.00 million as of March 31, 2020 to nil as of March 31, 2022.

Our borrowings decreased by 2.51% from ₹ 26,750.37 million as of March 31, 2020 to ₹ 26,078.25 million as of March 31, 2021, primarily attributable to a decrease in borrowings in India from financial institutions from ₹ 22,515.00 million as of March 31, 2020 to ₹ 21,019.90 million as of March 31, 2021 on account of decrease in term loans from institutions others than banks. Borrowings in India from other banks also decreased from ₹ 1,000.00 million as of March 31, 2020 to ₹ 100 million as of March 31, 2021. This decrease was offset by an increase in Tier II debt borrowings in India from ₹ 400.00 million as of March 31, 2020 to ₹ 2,350.00 million as of March 31, 2021 on account of fresh Tier 2 bonds raising of ₹1,950 million in Fiscal 2021.

Other Liabilities and Provisions

Other liabilities and provisions represent bills payable, interest accrued, others (including provisions) and comprising contingent provisions against standard assets, and other liabilities.

Other liabilities and provisions increased by 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.

Other liabilities and provisions significantly increased by 37.84% from ₹ 4,745.68 million as of March 31, 2020 to ₹ 6,541.66 million as of March 31, 2021, primarily due to an increase in interest accrued from ₹ 2,329.73 million as of March 31, 2020 to ₹ 2,881.99 million as of March 31, 2021 as result of increase in deposits, and other liabilities (including provisions) from ₹ 2,330.36 million as of March 31, 2020 to ₹ 3,272.27 million as of March 31, 2021 on account of increase in standard provision due to increase in advances, and provision for restructured advances of ₹526.48 million.

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, 2020, 2021 and 2022, we had cash and cash equivalents available for use in our operations of ₹ 16,140.53 million, ₹ 11,698.16 million and ₹ 18,716.49 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 36.

CASH FLOWS

The following table sets forth certain information relating to our cash flows in the periods indicated:

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022
		(₹ million)	
Net cash flow (used in)/ generated from operating activities	1,152.07	(834.63)	13,291.56
Net cash flow from/ (used in) investing activities	(3,221.43)	(5,324.48)	(7,386.72)
Net cash flow (used in)/ generated from financing activities	13,043.56	1,716.74	1,113.49
Net increase/ (decrease) in cash and cash equivalents	10,974.20	(4,442.37)	7,018.33
Cash and cash equivalents as at the beginning of the period/ year	5,166.33	16,140.53	11,698.16
Cash and cash equivalents at the end of the period/ year	16,140.53	11,698.16	18,716.49

Operating Activities

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. 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.

Fiscal 2020

In Fiscal 2020, net cash flow from operating activities was ₹ 1,152.07 million. Profit before taxes was ₹ 2,504.16 million in Fiscal 2020 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 ₹ 739.44 million on account of provision on COVID-19 and increase in standard asset provisioning, write-off of non-performing advances of ₹ 559.58 million primarily on account of technical write-offs in wholesale lending portfolio, provision for non-performing advances (net of reversal) of ₹ (300.84) million and depreciation on fixed assets of ₹ 254.08 million. Operating profit before working capital changes was ₹ 3,872.82 million in Fiscal 2020. The main working capital adjustments in Fiscal 2020, included increase in deposits of ₹ 14,438.26 million on account of increase in deposits. This was significantly offset by an increase in advances of ₹ 16,393.05 million. Income taxes paid (net) amounted to ₹ 890.50 million in Fiscal 2020.

Investing Activities

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.

Fiscal 2020

Net cash used in investing activities was ₹ 3,221.43 million in Fiscal 2020, primarily on account of purchase of held to maturity securities of ₹ 2,765.66 million and purchase of fixed assets including capital work in progress of ₹ 455.91 million.

Financing Activities

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.

Fiscal 2020

Net cash flow from financing activities was ₹ 13,043.56 million in Fiscal 2020 on account of net proceeds from borrowings of ₹ 12,443.56 million and proceeds from issue of share capital of ₹ 600.00 million.

CAPITAL ADEQUACY

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of March 31, 2022, 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,		
	2020	2021	2022
	(₹ million, except percentages)		
Common Equity Tier I Capital	9,545.52	12,565.15	14,207.60
Tier I Capital	9,545.52	12,565.15	14,207.60
Tier II Capital	1,363.08	1,192.53	2,757.01

	As of and for the year ended March 31,		
	2020	2021	2022
	(₹ million, except percentages)		
Total Capital	10,908.60	13,757.68	16,964.61
Total Credit Risk Weighted Assets	**49,169.48**	**62,877.17**	**78,570.51**
Capital Adequacy Ratio			
Common Equity Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	19.41%	19.98%	18.08%
Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	19.41%	19.98%	18.08%
Tier II Capital Ratio (as a percentage of Credit Risk Weighted Assets)	2.78%	1.90%	3.51%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	**22.19%**	**21.88%**	**21.59%**

CREDIT RATING

The following table sets forth our credit ratings, as of March 31, 2022:

Particulars/ Instrument	Amount (₹million)	Rating	Rating Agency
Subordinate debt	1,900.00	CARE A (Stable)	CARE
	2,000.00	[ICRA]A (Stable)^	ICRA
Certificate of deposit	10,000.00	[ICRA] A1+	ICRA

^*Subsequently on June 28, 2022, for our subordinate debt programme, ICRA has revised its ratings outlook from [ICRA]A (Stable) to [ICRA]A (Positive)*.

INDEBTEDNESS

As of March 31, 2022 our total borrowings were ₹ 25,719.35 million (with long-term borrowings (including current maturity of long-term borrowings) of ₹ 25,719.35 million and short-term borrowings of nil) representing a Debt Equity Ratio (calculated as deposits plus borrowings divided by net worth) of 8.04. For further information regarding our indebtedness, see "*Financial Statements*" and "*Financial Indebtedness*" on pages 252 and 376, respectively.

The following table sets forth certain information relating to our outstanding indebtedness as of March 31, 2022, and our repayment obligations in the periods indicated:

Particulars	As of March 31, 2022 Payment due by period (₹ million)				
	Total	Not later than 1 year	1-3 years	3 -5 years	More than 5 years
Long Term Borrowings					
Term Loan (unsecured)	-	-	-	-	-
Term Loan (secured)	-	-	-	-	-
NCD (secured)	-	-	-	-	-
Refinance (Secured)	-	-	-	-	-
Refinance (Unsecured)	19,383.10	8,333.20	11,049.90	-	-
Subordinate Debt (unsecured)	3,850.00	1,500.00	-	400.00	1,950.00
Repo	2,370.00	870.00	1,500.00	-	-
Financial lease obligation	116.25	41.18	56.16	14.36	4.55
Total long-term borrowings	**25,719.35**	**10,744.38**	**12,606.06**	**414.36**	1,954.55
Short Term Borrowings					
Refinance (unsecured)	-	-	-	-	-
Term Money (unsecured)	-	-	-	-	-
Total Short-Term Borrowings	-	-	-	-	-
Total Borrowings	**25,719.35**	**10,744.38**	**12,606.06**	**414.36**	**1,954.55**

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 36.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth certain information relating to future payments due under known contractual commitments as of March 31, 2022, aggregated by type of contractual obligation:

	As of March 31, 2022				
	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Particulars	(₹million)				
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance)	53.51	48.15	5.36	-	-
IT related	324.60	188.09	136.51	-	-
Total Contractual Obligations	378.11	236.24	141.87	-	-

Operating Lease

Lease payments made under cancellable operating lease amounted to ₹ 349.10 million, ₹ 354.99 million and ₹ 463.50 million in Fiscal 2020, Fiscal 2021 and Fiscal 2022, respectively, and have been recognized as an expense in the profit and loss account. There were no subleases. The requirement of minimum lease payments does not arise as our Bank does not have any non-cancellable operating leases.

