



## **About Utkarsh Micro Finance (Core Invest) Unlisted Equity**

**Utkarsh Core Invest Ltd** (formerly Utkarsh Micro Finance Ltd) is the sponsoring institution of "Utkarsh Small Finance Bank". Utkarsh Micro Finance Limited commenced operations in September 2009 to provide financial and non-financial services within its scope to the unbanked people who have the requisite skills but require capital.

**The microfinance business** was converted into a bank and was incorporated on 30th April 2016 and started its journey. The bank applied for a banking license from RBI and subsequently received the final license from RBI on 25th November 2016.

The terms of the license granted to Utkarsh Small Finance Bank Limited to commence small banking operations, among others, provided that the sponsoring company of the small bank (Utkarsh Micro Finance Limited) will be registered as an NBFC – Core Investment Company after transferring its funds and transactions to the bank. The existing operations of the holding company will be conducted as per the terms of the final license. Utkarsh Micro Finance Limited was transferred to “Utkarsh Small Finance Bank” through a Business Transfer Agreement (BTA) at the close of business on 21st January 2017. The bank started operations with five new branches on 23rd January 2017. With effect from 3rd May 2018, the Reserve Bank of India has issued a certificate to convert Utkarsh Micro Finance Limited from an NBFC – MFI – ND-SI to an NBFC – CIC-ND-SI (Non-Deposit Taking – Systemically Important Core Investment Company). The holding company has laid a strong foundation for setting up the bank and has the capacity and capability to understand the needs of the society across this geographical zone. As of close of business on March 31, 2017, the Bank had 5 banking branches, 23 MSME Loan Offices, 3 Housing Loan Offices, and 350 Microfinance Branches. As of March 31, 2019, the Bank has 61 General Banking (GB) branches across 139 districts in 11 states - Bihar, Chhattisgarh, Delhi NCR, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Uttar Pradesh, Uttarakhand and West Bengal and 375 Micro Banking (MB) branches, served by over 6,300 dedicated employees. Currently, Utkarsh Micro Finance Limited is the sole proprietor (holding company) of Utkarsh Small Finance Bank and holds a 99.99% equity stake in Utkarsh Small Finance Bank as of 31st March 2019.

**Services:** Utkarsh Small Finance Bank offers a wide range of banking products and services like Micro, Small and Medium Enterprise (MSME) Loans, Housing Loans (HL), Wholesale Loans, Deposit Accounts (CASA, FD & RD), Insurance, Mutual Funds, Remittances, Institutional, Government and TASC services. Utkarsh also offers a wide range of payment services like Debit Cards, ATMs, POS payments, digital services like internet banking, mobile banking, and payments through NEFT, RTGS, and IMPS.

**Headquarters:** Varanasi, Uttar Pradesh Utkarsh Small Finance Bank has branches across Bihar, Chhattisgarh, Delhi NCR, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Uttar Pradesh, Uttarakhand and West Bengal.

### **Factsheet FY18-19:**

- a)** The Bank has 61 General Banking (GB) and 375 Micro Banking (MB) branches across 139 districts in 11 states across India.
- b)** The Bank reached two milestones of 200,000 Savings Account Customers and 200,000 Active Loan Customers.
- c)** The Bank ended the year with total gross advances of Rs 474 billion and total deposits of Rs 3791 billion.
- d)** The CASA ratio has improved and now stands at over 10% of total deposits.
- e)** The year recorded a Net Interest Income (NII) of Rs. 497.4 crore and an Operating Profit of Rs. 219 crore.
- f)** The bank achieved a PAT of 939 billion.
- g)** The Net NPA ratio of 0.12% truly reflects the bank's robust portfolio.

### **Factsheet for FY 2019-20**

- a)** The year Utkarsh completed an exciting decade-long journey. To celebrate the occasion, Utkarsh Small Finance Bank Limited (USFBL), i.e. a subsidiary of H. Bank, opened 21 banking branches across India on 21 September 2019.
- b)** During the year, the bank expanded its operations by opening 19 branches in Odisha, of which 18 are micro-banking branches, reinforcing its focus on financial inclusion.
- c)** As of March 31, 2020, Utkarsh SFB had assets under management of 660 billion and deposits of 523.5 billion.
- d)** As of March 31, 2020, Utkarsh SFB had 507 bank branches and 177 ATMs across India, with a presence in 173 districts of 17 states and union territories, employing over 8,800 employees.

