

April 02, 2025

Utkarsh Small Finance Bank Limited: Update on material event

Summary of rating(s) outstanding

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating outstanding |
|-------------------------|--------------------------------------|-------------------------------------|--------------------|
| Subordinated debt | 200.0 | 200.0 | [ICRA]A+ (Stable) |
| Subordinated debt | 200.0 | 200.0 | [ICRA]A+ (Stable) |
| Certificates of deposit | 1,000.0 | 1,000.0 | [ICRA]A1+ |
| Total | 1,400.0 | 1,400.0 | |

*Instrument details are provided in Annexure I

Rationale

Vide its intimation to ICRA dated March 28, 2025, Utkarsh Small Finance Bank (Utkarsh) has informed that the scheduled quarterly interest payment aggregating Rs. 4,882¹, towards subordinated debt bearing ISIN INE735W08053, could not be remitted to an investor as his bank account is dormant. However, ICRA notes that the entire unpaid amount was credited to a separate escrow account maintained with a scheduled commercial bank before the due date, i.e. March 28, 2025.

Utkarsh had sufficient liquidity in the form of a cash and bank balance as on March 28, 2025 and inability to make the payment to the investor concerned neither reflects its lack of ability nor its willingness to service the debt obligations. This was because of reasons beyond Utkarsh's control as the bank account of the investor is dormant despite making efforts to approach him independently and through the Registrar and Transfer Agent (RTA).

Given that the bank's fundamental credit profile remains intact and the unpaid amount had been transferred to a separate escrow account on the due date itself, the ratings remain unchanged, in accordance with ICRA's Policy on Default Recognition.

The table below includes the details of the instrument concerned:

| Name of security | ISIN | Total amount to be paid (Rs. lakh) | Due date of payment | Amount of payment made (Rs. lakh) | Amount of payment failed (Rs. lakh) | Reasons for failure of payment | Date when the amount corresponding to the failed payment was transferred to a separate escrow account |
|-------------------|--------------|---------------------------------------|---------------------|--------------------------------------|--|--------------------------------|---|
| Subordinated debt | INE735W08053 | 488.37 ¹ | March 28, 2025 | 488.32 ¹ | 0.05 ¹ | Dormant account | Mar 28, 2025* |

* As per the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/160 dated November 18, 2024, Rs. 0.05 lakh has been deposited in an escrow account designated for coupon payments

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, and rating sensitivities: [Click here](#)

¹ Net of tax deducted at source (TDS)

Analytical approach

| Analytical approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | ICRA's credit rating methodology for banks and financial institutions Policy on default recognition |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | Standalone |

About the bank

Incorporated in 2009, Utkarsh Micro Finance Limited received a small finance bank (SFB) licence from the Reserve Bank of India (RBI) in November 2016 and completed the conversion to an SFB in January 2017. The bank is headed by Mr. Govind Singh, who was earlier the business head of micro-banking at ICICI Bank Limited. Operating in 26 states/Union Territories (UTs) as on December 31, 2024, Utkarsh offers deposits, micro-banking loans, micro, small and medium enterprise (MSME) loans, affordable housing loans and corporate loans, among other products. It had a portfolio of Rs. 19,057 crore, as on December 31, 2024, with micro-banking loans (including micro-banking loans sourced by business correspondents) comprising 53% (62% as on March 31, 2024) of the same. As for liabilities, the bank had a deposit base of Rs. 20,172 crore as on December 31, 2024 (Rs. 17,473 crore as on March 31, 2024), with term deposits accounting for 80% (80% as on March 31, 2024).