The following table sets forth certain information in relation to minimum lease payments outstanding in respect of leased assets as of the periods indicated:

Particulars	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022
	(₹ million)		
Due within one year	332.70	374.40	426.48
Due later than one year and not later than five years	1,405.30	1,552.33	1,932.51
Due later than five years	714.60	558.95	955.00
Total	**2,452.60**	**2,485.68**	**3,313.99**

For further information, see "*Financial Statements – Annexure 23 – Note 23.20 – Leases*" on page 335.

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, 2022:

Sr. No.	Particulars	Contingent liabilities as at March 31, 2022
1.	Guarantees given on behalf of constituents	
	i) In India	173.30
	ii) Outside India	-
2.	Other items for which the bank is contingently liable (refer note 2)	390.89
	Total	**564.19**

Note 1: The Supreme Court of India in its judgement in the case of The Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and others on February 28, 2019 has clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board is to be considered as basic wage and accordingly needs to be considered for calculation of provident fund

contribution. Our Bank would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject, if necessary and the effect of this order has been taken into effect from April 1, 2019.
Note 2: Includes capital commitment of ₹ 392.65 million, as of March 31, 2022.

For further information, see "*Financial Statements - Annexure 17 – Restated Statement of Contingent Liabilities*" on page 263.

Except as disclosed in this Draft Red Herring Prospectus, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

CAPITAL EXPENDITURE/ ADDITIONS TO FIXED ASSETS

Our capital expenditure consists principally of expenditure relating to banking outlets and investment in technology infrastructure. In Fiscals 2020, 2021 and 2022, we incurred ₹ 482.74 million, ₹ 451.68 million and ₹ 2,016.49 million, respectively, as capital expenditure. In Fiscals 2020, 2021 and 2022, additions made to software amounted to ₹ 135.30 million, ₹ 142.23 million and ₹ 158.01 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 KMP, rent received from our holding company and others. For further information relating to our related party transactions, see "*Financial Statements*" on page 252.

AUDITOR'S OBSERVATIONS

Except at set out below, there have been no matters of emphasis highlighted by our Statutory Auditors in their auditor's reports on the audited financial statements as of and for the years ended March 31, 2020, 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."

Fiscal 2020

"*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."

There are no adverse reservations/ qualifications/ adverse remarks/ made by our Statutory Auditors in their auditor's reports on the audited financial statements as of and for the years ended March 31, 2020, 2021 and 2022.

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 daily basis and ensure that adequate liquidity is available all the time. We typically maintain adequate liquidity with a buffer to mitigate the risk of unanticipated large premature closure of deposits or to meet any other large unanticipated outflows. As of March 31, 2022, we maintained excess liquidity of ₹ 18,129.47 million in addition to mandatory SLR and CRR requirement and deployed primarily in 'Liquidity Adjustment Facility' with RBI, SLR securities and other liquid and marketable (non-SLR) securities. We endeavour to ensure that liquidity coverage ratio of our Bank is higher than the regulatory requirements to meet any unforeseen outflow in the short term.

Market and Interest Rate Risk

Market risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, volatilities, credit spreads, and equity prices. We are exposed mainly to interest rate risk and liquidity risk. While we do not have any exposure to equity or equity related instruments, any significant impact on the global capital markets can affect us through other markets. Interest rate risk is the exposure of our financial conditions to adverse movements in interest rates. Interest rate risk can pose a significant threat to earnings and capital base. Interest rate risk arises from mismatches in re-pricing of interest rate sensitive assets, rate sensitive liabilities and rate sensitive off-balance sheet items. The interest rate risk is managed on a balance sheet level.

In order to manage interest rate risk, most of the interest rates on advances as well as liabilities are fixed in nature and not subject to market-related resets, to contain any adverse effects. In addition, majority of our advances are for medium-term tenures with monthly repayments in order to limit the period of impact, if any. A significant portion of our investments are in SLR securities/ sovereign backed securities and are therefore exposed to limited credit risk.

The Asset Liability Management Committee ("**ALCO**") meets regularly and at least once every month, to review the extent of exposure to movement in interest rates to the capital values as well as possible impact on our net interest income. The ALCO also reviews a range of parameters including compliance with various regulatory limits on treasury portfolio, interest rates offered on deposits, and movements in assets and liabilities. The Investment Committee and the ALCO function together to manage interest rate risk and maintain the investment portfolio.

Fraud Risk Management and Risk Containment Unit

The basic role of the risk containment unit is to scrutinise the applications /documents on the basis of dynamic triggers and online checks to detect and prevent fraudulent applications from entering into the system at the on boarding stage. Fraud risk management unit is responsible for external fraud investigations, internal reporting to various committees, such as, special committee of our Board to review high value frauds and audit committee of our Board. Currently, our Bank is using the transaction monitoring, 'NPCI fraud risk management tool', for monitoring of fraudulent debit card based transactions on ATMs. The alerts for suspicious transactions are generated in near to real time basis with a predefined risk score and actions are initiated based on the risk score.

Information Security and Cyber Risk

We have an independent information security department which is responsible for information-related risk management and compliance and is responsible for establishing and maintaining the enterprise vision, strategy, and program to ensure information assets and technologies are adequately protected. Our risk management committee is responsible for overseeing our information security program, policies and processes aligned with business requirements and provides directions to manage the risk. Management of this risk include proper and timely response to incidents, establishing appropriate standards and controls, managing and upgrading security technologies, and implementing policies and procedures. Periodical awareness exercise is ensured to update employees on information security practices. Our security operations centre operates on a 24x7 basis to protect our Bank's assets. Our cyber crisis management plan, in line with the guidelines of the RBI and approved by the Board, has also been implemented. Further, a cyber incident response team has also been constituted, which is responsible to promptly and correctly handle cyber-security incidents, in order for it to be quickly contained, investigated and recovered from.

Reputational Risk

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 180.

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 104, and for information on segment reporting for Fiscals 2020, 2021 and 2022, see "*Financial Statements – Segment Reporting"* on page 275.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

Except as described in this Draft Red Herring Prospectus, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

KNOWN TRENDS OR UNCERTAINTIES

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in "*– Factors Affecting our Results of Operations and Financial Condition*" and the uncertainties described in "*Risk Factors*" on pages 346 and 24, respectively. To our knowledge, except as discussed in this Draft Red Herring Prospectus, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income.

SIGNIFICANT ECONOMIC CHANGES THAT MATERIALLY AFFECT OR ARE LIKELY TO AFFECT INCOME FROM CONTINUING OPERATION

Our business has been subject, and we expect it to continue to be subject, to significant economic changes that materially affect or are likely to affect income from continuing operations identified above in " *- Factors Affecting our Results of Operations and Financial Condition*" and the uncertainties described in "*Risk Factors*" on pages 346 and 24, respectively.

NEW PRODUCTS OR BUSINESS SEGMENTS

Except as described in this Draft Red Herring Prospectus, we have not publicly announced any new products or business segments nor have there been any material increases in our revenues due to increased disbursements and introduction of new products.

FUTURE RELATIONSHIP BETWEEN COST AND INCOME

Other than as described elsewhere in the sections "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 24, 153 and 344, 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, 2022, our top five, ten and twenty depositors accounted for 13.56%, 20.22% and 28.74%, 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 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 40.

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 153, 104, 45 and 352, respectively.

SEASONALITY/ CYCLICALITY OF BUSINESS

Our business operations are not seasonal in nature.