### **Financial Performance of Utkarsh Core Investments for Financial Year 2019/20**

- 1. Increase in Loan Book:** The loan book increased from Rs 4,668 crore to Rs 6,281 crore in FY 2019-20. The bank has recorded a phenomenal growth of 35% in its loan book.
- 2. Deposit Growth:** It has increased from Rs 3791 Cr to Rs 5235 Cr in FY 2019-20.
- 3. NIM - Net Interest Margin (Interest Received - Interest Expense/Loan Book):** Utkarsh Small Finance Bank's NIM was 11.59% during FY 2019-20. Last year it was 10.68%. An increase in NIM is always positive for banks and indicates that banks' margins on loans are increasing.
- 4. Total NPAs:** Total NPAs have increased from 0.71% to 1.39%. However, this number is quite manageable.
- 5. CRAR - Credit to Risk-Weighted Assets:** CRAR is an important regulatory measure of RBI that banks must adhere to at all times. The minimum requirement for CRAR as per RBI is 15% for Small Finance Banks. Utkarsh Small Finance Bank's CRAR for FY 2019-20 was 24.14%, significantly above the regulatory requirement.

**6. Revenue:** Increased to 1406 Cr in FY 2019-20 as compared to 929 Cr last year. Excellent revenue growth of 51%.

**7. PAT:** Increased to 186 Cr in FY 2019-20 as compared to 93 Cr last year. Excellent revenue growth of 100%. Therefore, UnlistedZone believes that the Bank has delivered an outstanding performance in FY 2019-20.

### **Analysis of Financial Results for FY 2020/21**

**a)** Utkarsh Small Finance Bank achieved a turnover of Rs 172.5 billion for FY 2020-21 as compared to Rs 140.6 billion in FY 2019-20, registering a year-on-year growth of 22.68%. This growth was primarily due to an increase in total loan portfolio and growth in deposits.

**b)** The bank's operating profit stood at Rs 438 crore in 2020-21 as against Rs 350 crore in 2019-20, registering a growth of 25.13% per annum.

**c)** Utkarsh Small Finance Bank has made provisions of Rs 286 crore in 2020-21 as against Rs 100 crore in 2019-20 to cope with the impact of the pandemic, which is an increase of 187.25% per annum. (This is the main issue for small finance banks.)

**d)** Due to the hike in provisions, PAT stood at Rs 111 crore in 2020-21 as against Rs 186.74 crore in 2019-20.

**e)** Return on assets (ROA) for the year ended 31 March 2021 was 1.04% and Return on Net Assets (RoNW) was 9.99%.

**f)** The loan portfolio during the period stood at Rs 8,416 crore across various business lines such as Microbanking, Wholesale Banking, Retail Assets (SME & Personal Loans), Housing Loans, Business Communication, Commercial Equipment & Construction Vehicles. Microfinance portfolio contributed around 82% to the loan portfolio while other business lines contributed around 18%.

**g)** During FY 2020-21, the Bank was successful in opening 16 new microbank branches. The Bank's microfinance loan portfolio grew by 17.82% in FY 2020-21 to Rs 6,899 crore as of March 31, 2021.

### **Microfinance lending is the core business and has been most affected by COVID-19**

**a)** As Utkarsh Small Finance is an NBFC-MFI, microfinance remains the primary business line of the Bank.

**b)** Microfinance lending constitutes 81.98% of the Bank's total loan portfolio as of March 31, 2021. The Bank focuses on financial inclusion of the underprivileged and economically weaker sections of society who have very limited or no access to financial services through microfinance lending. Based on its microcredit mix as of March 31, 2021, the Bank has expanded in JLG loans, personal loans, Swachhta loans, and two-wheeler loans.

c) Bihar and Uttar Pradesh were the core regions for the Bank's microfinance portfolio. Microfinance lending continues to be highly diversified with an average loan size of 27,000 (based on loan outstanding) and tenor ranging from 12 to 24 months. d) As of March 31, 2021, the Bank has over 2.5 million active microfinance lending accounts across 141 districts and 11 states, serving them through 420 microbanking branches.

