

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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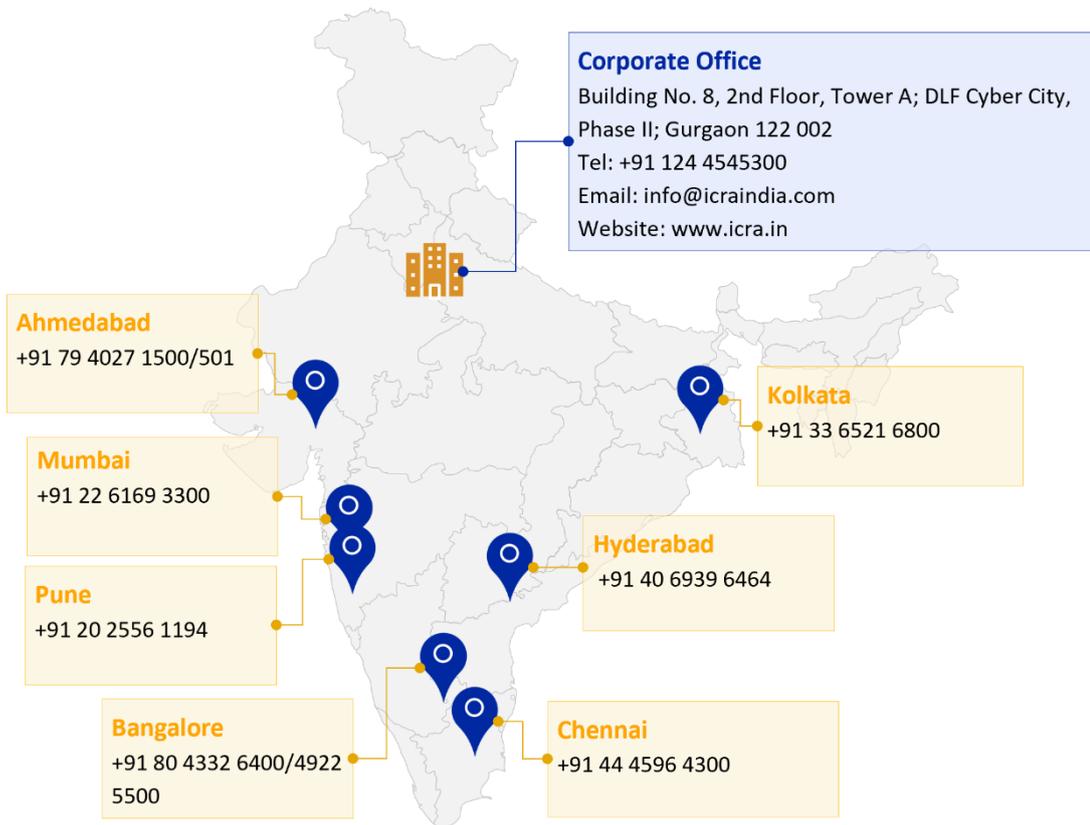
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