SIGNIFICANT DEVELOPMENTS AFTER MARCH 31, 2022 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

Other than as disclosed in this Draft Red Herring Prospectus including disclosure with respect to the impact of COVID-19 on our operations, to our knowledge no circumstances have arisen since March 31, 2022 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, 2022, 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 344, 252 and 24, respectively.

Particulars	Pre-Issue (₹ in million) as at March 31, 2022	Post-Issue*
Debt[#]		
Short term debt (A)	-	[•]
Long term debt (B)	25,719.35	[•]
Total debt (C = A+B)	25,719.35	**[•]**
Shareholders' Funds		
Share Capital (D)	8,955.22	
Reserves & Surplus (E)	6,767.75	**[•]**
Total Shareholder's Funds (F = D+E)	15,722.97	**[•]**
Long Term Debt/ Total Shareholder's Fund (G = B/F)	**1.64**	**[•]**
Total Debt/ Total Shareholder's Fund (H = C/F)	**1.64**	**[•]**

**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 at March 31, 2022:

Category of borrowing	Sanctioned Amount (₹ in million)	Outstanding Amount (₹ in million) as on March 31, 2022^
Refinance Borrowing		
Unsecured	31,500.00	19,383.10
Subordinate Debt (Unsecured) *	3,850.00@	3,850.00
Long Term Repo Operation (Secured)	2,370.00	2,370.00
Other Borrowings**	-	116.25
Total	37,720.00	25,719.35

**Subordinated debt includes borrowing of Rs 1,500 million from outside India of 1,500 unsecured, subordinated, rated, listed, redeemable NCDs of face value of ₹10,00,000 each which were fully redeemed on June 30, 2022.*
***Represents payable under lease obligation.*
^ As certified by JHS & Associates LLP, Chartered Accountants pursuant to their certificate dated July 29, 2022.
@Our Bank has availed a bank guarantee dated March 26, 2021, of ₹ 0.39 million which expires on December 25, 2027.

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 long-term repo operation (LTRO) 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 ₹1,00,000 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 ₹10,00,000 each at a coupon rate of 12.50% per annum payable quarterly. The abovementioned NCDs are listed on the debt segment of BSE.

2. ***Tenor and Repayment***: The tenor of the facilities availed by our Bank 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.

   The nature of securities described herein is indicative and there may be additional requirements for creation of security under the various borrowing arrangements entered into by our Bank.

4. ***Prepayment***: Certain facilities availed by our Bank have prepayment provisions which allow for prepayment of the outstanding amount by serving a written notice to the lender, and subject to payment of a prepayment penalty at 2% or 2.50% of the residual period of the amount being prepaid. Further, in certain cases we are restricted from prepaying amounts outstanding without the prior approval of the lender or debenture holders or other parties as specified in the relevant agreements.

5. ***Restrictive Covenants***: The loans availed by our Bank contain certain restrictive covenants which require prior approval of the lender, or prior intimation to be made to the lender, for certain specified events or corporate actions, including:

   a) Change in capital structure of our Bank;

   b) Change in the management control of our Bank;

   c) Dilution of the shareholding of the Promoter in our Bank;

   d) Change in the constitutional documents of our Bank;

   e) Declaration or payment of dividends; and

f) Bank undertaking any merger, consolidation, reorganisation (by any corporate action), scheme of arrangement or compromise with its creditors or shareholders.

This is an indicative list and there may be such other additional terms under the various borrowing arrangements entered into by our Bank.

6. ***Events of default:***

In terms of our facility agreements and sanction letters the following, among others, constitute events of default:

a) Failure or inability to pay amount on due dates;

b) Breach of any financial covenant in the loan/facility agreement;

c) Misrepresentation or incorrect information furnished by our Bank;

d) Cross defaults across other borrowings of our Bank;

e) Declaration of moratorium in respect of indebtedness of our Bank;

f) Cessation of business by our Bank;

g) Revocation or suspension of the licence of our Bank;

h) Liquidation or dissolution of our Bank;

i) Violation of any term of the relevant agreement or any other borrowing arrangement by our Bank; or

j) Any other event or circumstance that could have a material adverse effect on the lender.

This is an indicative list and there may be additional terms that may amount to an event of default under the various borrowing arrangements entered into by our Bank.

7. ***Consequences of occurrence of events of default:*** The consequences of occurrence of events of default under our facility agreements and sanction letters are, among others, as follows, whereby the lenders may:

a) Terminate the facility/ loan agreements;

b) Suspend or cancel any portion of the loan/facility;

c) Declare any or all amounts under the facility, either whole or in part, as immediately due and payable to the lender; or

d) Impose of penal interest over and above the contracted rate on the amount in default.

For the purpose of the 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 36.

Except as disclosed in this Draft 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 INFORAMTION

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 July 15, 2022 has considered and adopted a policy on materiality for identification of material litigation involving the Relevant Parties and material outstanding dues to creditors (the "**Materiality Policy**").*

In terms of the Materiality Policy, all pending litigation involving the Relevant Parties, other than criminal litigation, actions by regulatory authorities and statutory authorities, disciplinary action including penalty imposed by SEBI or stock exchanges against our Promoter in the last five Financial Years including outstanding action, and tax matters, would be considered 'material':

a) where the aggregate amount involved in such individual litigation exceeds 1 % of the net profit of our Bank, that is ₹6.15 million, as per the Restated Financial Statements for the Financial Year ended March 31, 2022; 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 ₹6.15 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 ₹19.38 million, which is 5 % of the total outstanding dues to creditors as per the latest Restated Financial Statements as at March 31, 2022, 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 130 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 ₹42.42 million.

ii. Our Bank, in the ordinary course of its business, has submitted 77 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 ₹321.34 million.

iii. Our Bank, in the ordinary course of its business, has filed 1,889 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 ₹174.59 million. These matters are currently pending before various courts in India.

b) Actions by regulatory and statutory authorities involving our Bank

i. Our Bank has received a notice dated February 12, 2019 ("**Notice**") from the Additional Labour Commissioner, Varanasi, pursuant to the inspection of our Bank by the investigating officer on June 22, 2018, on grounds of irregularity between April 1, 2018 and May 31, 2018 ("**Period**") pertaining to delay in payment of wages, unauthorised deduction of amounts from the wages payable by our Bank and failure to maintain a register of wages. Our Bank submitted a reply dated August 8, 2019 refuting the claims and submitted an extract of the register showing details of the salary paid to employees for the Period.

ii. A suit has been filed before the Assistant Labour Commissioner, Gorakhpur, by Mr. Mahesh Kumar Upadhyay against our Bank, alleging that the branch manager, area manager, regional manager and an IT personnel of our Bank physically assaulted him, kept him as hostage for a period of 24 hours, confiscated his personal things which included, among other things, his mobile phone, motorbike and ₹ 20,300 from his purse, and forcefully sought his resignation. Thereafter, his salary was withheld for the month of June 2019, and his travelling allowance for April and May, 2019. Our Bank has submitted a written statement dated October 4, 2019 refuting Mr. Mahesh Kumar Upadhyay's allegations and stated that he had embezzled ₹153,470 which he had collected from the debtors and thereafter tendered his resignation upon being questioned on the aforesaid by the officers of our Bank. Our Bank also submitted that Mr. Mahesh Kumar Upadhyay's employment was not terminated by it and the final decision regarding his salary payment and termination of services would be taken in accordance with the rules of the Bank. Further, our Bank submitted that an FIR was filed against Mr. Mahesh Kumar Upadhyay on August 1, 2019 under certain sections of the IPC to investigate the embezzlement and a charge sheet was issued on September 10, 2019 on the basis of the investigation. The matter has been subsequently transferred to Labour Court, Gorakhpur.

iii. 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 Statutory Auditors as advised by RBI in its SCN and in compliance with the RBI Letter.