### Financial Performance of Utkarsh Core Investments FY21-22

1. Revenue increased from Rs. 1,780 crore in FY21 to Rs. 2,094 crore in FY22.
2. EBITDA increased from Rs. 857 crore in FY21 to Rs. 962 crore in FY22.
3. Provision for NPAs increased from Rs 326 crore in FY21 to Rs 438 crore in FY22. This resulted in a decline in profitability.
4. PAT decreased from Rs 111 crore in FY21 to Rs 42 crore in FY22.
5. As of March 31, 2022, the company has a net worth of 841 million shares and 9833 million shares outstanding.
6. Currently available at Rs 170 per share in the private space. So based on this, M.cap is 1600 crores.

### NPA Status of Utkarsh Small Finance Bank

- a) As of 31 March 2022, GNPAS was 6.10% and NNPA was 2.31%.
- b) As on 31 March 2021, GNPAS was 3.75% and NNPA was 1.33%. So due to the impact of COVID-19, NPA levels have gone up significantly. Also, due to the high provision of NPA, PAT has become a loss for the bank.

### Rating and Expected Price Band of Utkarsh Small Finance Bank

Book Value as of 31 March 2022=17.65

So, if we take the P/B of Utkarsh Small Finance Bank at 2 times, then the expected price will be Utkarsh Small Finance Bank 35 per share. Valuation = ~310 billion.

### Fundamentals

Fundamentals			
Utkarsh Micro Finance (Core Invest)	340 Per Equity Share	Market Cap (in cr.)	3296.4
Unlisted Shares Price		P/E Ratio	5.95
Lot Size	500 Shares	P/B Ratio	0.86
52 Week High	380	Debt to Equity	0.71
52 Week Low	160	ROE (%)	14.45
Depository	NSDL & CDSL	Book Value	389.57
PAN Number	AAECS9298K	Face Value	10
ISIN Number	INE39PO1012		

**Financials (Figures in cr)**

<b>P&amp;L Statement</b>			
<b>P&amp;L Statement</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Interest Earned	1670	1961	2723
Other Income	111	134	215
Interest Expended	762	799	1025
Operating Expenses	650	760	956
Provisions and contingencies	333	454	226
PAT	25	62	554
eps	2.56	6.31	56.3
Gross NPA	3.75	6.1	3.23
Net NPA	1.33	2.31	0.39
<b>Financial Ratios</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Advances	7926	9943	13549
Book Value	137.25	157.1	389.57
P/B	1.82	1.59	0.64
ROE (%)	1.87	4.01	14.45

<b>Balance Sheet</b>			
<b>Assets</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Fixed Assets	278	443	516
Cash and Balances	1170	1872	2516
Investment	2370	2328	2796
Advances	7926	9943	13549
Other assestes	305	346	2095
<b>Total Assets</b>	<b>12049</b>	<b>14932</b>	<b>21472</b>
<b>Liabilities</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Share Capital	97.6	98.3	98.4
FV	10	10	10
Reserves	1242	1446	3735
Borrowing	2228	2199	2726
Deposits	7741	10392	14054
Other Liabilities	740.4	796.7	858.6
<b>Total Liabilities</b>	<b>12049</b>	<b>14932</b>	<b>21472</b>



**Cash-Flow Statement**

<b>Cash- Flow Statement</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
PBT (%)	36	81	731
OPBWC	1145	702	1133
Term Deposit	0	0	0
Change in Investment	0	0	0
Change in Advances	-1797	-2473	-3830
Change in Deposit	2262	2561	3661
Other Changes	15	-11	72
Working Capital Change	480	77	-97
Cash Generated From Operations	1625	779	1036
Tax	95	55	84
Cash Flow From Operations	1530	724	952
Purchase of PPE	-63	-131	-59
Sale of PPE	-4013	0.5	0.4
Purchase of Investment	0	-1855	-2978.6
Sale of Investments	2888	1854	2461
Others	348	294.5	132.2
Cash Flow from Investment	-840	163	-444
Proceeds from Borrowing	385	850	550
Repayment of Borrowing	-956	-838	0
Divided	0	0	0
Proceeds from Equity	5.5	4.2	1
Others From Financing	-569.5	-203	-415
Cash Flow from Financing	-1135	-186.8	136
Net Cash Generated	-445	700.2	644
Cash at the Start	1612	1167	1868
Cash at the End	1167	1867.2	2512

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