Utkarsh Small Finance Bank

January 17, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
NCD Programme	31.00	Nil	[ICRA]A-(Stable); withdrawn
NCD Programme	117.00	117.00	[ICRA]A-(Stable); outstanding
Total	**148.00**	**117.00**	

*Instrument details in Annexure-3

Rating action

ICRA has withdrawn the rating of [ICRA]A- (pronounced ICRA A minus) with a 'Stable' outlook outstanding on the Rs. 31.00 crore NCD programme of Utkarsh Small Finance Bank. ICRA has an outstanding rating of [ICRA]A-(Stable) on Rs. 117.00 crore NCD programme of the company.

Rationale

The rating has been withdrawn at the request of the company as no amount is outstanding against the withdrawn instruments.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:

Rating Methodology for Non-Banking Finance Companies

Rating Methodology for Banks

About the company:

Incorporated in 2009, Utkarsh Micro Finance Limited received the final Small Finance Bank (SFB) licence from the Reserve Bank of India in November 2016 and completed its conversion process in January 2017. The bank is promoted by Mr. Govind Singh, who was earlier the business head of micro-banking at ICICI Bank. The bank operated in 10 states through 400 branches in 110 districts with the largest states being Uttar Pradesh and Bihar, which together accounted for 72% of the portfolio. The bank offers loans in the microfinance, MSME and the affordable housing segment. USFB had a portfolio of Rs. 2,089 crore as on September 30, 2017 with 94% of the portfolio comprising microfinance loans. As for liabilities, USFB had deposits of Rs. 581 crore as on September 30, 2017 with fixed deposits accounting for 97%. Asset quality indicators declined, post demonetisation and the bank had a 0+ and 90+ of 15% and 10% respectively. The bank is expected to come out with an IPO in FY2022.

USFB reported a profit after tax (PAT) of Rs. 34.4 crore on a managed asset base of Rs. 2,671 crore in FY2017 vis-à-vis a PAT of Rs. 36.8 crore on a managed asset base of Rs. 1,770 crore in FY2016. The bank reported a loss of Rs 30.0 crore on a managed asset base of 3,123 crore in H1 FY2018.

Key financial indicators (audited)

	FY 2016	FY 2017
Net Interest Income	123.35	214.23
Profit before Tax	61.11	52.90
Profit after Tax	36.81	34.36
Net Advances	1185.45	1589.91
Total Assets	1538.79	2651.19
% Tier 1	14.4%	17.15%
% CRAR	20.7%	25.87%
Gearing	4.88	2.86
% Net Profit / Average Managed Assets	2.6%	1.5%
% Return on Net Worth	15.80%	7.40%
% Gross NPA	0.17%	0.00%
% Net NPA	0.05%	0.00%
Net NPA / Net Worth	0.23%	0.00%

Amounts in Rs. crore
Source: ICRA Research and company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating January 2018	Date & Rating in FY2018 December 2017	Date & Rating in FY2017 -	Date & Rating in FY2016 -
1	NCD	Long Term	117.00	117.00	[ICRA]A- (Stable);	[ICRA]A- (Stable);	-	-
2	NCD	Long Term	31.00	0.00	[ICRA]A- (Stable); withdrawn	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure I: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE396P07035	NCD programme	10-Dec-2013	14.80%	13-Nov-2017	31.00	[ICRA]A-(Stable); withdrawn
INE396P07100	NCD programme	26-Feb-16	13.30%	24-Feb-21	67.00	[ICRA]A- (Stable);
INE396P07092	NCD programme	27-Nov-15	13.90%	27-Nov-21	50.00	[ICRA]A- (Stable);

Source: Utkarsh Small Finance Bank

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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For more information, visit www.icra.in

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