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 Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018, as amended ("**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 along with the documents pertaining to the inadvertent lapses as required under the applicable reporting requirements under the Listing Regulations.

Thereafter, 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 Karvy Capital Limited ("**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. 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 and RoC (as set out below) 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.

ii. Our Bank, in connection with the alleged violation of the provisions of the Companies Act, 2013 pertaining to the KCL NCDs (*as mentioned above under (i)*) and as instructed by SEBI, has filed a compounding application dated June 1, 2022, with

NCLT, Allahabad Bench under Section 441 of the Companies Act, 2013. Our Bank has prayed before the NCLT to pass an order compounding the alleged contravention.

iii. Our Bank, in connection with the alleged violations of the provisions of the Companies Act, 2013 pertaining to the KCL NCDs (*as mentioned above under (i)*) and as instructed by SEBI, has filed a compounding application dated May 31, 2022, with Regional Director, Northern Region, New Delhi, under Section 441 of the Companies Act, 2013. Our Bank has prayed before the Regional Director to pass an order compounding the alleged contravention.

iv. Our Bank, in connection with the alleged violations of the provisions of the Companies Act, 2013 pertaining to the KCL NCDs (*as mentioned above under (i)*) and as instructed by SEBI, has filed an adjudicating application dated May 30, 2022 with the RoC under Section 441 of the Companies Act, 2013. Our Bank has prayed before the RoC to not levy any penalty on our Bank for the alleged contravention.

II. Litigation involving our Promoter

a) Actions by regulatory and statutory authorities involving our Promoter

i. A complaint was filed before the Labour Court, New Delhi **(“Court**”) against our Promoter by Mr. Dev Nayak Mishra, an ex- employee of our Promoter, seeking full and final settlement of his dues including encashment of his earned leaves, sick leaves, casual leaves, bonus, pursuant to the termination of his services by our Promoter on May 13, 2015. The Court passed as *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.

III. Litigation involving our Directors

As on the date of this Draft Red Herring Prospectus, there is no outstanding criminal litigation, civil litigation or actions taken by statutory or regulatory authorities involving our Directors.

IV. Litigation involving our Group Company

As on the date of this Draft Red Herring Prospectus, there is no outstanding litigation involving our Group Company which has a material impact on our Bank.

Tax Matters

Except as disclosed below, there are no outstanding claims related to direct and indirect taxes, involving the Relevant Parties:

Sr. No.	Particulars	Number	Aggregate amount involved (*in ₹ million*)
Our Bank			
1.	Direct Tax	1	12.60
2.	Indirect Tax	1	4.47
Our Promoter			
1.	Direct Tax	2	127.19*
Total		**4**	**144.26**

**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*

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, 2022, have been considered 'material' creditors of our Bank. As per the Restated Financial Statements, our total outstanding dues to creditors as at March 31, 2022 was ₹387.65 million and accordingly, creditors to whom outstanding dues exceeds ₹19.38 million have been considered as material creditors for the purposes of disclosure in this Draft Red Herring Prospectus.

Based on the above criteria, details of outstanding dues owed to the micro, small and medium enterprises and other creditors as at March 31, 2022 by our Bank are set out below:

Type of Creditors	Number of Creditors	Amount involved (in ₹ million)
Micro, small and medium enterprises	108	70.80
Other creditors	465	316.85
Total	573	387.65

As of March 31, 2022, there were two material creditors to whom our Bank owed an aggregate amount of ₹134.28 million. The details pertaining to outstanding dues owed to our material creditors, along with their names and amount involved for each such material creditor, are available on the website of our Bank at https://www.utkarsh.bank/creditors.

It is clarified that such details available on our website do not form a part of this Draft Red Herring Prospectus and investors should not make any investment decision based on information available on the website of our Bank. Anyone placing reliance on any other source of information, including our Bank's website, would be doing so at their own risk.

Material Developments

Other than as stated in the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 344, there have not arisen, to our knowledge, since the date of the last financial information disclosed in this Draft Red Herring Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our operations, our profitability 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 188.

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 387.

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 25, 2020 to our Bank as a Category Corporate Agent (Composite).

23. AMFI has, pursuant to its letter dated March 17, 2020, renewed the AMFI registration.

24. The RBI has, pursuant to its letter dated July 19, 2017, granted our Bank an in-principle approval to operate as a Bharat Bill Payment Operating Unit.

25. Unique Identification Authority of India pursuant to an e-mail dated July 6, 2018, granted our Bank a license to act as an Authentication User Agency and KYC User Agency.

26. FIMMDA has, pursuant to its letter dated December 13, 2016, approved our membership in the FIMMDA. The said membership, being an annual subscription, is renewed by our Bank at the beginning of each Financial Year.

27. Indian Banks' Association has, pursuant to its letter dated May 2, 2017, granted our Bank the membership of the Indian Banks' Association with effect from May 2, 2017 as an 'Ordinary Member'.

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 an application to the RBI *vide* letter dated April 12, 2022 for obtaining its permission for offering general purpose and secured credit cards.

3. Our Bank has made an application to the RBI *vide* letters dated April 30, 2022 for: (i) grant of an NOC to issue prepaid payment instruments ("**PPIs**") and participate in the National Electronic Collection program as an issuer of FASTag, and (ii) grant of a license to issue PPIs.

4. Our Bank has made applications for obtaining trade licenses for material Banking Outlets in the following States:

Sr. No.	State	No. of branches
1.	Odisha	1
2.	Jharkhand	2
	Total	**3**

5. 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.	Maharashtra	1
	Total	**1**

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	37
2.	Madhya Pradesh	2
3.	Haryana	1
4.	Jharkhand	1
5.	Odisha	2
6.	West Bengal	1
7.	Telangana	1
	Total	**45**

2. Our Bank, in its normal course of business, is in the process of making applications for shops and establishments license for material Banking Outlets in the following States:

Sr. No.	State	No. of branches
1.	West Bengal	1
2.	Rajasthan	3
	Total	**4**

VII. Intellectual property

Our Bank has 28 trademark registrations under various classes including 16 and 36 of the Trade Marks Act, 1999, as amended. Further, our Bank has made 56 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 56 applications for registration of trademarks, 10 applications have been objected and 16 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 184 and 51, 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. This 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 Bank has received the in-principle approval from BSE and NSE for the listing of the Equity Shares pursuant to the letters dated [•] and [•], respectively.

Pursuant to RBI In-Principle Approval and RBI Licence, the Equity Shares of our Bank are mandatorily required to be listed within a period of three years from reaching a net worth of ₹5,000 million.

Prohibition by SEBI, RBI or other Governmental Authorities

Our Bank, Promoter, Directors, the persons in control of our Bank and the persons in control of our Promoter are not debarred or prohibited from accessing the capital market or debarred from buying, selling or dealing in securities under any order or direction passed by the Board or any securities market regulator in any other jurisdiction or any other authority/court.

Our Promoter or Directors are not a promoter or director of any other company which is debarred from accessing the capital market by SEBI. None of our Directors are associated with the securities market in any manner and there has been no outstanding action against them initiated by SEBI in the past five years.

Our Bank, Promoter or Directors have not been declared as Wilful Defaulters.

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 Draft 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.

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 Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our Bank's instance and anyone placing reliance on any other source of information, including our Bank's website www.utkarsh.bank, or the respective websites of our Promoter, 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 Bank(s) 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, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds set up and managed by the Department of Posts, GoI, Systemically Important NBFCs registered with the RBI and permitted Non-Residents including FPIs and Eligible NRIs and AIFs that they are eligible under all applicable laws and regulations to purchase the Equity Shares.

This Draft Red Herring Prospectus does not constitute an offer for sale or an invitation to subscribe to Equity Shares offered hereby, in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform him or herself about, and to observe, any such restrictions.