Key financial indicators (audited)

| Utkarsh Small Finance Bank Limited | FY2023 | FY2024 | 9M FY2025 |
|------------------------------------|--------|--------|-----------|
| Total income | 2,804 | 3,579 | 3,198 |
| PAT | 405 | 498 | 21 |
| Total assets | 19,118 | 23,903 | 26,607 |
| CET I | 18.3% | 21.0% | 17.9% |
| CRAR | 20.6% | 22.6% | 21.1% |
| PAT/ATA | 2.4% | 2.3% | 0.1% |
| Gross NPAs | 3.2% | 2.5% | 6.2% |
| Net NPAs | 0.4% | 0.03% | 2.5% |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
Note: Total assets exclude revaluation reserves

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| | Instrument | Current rating (FY2026) | | | Chronology of rating history for the past 3 years | | | |
|---|-----------------------------|-------------------------|--------------------------|-------------------------|---|-------------------|-------------------------|-------------------------|
| | | Type | Amount rated (Rs. crore) | Date & rating in FY2026 | Date & rating in FY2025 | | Date & rating in FY2024 | Date & rating in FY2023 |
| | | | | Apr 02, 2025 | Jun 06, 2024 | Apr 1, 2024 | Apr 13, 2023 | Jun 28, 2022 |
| 1 | Subordinated debt programme | Long term | 200.00 | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A (Positive) |

| | Instrument | Current rating (FY2026) | | | Chronology of rating history for the past 3 years | | | |
|---|-----------------------------------|-------------------------|--------------------------|-------------------------|---|-------------|-------------------------|-------------------------|
| | | Type | Amount rated (Rs. crore) | Date & rating in FY2026 | Date & rating in FY2025 | | Date & rating in FY2024 | Date & rating in FY2023 |
| | | | | Apr 02, 2025 | Jun 06, 2024 | Apr 1, 2024 | Apr 13, 2023 | Jun 28, 2022 |
| 2 | Certificates of deposit programme | Short term | 1,000.00 | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |
| 3 | Subordinated debt programme | Long term | 200.00 | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|-----------------------------------|----------------------|
| Subordinated debt programme | Simple |
| Certificates of deposit programme | Very Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

| ISIN | Instrument name | Date of issuance | Coupon rate | Maturity | Amount rated (Rs. crore) | Current rating and outlook |
|------------------|-------------------------|------------------|-------------|-------------|--------------------------|----------------------------|
| INE735W08038 | Subordinated debt | Jun-26-2020 | 12.50% | Jun-26-2027 | 195.00 | [ICRA]A+ (Stable) |
| Yet to be issued | Subordinated debt | NA | NA | NA | 5.00 | [ICRA]A+ (Stable) |
| INE735W08053 | Subordinated debt | Jun-28-2024 | 11.00% | Jun-28-2031 | 200.00 | [ICRA]A+ (Stable) |
| INE735W16635 | Certificates of deposit | Oct-29-2024 | 8.50% | Oct-29-2025 | 50.00 | [ICRA]A1+ |
| INE735W16635 | Certificates of deposit | Nov-05-2024 | 8.50% | Oct-29-2025 | 25.00 | [ICRA]A1+ |
| INE735W16635 | Certificates of deposit | Nov-06-2024 | 8.50% | Oct-29-2025 | 25.00 | [ICRA]A1+ |
| INE735W16643 | Certificates of deposit | Nov-11-2024 | 8.50% | Nov-11-2025 | 50.00 | [ICRA]A1+ |
| INE735W16650 | Certificates of deposit | Dec-30-2024 | 8.00% | Sep-18-2025 | 30.00 | [ICRA]A1+ |
| INE735W16643 | Certificates of deposit | Mar-05-2025 | 8.15% | Nov-11-2025 | 35.00 | [ICRA]A1+ |
| INE735W16668 | Certificates of deposit | Mar-21-2025 | 8.05% | Jun-20-2025 | 50.00 | [ICRA]A1+ |
| INE735W16676 | Certificates of deposit | Mar-26-2025 | 8.32% | Dec-08-2025 | 35.00 | [ICRA]A1+ |
| Yet to be issued | Certificates of deposit | NA | NA | 7-365 days | 700.00 | [ICRA]A1+ |

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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