Any dispute arising out of this 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 Draft 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 this Draft Red Herring Prospectus has been filed with SEBI for its observations. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Draft 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 Draft 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 this Draft Red Herring Prospectus has been submitted to BSE. The disclaimer clause as intimated by BSE to our Bank, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus and the Prospectus prior to the RoC filing.

Disclaimer Clause of NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. The disclaimer clause as intimated by NSE to our Bank, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus and the Prospectus prior to the RoC filing.

Listing

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on the Stock Exchanges. Application will be made to the Stock Exchanges for obtaining permission for listing and trading of the Equity Shares. [•] will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

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 the 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, Statutory Auditor, legal counsel to our Bank as to Indian law, legal counsel to the BRLMs as to Indian law, international legal counsel to the BRLMs, Banker to the Bank, the BRLMs, the Registrar to the Issue, in their respective capacities, have been obtained; (b) CRISIL has been obtained; and (c) the Syndicate Members, the Banker(s) to the Issue, to act in their respective capacities, will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus.

Expert to the Issue

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

Our Bank has received written consent dated July 28, 2022 from our Statutory Auditor, Haribhakti & Co. LLP, Chartered Accountants to include their name as required under Section 26(5) of the Companies Act read with SEBI ICDR Regulations in this Draft Red Herring Prospectus as an "expert" as defined under Section 2(38) of the Companies Act to the extent and in its capacity as an independent Statutory Auditor and in respect of its (i) examination report dated April 25, 2022 on our Restated Financial Statements; and (ii) its report dated July 26, 2022, on the statement of possible special tax benefits in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus.

However, the term "expert" shall not be construed to mean an "expert" as defined under the U.S. Securities Act.

Particulars regarding capital issues by our Bank and listed group companies, subsidiaries or associates during the last three years

Other than as disclosed in "*Capital Structure*" beginning on page 79, our Bank has not made any capital issues during the three years preceding the date of this Draft Red Herring Prospectus. Our Group Company is not listed on any stock exchange and our Bank does not have any subsidiary or associate.

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 79, our Bank has not undertaken any rights issue in the five years preceding the date of this Draft Red Herring Prospectus. Our Bank has not undertaken any public issue in the five years preceding the date of this Draft Red Herring Prospectus.

Performance vis-à-vis objects – Public/ rights issue of the listed subsidiaries/listed Promoter of our Bank

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]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1	Star Health and Allied Insurance Company Limited^^	60,186.84	900.00(1)	10-DEC-21	845.00	-14.78%, [+1.72%]	-29.79%, [-6.66%]	-22.21%, [-6.25%]
2	Shriram Properties Limited^^	6,000.00	118.00(2)	20-DEC-21	90.00	-12.42%, [+9.02%]	-33.39%, [+4.05%]	-46.69%, [-7.95%]
3	Metro Brands Limited^	13,675.05	500.00	22-DEC-21	436.00	+21.77%, [+4.45%]	+14.57%, [+0.64%]	+7.93%, [-9.78%]
4	Supriya Lifescience Limited^	7,000.00	274.00	28-DEC-21	425.00	+78.61%, [-0.07%]	+72.12%, [-0.92%]	+20.36%, [-8.93%]
5	AGS Transact Technologies Limited^	6,800.00	175.00	31-JAN-22	176.00	-42.97%, [-3.05%]	-28.63%, [-1.64%]	NA*
6	Adani Wilmar Limited^^	36,000.00	230.00(3)	08-FEB-22	227.00	+48.00%, [-5.34%]	+180.96%, [-4.95%]	NA*
7	Vedant Fashions Limited^^	31,491.95	866.00	16-FEB-22	935.00	+3.99%, [-0.20%]	+14.53%, [-8.54%]	NA*
8	Life Insurance Corporation of India^	2,05,572.31	949.00(4)	17-MAY-22	867.20	-27.24%, [-3.27%]	NA*	NA*
9	Prudent Corporate Advisory Services Limited^	4,282.84	630.00(5)	20-MAY-22	660.00	-20.71%, [-5.46%]	NA*	NA*
10	Paradeep Phosphates Limited^	15,017.31	42.00	27-MAY-22	43.55	-10.24%, [-3.93%]	NA*	NA*

**Data not available.*
^BSE as designated stock exchange
^^NSE as designated stock exchange

(1) Discount of Rs. 80 per equity share offered to eligible employees. All calculations are based on Issue Price of Rs. 900.00 per equity share.
(2) Discount of Rs. 11 per equity share offered to eligible employees. All calculations are based on Issue Price of Rs. 118.00 per equity share.
(3) Discount of Rs. 21 per equity share offered to eligible employees. All calculations are based on Issue Price of Rs. 230.00 per equity share.
(4) 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
(5) 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.

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 - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th 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%
2022-23*	3	2,24,872.46	-	1	2	-	-	-	-	-	-	-	-	-
2021-22	26	7,43,520.19	-	3	6	6	4	7	2	4	5	4	3	5
2020-21	14	1,74,546.09	-	-	5	5	2	2	-	1	3	5	3	2

** 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*

B. Kotak Mahindra Capital Company Limited

1. Price information of past issues handled by Kotak Mahindra Capital Company 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]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	Aether Industries Limited	8,080.44	642	June 03, 2022	706.15	+21.00%[-5.13%]	-	-
2.	Delhivery Limited	52,350.00	493[1]	May 24, 2022	493.00	3.49%[-4.41%]	-	-
3.	Life Insurance Corporation Of India	205,572.31	949[2]	May 17, 2022	867.20	-27.24%[-3.27%]	-	-
4.	Rainbow Children's Medicare Limited	1,580.85	542[3]	May 10, 2022	510.00	-13.84%, [+0.72%]	-	-
5.	Campus Activewear Limited	1399.60	292[4]	May 9, 2022	360.00	+11.92%, [+0.70%]	-	-
6.	Vedant Fashions Limited	31,491.95	866	February 16, 2022	935.00	+3.99%, [-0.20%]	+14.53%,[-8.54%]	-
7.	Adani Wilmar Limited	36,000.00	230[5]	February 8, 2022	227.00	+48.00%, [-5.34%]	+180.96%,[-4.95%]	-
8.	C.E. Info Systems Limited	10,396.06	1,033	December 21, 2021	1,581.00	+70.21%, [+6.71%]	+48.48%, [-67.85%]	21.40% [-8.80%]
9.	Rategain Travel Technologies Limited	13,357.43	425[6]	December 17, 2021	360.00	+11.99%, [+7.48%]	- 31.08%, [-0.06%]	-35.24%[-7.38%]
10.	Star Health And Allied Insurance Company Limited	64,004.39	900[7]	December 10, 2021	845.00	-14.78%, [+1.72%]	- 29.79%, [-6.66%]	-22.21%, [-6.25%]

Source: www.nseindia.com; www.bseindia.com

Notes:

1. *In Delhivery Limited, the issue price to eligible employees was ₹ 468 after a discount of ₹ 25 per equity share*
2. *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*
3. *In Rainbow Children's Medicare Limited, the issue price to eligible employees was ₹ 522 after a discount of ₹ 20 per equity share*
4. *In Campus Activewear Limited, the issue price to eligible employees was ₹ 265 after a discount of ₹ 27 per equity share*
5. *In Adani Wilmar Limited, the issue price to eligible employees was ₹ 209 after a discount of ₹ 21 per equity share*
6. *In Rategain Travel Technologies Limited, the issue price to eligible employees was ₹ 385 after a discount of ₹ 40 per equity share*
7. *In Star Health And Allied Insurance Company Limited, the issue price to eligible employees was ₹ 820 after a discount of ₹ 80 per equity share*
8. *In the event any day falls on a holiday, the price/index of the immediately preceding trading day has been considered.*
9. *The 30th, 90th, 180th calendar days from listed day have been taken as listing day plus 29, 89 and 179 calendar days.*
10. *Designated Stock Exchange as disclosed by the respective Issuer at the time of the issue has been considered for disclosing the price information.*
11. *Restricted to last 10 equity initial public issues.*

2. Summary statement of price information of past issues handled by Kotak Mahindra Capital Company Limited

Financial Year	Total no. of IPOs	Total amount of funds raised (Rs. Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th 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%
2022-23	5	295,807.24	-	1	1	-	-	3	-	-	-	-	-	-
2021-22	19	624,047.99	-	-	5	5	5	4	1	4	2	7	1	2
2020-21	6	140,143.77	-	-	1	2	1	2	-	-	-	4	1	1

Notes:

1. *The information is as on the date of this Draft Red Herring Prospectus.*
2. *The information for each of the financial years is based on issues listed during such financial year.*

Track record of past issues handled by the Book Running Lead Managers

For details regarding the track record of the Book Running Lead Managers, as specified in circular (reference CIR/MIRSD/1/2012) dated January 10, 2012 issued by SEBI, please see the websites of the Book Running Lead Managers, as set forth in the table below:

Sr. No.	Name of the Book Running Lead Manager	Website
1.	I-Sec	www.icicisecurities.com
2.	Kotak	www.investmentbank.kotak.com

Stock Market Data of Equity Shares

This being an initial public offer of our Bank, the Equity Shares are not listed on any stock exchange and accordingly, no stock market data is available for the Equity Shares.

Mechanism for Redressal of Investor Grievances

The Registrar Agreement provides for the retention of records with the Registrar to the 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 Members 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 Bank(s) 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 SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2018/22 dated February 15, 2018 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 the Draft Red Herring Prospectus and there are no outstanding investor complaints as on the date of this Draft Red Herring Prospectus.

Our Bank has appointed 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 72.

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 205.

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

Our Bank has not applied for or received any exemption from complying with any provisions of securities laws from SEBI.

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 the Red Herring Prospectus, the Prospectus, the Abridged Prospectus, Bid cum Application Form, the Revision Form, the CAN/Allotment Advice and other terms and conditions as may be incorporated in the Allotment Advice and other documents/certificates that may be executed in respect of the 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 427.

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 230 and 427, 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 [•] editions of [•], an English national daily newspaper, [•] editions of [•], a Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh, where our Registered and Corporate Office is located) each with wide circulation and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, shall be pre-filled in the Bid cum Application Forms available on the respective websites of the Stock Exchanges.

At any given point of time, there shall be only one denomination for the Equity Shares.

Compliance with Disclosure and Accounting Norms

Our Bank shall comply with all disclosure and accounting norms as specified by the SEBI from time to time.

Rights of the Shareholders

Subject to applicable laws, rules, regulations and guidelines and the AoA, our Shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy, in accordance with the provisions of the Companies

Act and the Banking Regulation Act;

- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and preferential claim being satisfied;
- Right of free transferability, subject to applicable laws including any RBI rules and regulations; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, Banking Regulation Act, the Listing Regulations and the AoA of our Bank and other applicable laws.

For a detailed description of the main provisions of the AoA of our Bank relating to voting rights, dividend, forfeiture and lien, transfer, transmission and/or consolidation/splitting, see "*Description of Equity Shares and Terms of Articles of Association*" beginning on page 427.

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 408.

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)
BID/ ISSUE CLOSES ON	**[•]**(2)

(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

An indicative timetable in respect of the Issue is set out below:

Event	Indicative Date
Bid / Issue Opening Date*	[•]
Bid/ Issue Closing Date**	[•]
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about [•]
Initiation of refunds (if any, for Anchor Investors)/ unblocking of funds from ASBA Account***	On or about [•]
Credit of Equity Shares to demat accounts of Allottees	On or about [•]
Commencement of trading of the Equity Shares on Stock Exchanges	On or about [•]

** Our Bank, in consultation with the Book Running Lead Managers, may consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Issue Opening Date.*

*** Our Bank, in consultation with the Book Running Lead Managers, may decide to close the Bid/Issue Period for QIBs one Working Day prior to the Bid/Issue Closing Date.*

**** 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 read with the SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 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 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. UPI mandate end time shall be [•] on [•].*

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.

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 Draft 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

On the Bid/ Issue Closing Date, the Bids shall be uploaded until:

(i) 4.00 p.m. IST in case of Bids by QIBs and Non-Institutional Bidders, and

(ii) until 5.00 p.m. IST or such extended time as permitted by the Stock Exchanges, in case of Bids by RIBs and Eligible Employees Bidding under the Employee Reservation Portion.

On Bid/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.

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 Draft 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 will be accepted only during Monday to Friday (excluding any public holiday), during the Bid/Issue period. Bids and revisions shall not be accepted on Saturdays and public holidays.

It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by SCSBs or not blocked under the UPI Mechanism in the relevant ASBA Account, as the case may be, would be rejected.

Neither the Bank, nor any member of the Syndicate are liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise; and (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank(s) 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 Members and by intimation to the Designated Intermediaries. In case of revision of Price Band, the Bid Lot shall remain the same.

In case of discrepancy in data entered in the electronic book vis-vis data contained in the Bid cum Application Form for a particular Bidder, the details as per the Bid file received from the Stock Exchanges shall be taken as the final data for the purpose of Allotment.

Minimum Subscription

If our Bank does not receive the minimum subscription in the 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 read with the SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 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 79 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 427.

In accordance with Section 12B of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. For further details, see *"Key Regulations and Policies"* and "*Issue Procedure*" beginning on pages 188 and 408, respectively.

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.

Our Bank in consultation with the BRLMs, may consider a Pre-IPO Placement aggregating up to ₹1,000 million to any person(s), including our Promoter and existing Shareholders, at its discretion. The Pre-IPO Placement will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement, if any, will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Issue size constituting at least [•] % of the post-Issue paid-up Equity Share capital of our Bank.

Upon utilization of proceeds from the Pre-IPO Placement (if any), prior to the completion of the Issue, our Bank will appropriately intimate the Pre-IPO subscribers that there is no guarantee that it may proceed with the Issue or the Issue may be successful and will result in the listing of the Equity Shares of our Bank on the Stock Exchanges. For further details, see "*Risk Factors - The Fresh Issue size may be reduced to the extent of the Pre-IPO Placement being considered by us*" beginning on page 58.

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 Reservation Portion shall not exceed 1% of the post-Issue paid up Equity Share capital of our Bank	Not less than 75% of the Net Issue Size shall be Allotted to QIBs. However, up to 5% of the QIB Portion (excluding Anchor Investor Portion) will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund Portion will be available for allocation to QIBs	Not more than 15% of the Net 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	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

Particulars	Eligible Employees#	QIBs(1)	Non Institutional Bidders	Retail Individual Bidders
			with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price	
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 Employee Reservation Portion, the unsubscribed portion may be Allotted, on a proportionate basis, to Eligible Employees for value exceeding ₹200,000, subject to total Allotment to an Eligible Employee not exceeding ₹500,000.	Proportionate as follows (excluding the Anchor Investor Portion): 1. At least [•] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only; and 2. [•] Equity Shares shall be available for allocation on a proportionate basis to all other QIBs, including Mutual Funds receiving allocation as per 1. above Up to 60% of the QIB Portion Equity Shares may be allocated on a discretionary basis to Anchor Investors of which one-third shall be available for allocation to Mutual Funds only, subject to valid Bid received from Mutual Funds at or above the Anchor Investor Allocation Price.	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 Schedule XIII of the SEBI ICDR Regulations	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 "*Issue Procedure*" beginning on page 408.
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	Such number of Equity Shares and in multiples of [•] Equity Shares so that the Bid Amount does not exceed ₹200,000

Particulars	Eligible Employees#	QIBs(1)	Non Institutional Bidders	Retail Individual Bidders
			Amount exceeds ₹200,000 in value.	
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 individuals, corporate bodies and family offices), VCFs, AIFs, FVCIs registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporation, insurance companies registered with IRDAI, provident funds (subject to applicable law) with minimum corpus of ₹250 million, pension funds with minimum corpus of ₹250 million, National Investment Fund set up by the Government of India, the insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India and Systemically Important NBFCs.	Resident Indian individuals, Eligible NRIs, HUFs (in the name of the *karta*), companies, corporate bodies, scientific institutions societies and trusts, FPIs who are individuals, corporate bodies and family offices.	Resident Indian individuals, Eligible NRIs and HUFs (in the name of *karta*).
Terms of Payment	**In case of Anchor Investors:** Full Bid Amount shall be payable by the Anchor Investors at the time of submission of their Bids(3)			

Particulars	Eligible Employees#	QIBs(1)	Non Institutional Bidders	Retail Individual Bidders
	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 Bank(s) 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			

* *Assuming full subscription in the Issue.*

\# *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 408.*

(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 398.

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 [•]% of the post-Issue Equity Share capital of our Bank.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, every person who intends to make an acquisition /make an agreement for acquisition which will/is likely to take the aggregate holding of such person together with shares/voting rights/compulsorily convertible debentures/bonds held by him, his relatives, associate enterprises and persons acting in concert with him, to five per cent or more of the paid-up share capital of a bank or entitles him to exercise five per cent or more of the total voting rights of a bank, shall seek prior approval of RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder) ("**Other Persons**") aggregate to five per cent or more of the post- 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.

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 Bank(s), 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 Banker(s) 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 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 read with the circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 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 Draft 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 Draft 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 Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids are submitted in accordance with applicable laws and do not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in the Red Herring Prospectus and the Prospectus.

Further, our Bank 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 our post-Issue Equity Share capital 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 will be required to appoint one of the SCSBs as a sponsor bank to act as a conduit between the Stock Exchanges and NPCI in order to facilitate collection of requests and / or payment instructions of the Retail Individual Bidders using the UPI.

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.

ASBA Bidders are also required to ensure that the ASBA Account has sufficient credit balance as an amount equivalent to the full Bid Amount which can be blocked by the SCSBs or the Sponsor Bank(s), as applicable, at the time of submitting the Bid. 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 Bank(s) on a continuous basis to enable the Sponsor Bank(s) 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 Bank(s) on a continuous basis through API integration to enable the Sponsor Bank(s) to initiate UPI Mandate Request to UPI Bidders, for blocking of funds. The Sponsor Bank(s) 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 Bank(s) shall initiate requests for blocking of funds in the ASBA Accounts of relevant Bidders with a confirmation cut-off time of 12:00 pm on the first Working Day after the Bid/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 Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, every person who intends to make an acquisition /make an agreement for acquisition which will/is likely to take the aggregate holding of such person together with shares/voting rights/compulsorily convertible debentures/bonds held by him, his relatives, associate enterprises and persons acting in concert with him, to five per cent or more of the paid-up share capital of a bank or entitles him to exercise five per cent or more of the total voting rights of a bank, shall seek prior approval of RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder) ("**Other Persons**") aggregate to five per cent or more of the post- 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 Members

The BRLMs and the Syndicate Members 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 Members 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 Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

Neither (i) the BRLMs or any associates of the BRLMs (except Mutual Funds sponsored by entities which are associates of the BRLMs or insurance companies promoted by entities which are associate of BRLMs or AIFs sponsored by the entities which are associate of the BRLMs or FPIs, FPIs other than individuals, corporate bodies and family offices sponsored by the entities which are associates of the BRLMs) nor; (ii) any "person related to the Promoter/ Promoter Group" shall apply in the 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 Promoters 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 188.

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 derivate instruments is also required to ensure that any transfer of offshore derivative instrument is made by, or on behalf of it subject to, *inter alia*, the following conditions:

(a) each offshore derivative instruments are transferred to persons subject to fulfilment of SEBI FPI Regulations; and

(b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre-approved by the FPI.

Bids by FPIs submitted under the multiple investment managers structure with the same PAN but with different beneficiary account numbers, Client ID and DP ID may not be treated as multiple Bids.

As specified in 4.1.4.2 (b) and 4.1.4.2 (c)(iv) of the General Information Document, it is hereby clarified that bids received from FPIs bearing the same PAN shall be treated as multiple Bids and are liable to be rejected, except for Bids from FPIs that utilize the multiple investment manager structure in accordance with the Operational Guidelines for Foreign Portfolio Investors and Designated Depository Participants issued to facilitate implementation of SEBI FPI Regulations ("**MIM Structure**"), provided such Bids have been made with different beneficiary account numbers, Client IDs and DP IDs. Accordingly, it should be noted that multiple Bids received from FPIs, who do not utilize the MIM Structure, and bear the same PAN, are liable to be rejected. In order to ensure valid Bids, FPIs making multiple Bids using the same PAN, and with different beneficiary account numbers, Client IDs and DP IDs, are required to provide a confirmation along with each of their Bid cum Application Forms that the relevant FPIs making multiple Bids utilize the MIM Structure and indicate the name of their respective investment managers in such confirmation. In the absence of such confirmation from the relevant FPIs, such multiple Bids are liable to be rejected. Further, in the following cases, the bids by FPIs will not be considered as multiple Bids: involving (i) the MIM Structure and indicating the name of their respective investment managers in such confirmation; (ii) offshore derivative instruments ("**ODI**") which have obtained separate FPI registration for ODI and proprietary derivative investments; (iii) sub funds or separate class of investors with segregated portfolio who obtain separate FPI registration; (iv) FPI registrations granted at investment strategy level/sub fund level where a collective investment scheme or fund has multiple investment strategies/sub-funds with identifiable differences and managed by a single investment manager; (v) multiple branches in different jurisdictions of foreign bank registered as FPIs; (vi) Government and Government related investors registered as Category 1 FPIs; and (vii) Entities registered as collective investment scheme having multiple share classes.

Bids by SEBI registered VCFs, AIFs and FVCIs

The SEBI VCF Regulations as amended, *inter alia*, prescribe the investment restrictions on VCFs, registered with SEBI. The SEBI AIF Regulations prescribe, amongst others, the investment restrictions on AIFs. The SEBI FVCI Regulations prescribe the investment restrictions on FVCIs.

Accordingly, the holding in any company by any individual VCF or FVCIs registered with SEBI should not exceed 25% of the corpus of the VCF of 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 403. 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) Eligible Employees should mention their employee number at the relevant place in the Bid cum Application Form.

(g) Eligible Employees can apply at Cut-off Price.

(h) 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.

(i) 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 408.

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 Master Direction – Ownership in Private Sector Banks, Directions, 2016, see "*Key Regulations and Policies*" beginning on page 188.

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, 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, 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.

The above information is given for the benefit of the Bidders. Our Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any single Bid from them does not exceed the applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus.

In accordance with existing regulations issued by the RBI, OCBs cannot participate in this Issue.

General Instructions

***Do's*:**

1. Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals. All Bidders (other than Anchor Investors) should submit their Bids through the ASBA process only;

2. Ensure that you have Bid within the Price Band;

3. Read all the instructions carefully and complete the Bid cum Application Form, as the case may be, in the prescribed form;

4. Ensure that you (other than Anchor Investors) have mentioned the correct ASBA Account number(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 Members, 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;

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 Bank(s), 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 Bank(s) 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 Bank(s) 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 Bank(s) prior to 12:00 p.m. of the Working Day immediately after 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 Bank(s) 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 72.

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: "[•]"

(b) In case of Non-Resident Anchor Investors: "[•]"

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Bank , 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 [•] editions of [•], an English national daily newspaper, [•] editions of [•], a Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh, where our Registered and Corporate Office is located).

Our Bank shall, in the pre-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 [•] editions of [•], an English national daily newspaper, [•] editions of [•], a Hindi national daily newspaper with a wide circulation in Varanasi (Hindi also being the regional language of Varanasi, Uttar Pradesh, where our Registered and Corporate Office is located).

The above information is given for the benefit of the Bidders. Our Bank and the members of the Syndicate are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders/applicants are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the prescribed limits under applicable laws or regulations.

Signing of the Underwriting Agreement and the RoC Filing

(a) Our Bank 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 Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII: DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

*The Articles have been approved by our Board of Directors pursuant to a resolution passed on January 30, 2021 and by our Shareholders pursuant to a special resolution passed on February 1, 2021. 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.

Subject to the Act and Applicable Law, any Shareholder who along with its Affiliates owns at least nine per cent. or more Shares on a Fully Diluted Basis and employee Shareholders, shall have the right to nominate one (1) Director on the Board. Utkarsh CoreInvest Limited shall have the right to appoint such number of Directors which is one (1) more than the total number of Directors appointed by Shareholders owning more than nine per cent. or more Shares (excluding any Director nominated by Utkarsh CoreInvest Limited as a Shareholder, provided that this right of Utkarsh CoreInvest Limited to appoint such additional Directors shall cease and terminate upon the earlier of: (i) merger of Utkarsh CoreInvest Limited with the Bank; or (ii) Utkarsh CoreInvest Limited ceasing to hold more than forty per cent. (40%) of the Shares.

The total managerial remuneration payable by the Bank to its Directors, including managing Director and whole-time Director and its manager shall be in accordance with the applicable provisions under the Act and the rules thereunder. An individual may be appointed or reappointed as the chairperson of the Bank, in pursuance of these Articles, as well as the managing director or chief executive officer of the Bank at the same time, if the Board deems fit and such appointment is made in accordance with the procedure set out under these Articles and the Applicable Law.

Meetings of Board of Directors

Meetings of the Board shall be properly convened and held at such times and places as may be determined by the Board from time to time subject to Applicable Law, but shall be held at least once every Quarter, in such a manner that not more than one hundred and twenty (120) days shall intervene between two (2) consecutive meetings of the Board.

No meeting of the Board shall be convened on less than seven (7) days' written notice to the Directors, provided that a meeting of the Board may be convened at shorter notice in accordance with the provisions of the Act. The notice, agenda items and other relevant documents shall be provided for consideration of the Board members for each of the Board meeting.

The quorum for any meeting of the Board shall be one-third ($1/3^{rd}$) 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 if granted to him by the Court.

2. Subject to the provisions of the Act and these Articles if the Directors or any of them or any other person shall incur or be about incur any liability whether as principal or surety for the payment of any sum primarily due from the Bank, the Directors may execute any mortgage, charge, or security over or affecting the whole or any part of the assets of the Bank by way of indemnity to secure the Directors or person so becoming liable as aforesaid from any loss in respect of such liability.

PART – B

The Part B of the Articles shall co-exist with Part A until the date of listing of the Equity Shares on the Stock Exchanges. The provisions of Part B shall automatically terminate, without any further action, and cease to be in effect immediately upon the Equity Shares being listed on any Stock Exchange pursuant to the initial public offering of Equity Shares in accordance with applicable law.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following documents and contracts which have been entered or are to be entered into by our Bank (not being contracts entered into in the ordinary course of business carried on by our Bank and includes contracts entered into until the date of this Draft Red Herring Prospectus) which are or may be deemed material will be attached to the copy of the Red Herring Prospectus which will be delivered to the RoC for filing. Copies of the contracts and documents for inspection referred to hereunder, (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://www.utkarsh.bank/ipo-2022-documents from the date of the 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 Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Bank or if required by the other parties, without reference to the our Shareholders, subject to compliance of the provisions contained in the Companies Act and other applicable law.

A. Material Contracts for the 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 [•] entered into between our Bank, the Syndicate Members, the Registrar to the Issue, the Book Running Lead Managers and the Banker(s) to the Issue.

4. Syndicate Agreement dated [•] entered into between our Bank, Book Running Lead Managers, the Syndicate Members and the Registrar to the Issue.

5. Underwriting Agreement dated [•] 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 2022, 2021 and 2020.

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 this Draft Red Herring Prospectus.

7. Consent letter from the Statutory Auditors dated July 28, 2022.

8. The statement of possible special tax benefits of our Bank and its Shareholders dated July 26, 2022 issued by the Statutory Auditors.

9. Examination report dated April 25, 2022 by the Statutory Auditors in relation to the Restated Financial Statements included in this Draft Red Herring Prospectus.

10. Business Transfer Agreement.

11. Promoter SHA.

12. Investment Agreement.

13. RBI In-Principle Approval.

14. RBI Licence

15. 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.

16. 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.

17. 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.

18. 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.

19. Service agreement between our Bank and Utkarsh CoreInvest Limited, our Promoter, dated October 19, 2019.

20. Provisional unaudited financial statements and audited financial statements of Utkarsh CoreInvest Limited as on the closing date.

21. 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.

22. Trademark licence agreement entered into between our Bank and Utkarsh CoreInvest Limited dated December 24, 2020.

23. Trademark licence agreement entered into between our Bank and Utkarsh Welfare Foundation dated December 24, 2020.

24. Consents in writing of our Directors, our Company Secretary and Compliance Officer, legal counsel to the Bank as to Indian law, legal counsel to the BRLMs as to Indian law, international legal counsel to the BRLMs, the Book Running Lead Managers, Banker to the Bank, the Banker(s) to the Issue and the Registrar to the Issue, to act in their respective capacities.

25. Report titled "*Report on Small Finance Banks and various loan products*" dated July 2022 issued by CRISIL and consent letter dated July 27, 2022 from CRISIL.

26. Tripartite agreement dated February 17, 2017 amongst our Bank, NSDL and Registrar to the Issue.

27. Tripartite agreement dated February 14, 2017 amongst our Bank, CDSL and Registrar to the Issue.

28. Due diligence certificate dated July 29, 2022 addressed by the Book Running Lead Managers to SEBI.

29. In-principle approval letters dated [•] and [•] from BSE and NSE, respectively.

30. Final SEBI observation letter no. [•] dated [•].

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Mr. Parveen Kumar Gupta
(*Part time non – executive chairman and Independent Director*)

Place: Mumbai

Date: July 29, 2022

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Mr. Govind Singh
(Managing Director and chief executive officer)

Place: Mumbai

Date: July 29, 2022

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Mr. Kajal Ghose
(*Independent Director*)

Place: Navi Mumbai

Date: July 29, 2022

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Mr. Ajay Kumar Kapur
(Independent Director)

Place: New Delhi

Date: July 29, 2022

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Mr. Chandra Shekhar Thanvi
(Nominee Director)

Place: Lucknow

Date: July 29, 2022

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Ms. Kalpana Prakash Pandey
(Independent Director)

Place: Mumbai

Date: July 29, 2022

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Mr. Nagesh Dinkar Pinge
(Independent Director)

Place: Mumbai

Date: July 29, 2022

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Mr. Muralidharan Rajamani
(Non-executive Director)

Place: Mumbai

Date: July 29, 2022

DECLARATION

We hereby declare that all relevant provisions of the Companies Act and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER

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Mr. Mukund Barsagade
(Chief Financial Officer)

Place: Mumbai

Date: July 29, 2022